The Irish agri-food sector is most exposed to Brexit, with no positive outcome for agriculture. Average farm income in 2017 was approximately €31,000, falling significantly behind industry averages in other sectors. This is not set to change in 2018, which has proven to be a particularly challenging year for Irish farming due to extreme weather events. Budget 2019 provides an opportunity for the Government to give direct and positive support to farming enterprises.

The IFA proposals call on the Government to tackle low farm incomes if we are to achieve Food Wise 2025 ambitious targets of €19bn in exports for the agri-food sector, while also supporting wider economic activity in rural communities. The IFA expenditure and taxation priorities for Budget 2019 are as follows:

- Targeted payment of €200 per suckler cow and an additional sheep payment of €5 per ewe.
- Increased ANC funding of €73m to reverse cuts since 2009 and restore the real value of payments.
- €250m for agri-environmental schemes.
- Provision of low cost loans to support both ongoing working capital requirements and for on-farm investment.
- Funding to meet the Government commitment to introduce a three-year cap on the inclusion of productive assets under the Fair Deal Scheme.
- Measures to encourage the use of renewable energy.
- Earned Income Tax Credit must be increased from its 2018 level of €1,150 to €1,650.
- Maintenance of a number of taxation measures that encourage farm transfer.
- Increased allocation of funding for the Walks Scheme.
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IFA President Joe Healy discussing the challenges facing farmers with An Taoiseach Leo Varadkar and Minister for Agriculture, Food and the Marine Michael Creed.
Introduction and Overview

While the overall economic outlook for 2018 is positive, with falling levels of unemployment and increased growth, the Irish farming sector is facing one of the most challenging times given the impending exit of the UK, our biggest trading partner, from the European Union.

Continued investment uncertainty and pressure on competitiveness remain significant challenges for the sector arising from the possibility of a hard Brexit. This would cause significant market disturbance for Irish agriculture from tariff and non-tariff barriers, with price shocks expected and income reductions forecasted. Uncertainty from proposed cuts to the EU CAP budget is a further concern for farmers.

Internationally, political uncertainty and a growing sentiment towards a protectionist approach to policy is not positive for a small open economy like Ireland. As the Euro area shows a slow-down in Q1 of 2018, international market development activities are necessary, with a positive outlook in Asian markets\(^1\). The environmental challenge for agriculture is significant. Farmers need to be supported in their efforts through farm schemes such as GLAS to mitigate climate challenges, with opportunities in the renewables sector, at farm and community level.

Nationally

The Irish agri-food sector is our largest indigenous sector, accounting for 7.8% of Gross National Income. It continues to deliver significant employment and export growth. Direct employment in the sector is \((8.6\%) 173,400\(^2\), generating 7% of gross value-added (€13.9bn) of exports\(^3\).

The size of the agricultural multiplier\(^4\) has a significant positive impact on the value of agriculture to national economic output and contributes positively to regional development. The agri-food sector has strong linkages up and down the supply chain, with 74% of raw materials and services sourced from Irish suppliers\(^3\) and significantly lower profit repatriation outflow than in other sectors\(^5\).

Farm Incomes

In 2017, the Teagasc National Farm Survey indicate average farm income was just over €31,000. Over the past five years income has averaged €26,720, primarily driven by the dairy sector, with incomes on drystock farms significantly lower, averaging €14,141 over the same period\(^6\). In terms of sectoral performance viability, Figure 1 classifies farms into three categories, those that are sustainable, viable and vulnerable in each sector. Data reiterates the income issue in the drystock sector with approximately 40% of farms classified as vulnerable. The regional viability of Irish farms reflects a greater level of vulnerable farms at 35% in the North West region. This likely correlates with the number of drystock farms in the region.

Low incomes are not unique to Irish farms. Figure 2 depicts the gap between average gross wages in the economy with average farm income across Europe. The bars highlight farmer incomes with and without CAP supports. It is clear that there is a significantly large gap between these two indicators from the Irish data.

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6. Teagasc National Farm Survey.
These supports are a vital safety net for farm incomes and ensure agricultural activity in all land areas across Ireland. Such supports need to remain strong until the market can adequately remunerate farmers for the goods and services they provide.

In addition, income volatility, through product price, input cost or weather-related disturbances provide an ongoing challenge to farm viability. Farm viability needs to be a key strategic goal underpinning the achievement of the Food Wise 2025 targets.
1. Expenditure Measures to support Farm Enterprises

1.1 Supporting Farm Incomes

1.1.1 Suckler cow scheme
The suckler cow herd is the backbone of Ireland’s beef and livestock sector worth up to €3bn, providing top quality beef to make Ireland the fifth largest beef exporter in the world. Globally the market for beef is predicted to grow7 and in 2017, Irish beef exports grew by 5% to €2.5bn, with total production rising to 615,000t8. However, at farm level the suckler herd is under immense pressure, with falling cow numbers, down 12.3% from 2012 to 2016 and very low farm incomes. The Teagasc National Farm Survey shows average suckler incomes of €12,680 for 2017, with a five-year average of €11,553 approximately.

Economic Research by UCD shows that every €1 invested in supports for the beef sector underpins €4.28 in terms of economic output. The suckler cow herd and the beef sector delivers substantial economic and social benefits in every single rural parish in Ireland, with over 300,000 people employed directly and indirectly in the agriculture sector.

