IFA submission

to the Department of Finance

re. Consolidation Relief and Consanguinity Relief

The Irish Farm Centre
Bluebell
Dublin 12

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IFA, Ireland's largest farming representative organisation, welcomes the invitation to contribute to the examination of the extension of the Consanguinity Relief and the Consolidation Stamp Duty Relief, both of which are due to expire on 31 December 2020.

Agriculture is a low margin, highly capital-intensive business, with the primary asset requiring large amounts of investment being land. Primary agriculture faces many structural challenges, the greatest of which are low levels of land mobility, late transfer of farms and farm fragmentation.

Consolidation Stamp Duty Relief

IFA welcomed Government's support in Budget 2020 to encourage farm consolidation by its extension of the Capital Gains Tax farm restructuring relief to 2022. Similarly, the Consolidation relief for Stamp Duty, resulting in a reduction from the 7.5% to 1% rate, must be retained to assist with decreasing farm fragmentation in Ireland. According to the last CSO Farm Structure Survey[1] in 2016, 27% of all farmers were fragmented into three or more parcels, with 42% of farms being less than 20ha. Farm fragmentation is a key structural issue for Irish farming, adding to costs and decreasing efficiency. When farming separate parcels of land, it causes issues with time management, extra labour, as well as stock / machinery movement and monitoring.

The criteria necessary to avail of this relief is supported in the main by IFA. The duration to complete the transactions of 24 months is fair. IFA concurs with the requirement that the farmer availing of the relief must retain the land for agricultural use for a set number of years (5 years for this relief). However, the necessity of having to obtain a farm restructuring cert issued by Teagasc is believed to be a barrier to farmers availing of this relief and restructuring their farms.

IFA believes that this relief is critical to incentivise farmers to reduce the number of parcels of land in their farm or to decrease the distance between them, with the net result of making their farm businesses more efficient and profitable. The agricultural sector has key targets set in Food Wise 2025 and this relief encourages maximum operational efficiency and viability, which are needed to try and meet these goals.

IFA proposes that the certification process is simplified and streamlined by the adoption of a self-certification process, as already utilised in the payment of Stamp Duty.

Consanguinity Stamp Duty Relief

Ireland has a high level of owner-occupancy of farms, and the sustainability and viability of the sector requires that the family farm can be transferred between generations with the minimum of administrative complexities, legal costs and tax exposure. The reduction from the rate of 7.5% to 1% of Stamp Duty, which the Consanguinity Relief allows, promotes intergenerational farm family lifetime transfers.

IFA supports all the criteria for access to the relief. The previous removal of the age restriction of 67 for the transferor means there is no longer a barrier for older farmers availing of this relief and it acts as an incentive to the lifetime transfer of land. IFA does promote early farm transfer, however, delays are sometimes a necessity as it is not viable for some farmers who have had their state pension age deferred and where the farm is not able to sustain two incomes. The requirement to farm the land or lease it to be farmed for a minimum of 6 years ensures that this relief is available for genuine farmers. Whilst the

[1] https://www.cso.ie/en/releasesandpublications/ep/p-fss/farmstructuresurvey2016/

allocation of 50% of working time on the farm (equating to 20 hours/week) allows for part-time farmers to also utilise the relief, which is essential as the average farm income in 2018 was cited as €23,483 in 2018[2], resulting in some farmers having to work off-site. The alternative of having a specific qualification or obtaining one within four years of getting the land, gives further opportunity to those who want to farm it. Lastly, the option of leasing out to a farmer who fulfils the working time or qualification specification, allows for agricultural land to be released, which is critical for all farmers, particularly young farmers. IFA believes the criteria required prevents potential abuse of the relief in terms of transference of wealth by non-farmers.

To encourage the transfer of family farms of a sufficient scale to support a viable farm enterprise for the next generation, IFA believes it is essential that the Consanguinity Stamp Duty Relief be retained on all qualifying transfers and purchases. Those entering farming must not be faced with a significant tax liability, which could necessitate the breakup of family farms or selling of assets. Due to the definition of 'commercial' currently including agricultural land, resulting in the higher Stamp Duty rate of 7.5% being applied to farmers, the extension of this relief is critical to this low return sector's sustainability. IFA is also concerned that the removal of this relief would result in delays in transfers, as Stamp Duty is not liable on an estate after death.

OTHER STAMP DUTY TREATMENTS OF AGRICULTURAL LAND

Removal of agricultural land from the commercial definition

When Stamp Duty rates for property were significantly reduced in Budget 2011 from 6% to 1% for residential and from 6% to 2% for commercial, one of the rationales of this reform was to stimulate the property market. In 2018[3], the negativity around the agricultural land market could be seen with the decrease of 11% from the previous year in the amount of land being offered on the market. This was further emphasised with 32,000ac actually being sold, down from 33,100ac in 2017, a reduction of 6.4%. Other reliefs from Revenue reflect the recognition of the high prices of agricultural land; but aligning agricultural Stamp Duty with commercial in Budget 2018, resulting in the two increases (from 2% to 6% and then in Budget 2020 to the 7.5% rate) is penal.

The increase from 6% to 7.5% for commercial property in Budget 2020 will also have even more of an impact on young farmers, who have been significantly restricted with the introduction of State Aid limits on their reliefs. Lowering the Stamp Duty needs to be considered in regard to the €70,000 limit that was imposed on Young Trained Farmers in October 2018's Finance Bill.

IFA believes a reduction in Stamp Duty rates for agricultural land would increase the levels of transactions in the market and promote life-time transfers. Farmland should be in line with residential property rates. It would also assist Young Trained Farmers whose reliefs have now been restricted with the enforced ceiling.

Forestry and Young Trained Farmer / Consanguinity Stamp Duty Reliefs

The promotion of farm forestry is key for Ireland to achieve its environmental goals in terms of climate change and the renewable energy targets. When farmers enter into forestry, it is a long-term commitment

[2] https://www.teagasc.ie/news--events/news/2019/teagasc-national-farm-sur.php

[3] *Agricultural Land Price Report 2018*, Irish Farmers Journal, March 2019

of land-use. Although there is precedence with the treatment of forestry for Capital Acquisitions Tax (CAT) Agricultural Relief, where land with trees growing is defined as being agricultural, with Stamp Duty, land with woodlands on a commercial basis does not qualify for reliefs and is subject to the 7.5% rate. Currently the differing definitions cause unnecessary complications and complexities and are a barrier to investing in, transferring or selling forestry.

IFA proposes that farm forestry is treated in a similar manner in relation to the Consanguinity and Young Farmers Stamp Duty Reliefs as it is with CAT Agricultural Relief, where it is defined as agricultural land.

As proposed in IFA's Pre-Budget 2020 submission, adequate timing should be provided for in the year reliefs are due for renewal, to support smooth intergenerational transfer, decrease farm fragmentation and reduce uncertainty for farmers. IFA would welcome the opportunity to meet with the Department of Finance in the coming weeks to discuss this submission further.