In order to stabilise numbers and improve beef farm incomes, IFA proposes a targeted payment of €200 per suckler cow, structured under environmental and animal welfare measures in the CAP Rural Development Programme and financed predominately from national resources and savings from existing RDP schemes. Based on payments to about 50,000 suckler farmers with 900,000 cows, the scheme would require funding of €180m pa.

1.1.2 Areas of Natural Constraints (ANCs)
The additional allocation of €25m to the ANC scheme in Budget 2018, partly reverses the cuts that arose in 2009. The allocation to ANCs with new payment rates is worth €227m to farmers. However, it is vitally important that the allocation to the ANCs is increased further in 2019 and that account is taken of the ANC review of areas, which will be implemented in 2019.

IFA proposes that funding for the ANCs is increased by a further €73m to bring the total budget for the scheme to €300m. This increase will reverse cuts that took place from 2009 onwards, take account of inflation in the intervening period and cater for new payment rates under the review of ANC areas, which will be implemented next year.

1.1.3 Sheep Welfare Scheme
Sheep farming is a very low-income sector and provides both economic and non-market benefits, such as essential land management and ecosystems services, mainly in upland and hill areas, which have limited alternative land use options.

The Sheep Welfare Scheme (SWS) is proving to be a successful measure for the sheep sector, addressing welfare issues and helping to tackle the low-income problem in the sector. The total budget allocated under the SWS was €25m and only €19m was drawn down in 2017/2018.

IFA proposes the introduction of an additional targeted environmental measure for the sheep sector under the RDP programme, which would provide a payment worth €5 per ewe, financed from the underspend of €6m in the Sheep Welfare Scheme and an additional €4m of national funding. Total cost €10m pa.

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8 Bord Bia (2018), Export Performance Prospects
1.1.4 Fair Deal scheme – means assessment of farm assets
The uncapped liability on farm assets under the Fair Deal Scheme is a major cause of anxiety for farm families as it undermines the viability of the family farm business, particularly for low-income farm families. The Government must honour its commitment to remove the discrimination against farming and other small business assets and introduce a cap on productive assets under the scheme.

In Budget 2019, Government must provide additional funding in order to make good on its commitment to introduce a three-year cap on the inclusion of productive assets under the financial assessment in the Nursing Home Support Scheme.

1.1.5 Farm Assist
Farm Assist is a vitally important scheme for low-income farm families, allowing them to continue in production in difficult times.

IFA proposes that, in the means test for Farm Assist, the depreciation rate for farm equipment and machinery should be increased to a standard rate of 10% to more accurately reflect the useful life of these assets.

1.1.6 Contributory Pension
The contributory pension is a hugely important source of income support upon retirement for self-employed workers, particularly those at lower income levels. The exclusion of farmers in receipt of Farm Assist from making PRSI contributions prior to 2007 has resulted in these farmers receiving lower pension payment rates.

IFA proposes that, where a farmer was ineligible to make PRSI contributions prior to 2007 due to being in receipt of Farm Assist, these years should be disregarded in calculating their average number of contributions.

A separate, but related issue, which has resulted in lower pension levels being attained by family members that paid Class K when they were employed or assisted in the running of the farm business but contributions are not reckonable when calculating pension payment rate.

IFA proposes that farmers that paid Class K contributions when employed or assisting on the family farm are not disadvantaged and these years should be disregarded in calculating yearly average pension payment rate.

1.1.7 Social Welfare payments
In many peripheral areas, the only employment available to low-income farmers is seasonal, such as fishing and tourism-related employment. The qualifying criteria to access social welfare payments, such as Farm Assist and Unemployment Benefit, make it virtually impossible for workers who have a subsidiary income, such as farming.

The current subsidiary income threshold (farming), of €12.70/day has not changed since 1997. Most farmers income is greater than this through a combination of farming and direct payments etc. In the case of Farm Assist, farmers who are in seasonal employment, lose their eligibility and have to re-apply for Farm Assist when the seasonal work ends. The inflexible social protection rules are often a disincentive to farmers taking up seasonal work.

IFA proposes that the subsidiary income threshold is increased significantly. This will allow farmers to take on seasonal work, with eligibility for social welfare benefits being maintained when the part-time work ends.

In the case of Farm Assist, farmers who take on seasonal work, should automatically return on to Farm Assist when the seasonal work ends, without having to re-apply.
1.1.8 National Roads Agreement
The National Development Plan announced earlier this year envisages almost €6 billion being spent on national road schemes. This will lead to considerable upheaval for farm families impacted as their farms are carved up to facilitate development of the national road network. During the recession when national roads construction had ceased, the €5,000 per acre flexibility payment was removed and subsequently restored at a rate of €3,000 per acre. The €5,000 per acre must be reinstated.

*IFA proposes that equity is restored and that farmers impacted by national road developments under the new National Development Plan receive a flexibility payment of €5,000 per acre.*

1.2 Competitiveness

1.2.1 Low cost loans
Access to credit at a competitive rate is critically important to support farm investment and improve efficiency. There is an ongoing market failure within the Irish banking system, which is placing Irish farmers at a competitive disadvantage to their EU counterparts. The lack of competition between the financial institutions, and the legacy of historical banking losses is resulting in higher interest rates being charged on new lending.

The high demand for the Agri-Cashflow Loan scheme in 2017 clearly demonstrated the need for competitively priced working capital on farms. The delay in the provision of the loan for 2018 has caused frustration, especially due to the financial pressures caused by the extended winter and the summer drought.

*IFA proposes that:*
- *The Government must implement the Budget 2018 commitment of €25m immediately.*
- *Further funding in Budget 2019 is provided to support the competitiveness of farming enterprises and other SMEs through the provision of low cost loans, to fund both ongoing working capital requirements and for on-farm investment.*

1.2.2 Supporting SMEs through Brexit – structural and adjustment support
IFA recognises the increased funding to state agencies to support exports on the UK market and the diversification of products into new markets. However, the volatility of the euro-sterling exchange rate during the negotiations presents a clear threat to the competitiveness of Irish exports, with the potential to undermine the viability of small businesses.

Furthermore, any long-term changes to the trading relationship between the EU and the UK that reduce access and increase barriers to trade, will have a negative impact on income and employment in exposed sectors if trade flows are disrupted and the value of exports are reduced.

*IFA proposes direct support for farmers/small businesses must be made available in the event that sterling further depreciates during exit discussions, impacting negatively on incomes and livelihoods. The EU must make available structural and adjustment funding to small businesses that are negatively impacted due to changes in the relationship that is negotiated between the EU and the UK.*

1.2.3 Producer Organisations (POs)
Recognition of POs across all sectors was provided for in the CAP reform 2014-2020, with a specific measure to support the setup of producer groups and organisations included in the Rural Development regulations. Under the RDP, the DAFM has provided for a small level of support to cover some of the legal and advisory costs of facilitators associated with the establishment of POs, up to a maximum of €3,000.
To support a strong initiative for POs in tackling the imbalance of power in the food and forestry supply chain, as well as competition issues, it is necessary that the DAFM provide backing to cover some of the ongoing running costs of POs. In addition, the DAFM initiative to establish new POs within the horticulture sector should be supported.

*IFA propose funding is provided to assist farmers with the ongoing running costs of POs and extending establishment aid in certain sectors.*

1.2.4 Knowledge Transfer (KT)
With the current KT programme having a lower annual cost than previously anticipated, it is important that the programme is opened for additional farmers and new entrants. The KT programme, where possible, should facilitate POs to develop and provide training to support the needs of members to improve efficiencies and develop new business opportunities.

To support increased participation by farmers and POs in KT programmes across all sectors, *IFA is proposing funding of €25m.*

1.2.5 Animal health
Maintaining the current animal health and welfare standards on Irish farms is vital to remain competitive and meet with specifications and standards of our national and international customers. The wider societal benefits are clear however, the financial burden of delivering this is disproportionately falling on the farmer, which is unacceptable.

The TB programme, which has delivered significant reductions in the levels of TB nationally and savings to the exchequer, continues to impose increasing cost burdens on farmers. The review of the TB eradication programme must rebalance this.

Antimicrobial resistance (AMR) is a new challenge, which society is attempting to resolve by reducing the dependence on antibiotics. Farmers are and will continue to play their part, but government must support the challenges they face by ensuring all of the necessary tools are provided. This includes independent, trusted diagnostics and investigations for issues as they arise on farms, as well as competitively priced and accessible preventative medicines and treatments for farm animals.

Non-statutory disease control/eradication programmes have been adopted at significant cost to farmers. These programmes reduce dependence on and usage of antibiotics, by improving the health status of the national herd.

The Early Warning System (EWS), is based on the goodwill and commitment of farmers to resolve critical farming issues. This is not a sustainable or appropriate and requires a dedicated budget allocation.

*The following financial and structural support measures required for Animal Health are:*
- *Increased funding for the TB Eradication Scheme to compensate farmers in full for the necessary controls to achieve TB eradication.*
- *A funded Wildlife Control Programme staffed to facilitate increased capture activity in recognised TB problem areas – to include wildlife issues prior to major infrastructural works and deforestation and a targeted deer Management Programme.*
- *Funding to ensure Regional Veterinary Laboratories are equipped with staff, resources and facilities to deliver enhanced services to farmers on the six strategically located sites.*
- *Appropriate veterinary staff numbers must be provided in all RVOs.*
- *Direct financial support for lower level national monitoring required in the final phase of the BVD programme.*
- *Funding to support a credible, targeted Johnes control programme.*
- *Funding for a Department of Agriculture administered National IBR programme.*
- *Dedicated budget for the EWS.*
1.3 Agri-Environment, Climate and Renewables

1.3.1 Agri-Environment Schemes

Farmers are fully committed to improving the environmental and economic sustainability of their farming enterprises, and, over many years have participated in agri-environment schemes, which have contributed to the enhancement of the environment and increased the amenity value of the countryside. An important programme within the current Rural Development programme is the Green Low-Carbon Agri-Environment Scheme (GLAS), in which up to 48,000 farmers are now participating in. The numbers in the scheme are slightly lower because of issues that have emerged in farmer applications.

The GLAS Scheme must be re-opened for all farmers who are currently denied entry. In addition, all farmers must be paid in a calendar year. To facilitate this, a funding allocation of €250m for all environmental and locally led schemes, including the Burren, Hen Harrier and Organic Schemes, is required in Budget 2019.

1.3.2 Smart Farming

IFA leads a voluntary climate initiative called Smart Farming with the Environmental Protection Agency, which aims to address the dual challenges of improving farm incomes while reducing the environmental impact. In 2017, the average cost savings identified by participating farmers was €8,700, with average emissions reductions of 10%.

IFA proposes the expansion and development of the Smart Farming Programme, as recommended by the Joint Oireachtas Committee on Agriculture, Food and the Marine in their July 2018 Climate Change and Sustainability in the Agriculture and Food Sectors report.

1.3.3 Farm Forestry

The forestry sector has a central role to play in achieving Ireland’s climate change and renewable energy targets. Despite the strong demand for wood and wood products, the afforestation programme is in decline and mobilisation targets are not being achieved.

Approximated growth in the private forest sector is to increase from 3.1m m³ in 2017 to 7.9 m m³ by 2035. Almost all of this is expected to come from farm forests. New measures are needed to reverse the decline, as set out in IFA’s Five-Point Plan, while ensuring a balanced regional spread of forestry is achieved. A major deterrent to farmers in mobilising timber is the payment of an existing road bond required by some Local Authorities.

IFA proposes:

- A payment for EcoSystem Services⁹, to encourage the planning of more broadleaf woodlands which would reward farmers for the range of eco-systems services provided. This payment would also provide an income beyond the fifteen-year forest premium, until there is an economic return from the timber.
- An investment grant to support the purchase of specialised harvesting and processing equipment, for small-scale private forests.
- A timber transport scheme to provide additional funding to Local Authorities. This would facilitate the sustainable transport of timber in rural areas and eliminate the existing bond payment for the transport of timber on public roads to Local Authorities by farmers.

1.3.4 Designated Areas Payments

Payments through the National Parks and Wildlife Service (NPWS) for land under SACs and SPAs must be increased through the Farm Plan Scheme to meet the costs of restriction imposed and to provide adequate compensation to farmers whose incomes and livelihoods have been negatively affected by designation.

IFA proposes that additional funding of €10m must be allocated to the NPWS in Budget 2019 to pay farmers where restrictions to farming result from the designation of land.

1.3.5 Support Scheme Renewable Heat (SSRH)
One of the main barriers to widespread use of renewable heat at farm level is the cost of installation coupled with the uncertainty around price and the process. Long-term support tariffs are required to stimulate development of the renewable heat sector. A properly targeted and resourced SSRH is essential to reduce dependency on imported fossil fuels for heating and create sufficient scale in the renewable heat market to move towards achieving our EU 2020 heat targets.

**IFA proposes that the SSRH is adequately funded in Budget 2019, to create sufficient scale in the market to achieve the targets and avoid costly penalties.**

1.3.6 Accelerated capital allowances for emission efficient equipment.
IFA believes that investment in emission efficient farm equipment should be incentivised, similar to the incentive applying under the SEAI Accelerated Capital Allowance scheme for energy efficient equipment. Increased investment in emission efficient equipment should be encouraged as part of the comprehensive response of the Irish agriculture sector to contributing to meet the COP 2030 climate change targets.

**IFA proposes that farm equipment which contributes to increased emission efficiency should qualify for accelerated capital allowances. This would be provided through an enhanced SEAI Accelerated Capital Allowance Scheme, or through a parallel scheme, which would operate under the same structures – i.e. 100% capital allowances for investment in equipment that is independently certified and listed by a qualifying authority.**

1.3.7 Renewable Electricity Support Scheme (RESS)
Ireland currently faces the considerable climate and renewables compliance challenges of reducing national greenhouse gas emissions by 20%, while producing 16% of our energy requirements from renewable sources, by 2020.

The delivery of these obligations is not assisted by escalating greenhouse gas emissions from the transport sector, which have increased by 139% since 1990 and an overall increase in national greenhouse gas emissions by 11%. During the same period agriculture’s emissions have fallen by 2%. Legislation should be introduced which puts communities at the centre of future energy development.

**IFA proposes that a robust climate and renewables activation programme be introduced, which includes:**
- A generation and export electricity tariff for community based, farm-scale and micro renewable projects. This is part of IFA’s policy for a €100m prosumer strategy, which ring-fences 20% of the electricity levy paid annually, by consumers in their electricity bills, to encourage homeowners and farm families to replace their fossil fuels with renewables sources, such as roof-top solar and micro energy.

1.3.8 Home Renovation Incentive (HRI)
Ireland currently faces the considerable climate and renewables compliance challenges of reducing national greenhouse gas emissions by 20%, while producing 16% of our energy requirements from renewable sources, by 2020. Qualifying works under the HRI are currently generally restricted to insulation and trades such as plastering and painting.

**IFA proposes that confirmation of qualifying works under the HRI includes renewables technologies such as solar, heat pumps, micro wind and battery storage.**
1.3.9 Bioeconomy Supply Chain Development

The development of regional Biomass Trade and Logistics Centres (BTLC) that improve efficiency of production, optimise mobilisation and create end user confidence in the supply chain, must be a key priority in the Budget 2019. Farmers must be supported to enable different biomass fuels to be collectively marketed at a guaranteed quality and price.

**IFA proposes that funding and tax incentives, including 100% Capital Allowances, be introduced to support farmers to invest in essential infrastructure, such as specialised machinery, storage and drying units to establish quality biomass supply chains for the emerging bioeconomy.**

1.4 Investment and diversification

1.4.1 TAMS

The implementation of a strong on-farm investment scheme is critical given the ambitious growth targets set out in Food Wise 2025. There is an ongoing investment requirement across all sectors, to improve efficiency and meet higher environmental, farm safety and animal welfare standards. Expenditure on TAMS is currently behind target, there needs to be increased flexibility to ensure funding is drawn down.

**IFA proposes that:**
- Additional items such as road underpasses and meal bins be included for grant aid.
- The investment limit for the intensive sectors, such as pigs and poultry, is increased.
- The standard costings are adjusted in line with the increased costs of building material and labour.

1.4.2 Tillage

Tillage farmers are experiencing a continual decline in their incomes, which has resulted in a 20% reduction in the tillage area since 2008. Targeted supports must be put in place to ensure the revitalisation of this important sector, which underpins Ireland’s export orientated livestock, dairy and drinks sectors.

**IFA proposes that there is greater flexibility in farm schemes so that tillage farmers qualify for higher grant rate payments. This is particularly relevant in relation to the TAMS and GLAS schemes. Under the proposed new ANC scheme, tillage farmers must be eligible for payments on land that qualifies for an ANC payment in the Review of areas.**

1.4.3 Horticulture

The Scheme of Investment Aid for the Development of the commercial horticulture sector is critical to the expansion of the sector and has been successfully utilised in the past to undertake investment and improve efficiency and innovation.

**IFA proposes that funding for the Scheme is increased to €8m in Budget 2019. This is to meet the demand for investment, evidenced by the oversubscription of the scheme in previous years and to cover the cost of reinvestment needed as a result of storm damage and industry restructuring.**

**In addition, compensation must be provided for the disposal of ash plants in the amenity horticulture sector, arising from the Ash-Dieback disease.**

1.4.4 Sugar tax and healthy eating

IFA recognises this tax, which was introduced on 1st May 2018, as an incentive for the promotion of healthy eating. It applies at a rate of 30c per litre where drinks have more than 8g of sugar per 100ml, whilst 20c per litre is taxed on drinks with between 5g and 8g of sugar per 100ml.

**IFA proposes that some of the revenue generated from the sugar tax on sweetened drinks, should be directed towards the promotion of the consumption of fresh produce.**
1.4.5 Aquaculture

IFA recognises the Government’s commitment to fully address the backlog of licence applications and renewals by the end of 2019. The granting of significant additional licences is likely to result in an increase in the number of appeals. It is imperative that the bottleneck in the system, 300 in 2018 and 300 in 2019, is not simply passed up the line to the Aquaculture Licence Appeals Board (ALAB). This body must have sufficient technical and administrative resources to deal with appeals in a speedy and efficient manner.

*IFA proposes that the DAFM and the ALAB agree a Service Level Agreement and make available the adequate funding to allow ALAB to process any appeal it receives – whether for finfish, shellfish or algae – within the four-month period allowed under 56 (2)(a) of the Fisheries (Amendment) Act 1997.*

*Given the economic returned to coastal communities from a thriving and sustainable aquaculture industry, IFA proposes that BIM, Údarás na Gaeltachta and NUI Galway be funded to deliver a socio-economic report on the return on public and private investment in terms of the economy and upstream and downstream positive impacts of finfish and shellfish farming in peripheral areas.*

*In addition, to reduce costs and improve efficiency in licence applications, IFA proposes that sufficient funding must be provided to ensure the earliest possible finalisation of Recommendation 8.5 of the Independent Aquaculture Licence Review Committee on the establishment of a web–based Aquaculture Application and Monitoring System.*

Licence fees, Foreshore costs and rates

Aquaculture producers, depending on individual site locations, are subject to Aquaculture licence fees plus increasing amounts of development rates in harbour areas charged by Local Authorities.

*IFA proposes that charges for use of the foreshore should be consolidated into a single charge in these areas, at a cost which is affordable and fair and allows producers to make a reasonable return on investment. This should be done in consultation with industry in the context of the proposed Foreshore Bill.*

1.4.6 Walks Scheme

The Walks Scheme, operated by the Department of Rural and Community Development, has had a significant impact on the development of recreational activities, boosting rural tourism and supporting farmers who provide access to their land. IFA has campaigned for several years for the number of walks to be increased and this was included in the current Programme for Government.

*IFA proposes that, as per the Programme for Government commitment and funding promised in Budget 2018, the number of walks under the scheme must be increased to 80, with a doubling of the funding from €2m to €4m in Budget 2019.*
1.5 Farm Safety

Improving farm safety is a top priority for the agricultural sector. IFA has identified measures that would help to improve working practices and equipment to reduce the risks on farms.

IFA proposes that the following farm safety measures be introduced in Budget 2019:

- Funding under the TAMS farm safety measures should be available to all farmers, even if they have reached the investment limit under the scheme.
- The minimum expenditure of €2,000 per holding should be reduced to remove the disincentive to participate.
- A grant-aided PTO scrappage scheme, to encourage farmers to replace old PTO shafts with new safer models.
- Funding be provided to the Farm Safety Partnership Advisory Committee to implement the Farm Safety Action Plan 2016-2018.
2. Taxation Measures to Support Growth and Restructuring

2.1 Income Volatility
Income volatility, resulting from product price, input cost fluctuations and weather events, is a feature of agricultural enterprises. Increasing price and income volatility in the past decade, due to the continued withdrawal of market management supports, and greater exposure to the world market, require the introduction of additional, targeted measures to allow farmers to directly manage risks in their own enterprises.

2.1.1 Extension of Income Averaging to self-employed farmers with other income
Income averaging is prohibited where the farmer or spouse has an additional self-employed source of income either by themselves or in partnership with others. This includes cases where either the farmer or their spouse is a director, employee or office holder of a trading company and own or can exercise control over more than 25% of the ordinary share capital of a company. In addition, if a farmer is carrying on farm contracting work, for example, they are disallowed from availing of income averaging.

IFA proposes that, where a farmer or their spouse has an additional self-employed source of income, income averaging should be allowed on farm profits.

2.1.2 Increasing Flexibility in Income Averaging ‘Step-Out’
Income averaging for farmers is a recognition that income in the sector is volatile and that the annual tax liability can vary significantly. The step-out facility for exceptional years (once in a five-year period) allows farmers to pay their tax on the basis of actual income in that year, rather than the average income. A farmer may only elect to ‘step out’ once in a five-year period.

IFA believes that an amendment to the measure, allowing for the ‘step out’ more than once in the five-year period would provide greater flexibility to the scheme, while at the same time providing a strong incentive to farmers for early repayment of the deferred amount.

IFA proposes that a farmer should be allowed to ‘step-out’ of income averaging more than once in a five-year period, where he is not carrying an unpaid deferred tax amount from a previous ‘step-out’.

For example, if the farmer ‘steps out’ from income averaging in Year 1 and repays the deferred amount in Years 2 and 3, he should be eligible to ‘step-out’ again in Years 4 or 5 of a cycle.

2.1.3 Deposit scheme
ICOS has a proposal for an additional income stability tool for the dairy sector. The voluntary mechanism would be open to those farmers participating in five-year averaging and would permit them to defer up to 5% of their annual milk receipts. The deferred funds could subsequently be drawn down at any time within the next 5 years subject to Income Tax at the time of draw down. The money would be retained in the farmers name in a recognised, interest bearing fund, which would be managed by their co-op. This fund would be secure and available to the farmer when needed.

It is vital that the scheme is available to farmers operating across all sectors. In order to facilitate this, it is proposed that farmers would, on a voluntarily basis, be allowed to put 5% of their receipts in deposit accounts, either in co-ops, banks or credit unions. This would take the said receipts out of their taxable income for that year, with the same provisions as the 5-5-5 model operating.

IFA supports the introduction of an adapted ICOS proposal based on the 5-5-5 model, which allows all farmers to put aside 5% of their gross receipts, whether in their co-op or specially assigned bank account. This money is then available for drawn down within the next 5 years, and the tax due would be paid on the year of withdrawal.
2.2 Removing discrimination in the Income Tax system

2.2.1 Earned Income Tax Credit
The continued discrimination in the income tax system between PAYE employees and the self-employed, which results in a self-employed person entering the income tax system at a lower income, must be fully eliminated in Budget 2019 as it is not in the spirit of supporting entrepreneurship.

*The commitment in the Programme for Government to increase the Earned Income Tax Credit to €1,650 for the self-employed, to match the PAYE credit must be implemented in full. The Earned Income Tax Credit must be increased from its 2018 level of €1,150 to €1,650 in October’s budget, to be in place from 1st January 2019.*

2.3 Farm Transfer and Succession

2.3.1 Stamp Duty relief for Young Farmers
The exemption from Stamp Duty for Young trained farmers has been of huge benefit in supporting the next generation to enter farming without additional financial burdens. This is due to expire at the end of 2018.

*IFA proposes there should be an extension of this relief, to encourage the timely transfer of family farms.*

2.3.2 Rates of Stamp Duty on Commercial Property
In Budget 2018, stamp duty was increased from 2% to 6% for commercial property. Agriculture is a low margin, highly capital-intensive business, which requires investment in the primary asset, which is land. The increase has prohibited expansion in farming via purchase of land.

*IFA proposes that agriculture is removed from the commercial definition and revised in line with the residential stamp duty charge of 1%, up to €1m and 2% thereafter.*

2.3.3 Succession Farm Partnerships – 80% asset transfer
The requirements for 80% of farming assets to be transferred by the end of a succession farm partnership is proving to be a potential disincentive to transfer. It is felt the transferor is not left with sufficient security for future income protection.

*IFA is proposing that this should be reduced to 65% to reach the correct balance between encouraging the timely transfer of farms to the next generation and providing income security to the transferring generation.*

2.3.4 Agricultural/Business Relief and Capital Acquisitions Tax (CAT) Values
90% Agricultural Relief from CAT is a hugely important support for the intergenerational transfer of family farms. It allows for the transfer of family farms of a scale sufficient to generate a livelihood for the next generation, without burdening the new farmer with a major tax bill at the outset of their farming career. Its retention for active farmers in Budget 2015 was a very positive move, ensuring that transferred land is put into productive use.

*IFA proposes that the retention of 90% Agricultural Relief is critical to support the transfer of economically viable family farms. To ensure that farms of a viable size can continue to be transferred, IFA supports the commitment in the Programme for Government to increase the Category A threshold (parent and child) from the current rate of €310,000 to €500,000 in future budgets.*
2.4 Farm Investment and Improvement Measures

2.4.1 Vaccines and Herd Health products.
Antimicrobial Resistance (AMR) is recognised by the WHO as an increasingly serious threat to global public health that requires action across all government sectors and society. Ireland’s National Interdepartmental Action Plan (Departments of Health and Agriculture) for AMR, sets out key objectives to reduce the threat.

Vital tools for farmers to reduce the need for antibiotics on farms is the availability of cost-effective vaccines and preventative treatments as part of herd health programmes.

VAT on non-oral animal medicines, including vaccines, is applied at the standard rate 23%, while for oral animal medicines a zero-rate for VAT applies.

*With reference to VAT on non-oral animal medicines, the IFA is seeking the application of the 5% rate currently allowable under EU Council Directive (2006/112/EC).*

*IFA is seeking a commitment from the Government, that the 0% VAT rate will be applied as soon as is possible on adoption of the EU Council Directive.*

2.4.2 CGT Entrepreneur Relief
IFA recognises the introduction of CGT Entrepreneur Relief in recent budgets to encourage investment in businesses and to reward risk-taking and entrepreneurial behaviour. From 1st January 2017, a reduced CGT rate of 10% applies to the disposal in whole or in part of qualifying business assets up to an overall lifetime limit of €1m of chargeable gains.

*IFA proposes that the lifetime limit of €1m on the CGT Entrepreneur relief should be increased in Budget 2019. The enhancement of CGT Entrepreneur Relief is an important measure to encourage risk taking and investment, and the subsequent disposal of business assets during an individual’s lifetime.*

2.4.3 Interaction of CGT Entrepreneur Relief and CGT Retirement Relief
CGT Retirement Relief for disposals outside of the immediate family (i.e. disposals other than to a child) on lifetime amounts up to €750,000 provide a valuable safety net to many small business owners, allowing them to provide for their retirement.

Under the current legislation, there is an interaction between the two reliefs, which are both subject to a lifetime limit. Where some or all of the CGT Entrepreneur Relief has been used up by an individual, the amount of CGT Retirement Relief that remains available to them will be significantly diminished, or, in some cases, fully used up.

The IFA proposes that the interaction between the two CGT reliefs should be removed, and that the two reliefs should be standalone. An individual should be able to avail, in full, of the CGT Entrepreneur Relief and the CGT Retirement Relief over the course of their lifetime, subject to satisfying the qualifying conditions of each relief.

2.4.4 Focus Agricultural Relief for Capital Acquisitions Tax for the genuine farmer
Whilst IFA welcomed the Agricultural Relief for Capital Acquisitions Tax, which supports timely transfer of farms and assists with succession, there is a need to protect the active farmer and maintain its integrity as a targeted incentive for farmers, as referenced in objective 2, recommendation 9 of the Agri-taxation report 2014. There is concern that there is a potential abuse of the relief in terms of transference of wealth by non-farmers.

*IFA proposes that to avail of the Agricultural Relief the transferor or transferee, or a combination of both, has to farm or have farmed the land for a minimum of 10 years, similar to the qualifying business asset definition in the existing CGT relief.*

Furthermore, that the retention period of the individual receiving the gift / inheritance should be increased from 6 to 15 years.
2.4.5 Tax treatment of payments received for use of forestry land by a third party.
Compensation received for use of forestry lands from a third party (e.g. utility company) is deemed to be for a partial disposal of their land and therefore subject to Capital Gains Tax. In some cases, a portion of the payment received is in lieu of the forestry premia income and therefore should not be taxable.

*IFA proposes payment for the loss of this income i.e. forestry premium, should not be subject to Income Tax or Capital Gains Tax.*

2.4.6 Contract rearing / VAT
Currently, if a VAT registered farmer undertakes contract rearing, 13.5% VAT has to be charged to the farmer who owns the livestock. This presents an additional cost to farmers who are increasing productivity and promoting economic gains locally.

*IFA proposes a review of VAT rates on contract rearing.*

2.4.7 VAT on farm buildings
Currently, if a farmer has erected a building and sells the land within 5 years of construction, VAT will have to be charged at a rate of 13.5%, whether registered or not.

*IFA proposes that a flat-rate farmer should not have to pass on the charge of VAT, as it could have a negative impact on farm consolidation and expansion.*

2.4.8 Excise Duty on Fuel
The departure of the UK from the EU presents significant challenges to logistics in the agri-food sector.

*The IFA proposes the current rates on fuel and diesel remain unchanged.*

2.4.9 Farm Safety incentive and employee flat-rate expenses
The fatality rate in Irish agriculture is higher than in any other economic sector.10

*To minimise the risk on farms, IFA proposes that VAT should be removed on farm safety equipment, to support farmers to purchase and maintain equipment to the best safety standards.*

*IFA proposes that to encourage the safe working environment of farms, the flat-rate expense allowance list should also include agricultural workers, where the employee supplies their own equipment in-line with similar employees in the sector estimated at a rate of €651.70.11*

2.4.10 Retention of Irish Agricultural Relief for UK land
Brexit presents a specific challenge for farmers who have land parcels in the UK. These farms may be subject to differing tax laws as their land may not be recognised as an agricultural asset in the EU.

*IFA proposes there should be a retention of Irish agricultural relief for all farmers who have holdings that are in both Ireland and UK.*

2.4.11 Collaborative farming partnership fund
The grant of up to 50% of the cost of setting up collaborative arrangements on farms has been successful in encouraging the growth of young entrants into farming and the sustainability of family farms by the reduction of costs.

*The fund for this is diminishing and IFA proposes that this grant is essential and should be extended.*

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11 Based on https://www.farmwear.ie/Products/Category/21/Best-Sellers/
2.4.12 Stock Relief

Stock Relief provides an important incentive for investment by farmers who are building up their stocks and will be key to achieving output targets set out under Food Wise 2025.

To support the industry in achieving increased output targets over the coming decade, IFA proposes that stock relief should be extended to include all registered farm partnerships and both the 25% general Stock Relief and 100% Stock Relief for Young Trained Farmers are extended past the current proposed expiry date of 31st December 2018.

2.4.13 Deferral of Tax Charge on Profits from Excess Disposals in 2018.

2018 extreme weather conditions have forced farmers into the position of disposing of stock at a rate much greater than normal stock disposals. A relief similar to compulsory disposal of livestock stock relief is required.

This allows a person who was/is affected by disease (as defined12) to disregard the excess profit in the year it happens and be treated in equal instalments over the next 4 accounting periods, including the year it is received. It further allows stock relief up to 100% on the amount being reinvested in stock by the end of the 4-year period.

IFA proposes

• Profits arising from such disposals should be excluded in computing income for tax purposes for the accounting period in which the disposal takes place and are deemed to arise in equal instalments, in each of the next 4 accounting periods (or, if the farmer wishes, in the period in which the profits arise and the following 3 periods).
• That in place of the normal 25% stock relief, a farmer should be entitled to elect for stock relief of 100% in the 4-year deferral period.
• That a farmer is deemed to be entitled to stock relief for an accounting period equal to the instalment of profit from the disposal, which is treated as arising in that period.

In all cases, however, the option to defer does not apply where a permanent discontinuance of the farming trade occurs. In these circumstances, the farmer must fully re-invest or intend to fully re-invest the compensation which was received, in replacement stock, by the end of the 4-year period. If the compensation is not fully re-invested by the end of this period, the aggregate stock relief for the 4 years will be reduced to an amount that bears the same proportion to the aggregate stock relief as the expenditure actually incurred in the 4-year period bears to the compensation received.

12 Tax Consolidation Act 5688(1)(a)
2.5 Supporting Employment in Rural Ireland

2.5.1 Supporting employment and training in SMEs - Apprenticeship supports

A skills shortage is emerging due to a lack of availability of trade-based vocational training programmes. This has the potential to undermine economic growth, especially the development of small businesses in rural Ireland.

A co-ordinated effort is required between stakeholders in the further and higher education sectors, led by strong Government policy and adequate funding, to ensure that Ireland’s workforce has the skills and training required to match the demands of the labour market.

IFA recognises the commitment in the Programme for Government to double the number of apprenticeships by 2020, with a significant increase in the number of traineeship places and the development of a mechanism to recognise a person’s practical work experience and expertise to enable them to take on an apprentice.

IFA proposes that incentives through the tax or Social Protection system should be provided for small business employers who take on apprentices in an approved programme. This could be structured along the lines of:

- An income tax credit similar to the Apprenticeship Job Creation Tax Credit\(^{13}\) scheme currently operating in Canada, which provides a non-refundable tax credit equal to 10% of the eligible salaries and wages payable to eligible apprentices in respect of employment; or

- The Jobs Plus employment incentive scheme, which provides a cash payment to employers who take on workers who have been out of work for a long period of time.

2.5.2 Incentives to Support the Domestic Artisan Cider Industry

As a labour-intensive industry based in rural Ireland, there are significant economic and social benefits arising from growth in the apple production and other soft-fruit sectors. In response to the 50% duty rates, the micro micro-brewed beer industry has increased market presence. This provides a clear indication of the responsiveness of indigenous producers to a more favourable cost environment.

IFA proposes that Government support should be provided to encourage the growth of the small-scale domestic artisan cider industries. Measures that should be considered include the:

- Removal of the upper excise band for cider, resulting in a single rate of duty of €94.46/hectolitre

- Establishment of an Artisan Cider Manufacturers Licence for annual production quantities up to 1,000 hectolitres. Such a licence would permit both retail and wholesale sale.

Irish Farmers’ Association 2019 Budget Submission

JULY 2018