



BRIEFING NOTE ON FINANCE BILL 2016

The Finance Bill was published on Thursday 20th October. It will go through the Oireachtas over the coming months and will be enacted into legislation by 31st December. It puts into legislation the taxation measures that are announced on Budget day. In addition, it puts into legislation other non-budgetary taxation measures. This note contains a summary of the main measures of relevance to farming contained in the Bill. The majority of these were already listed in the Budget measures announced by Minister Noonan on 11th October.

INCOME TAX

Income Averaging

The income averaging scheme for farmers is being amended through the introduction of an option for farmers to elect out ('step-out') of the averaging regime for a single year and revert to the normal basis of assessment for that year. The resulting deferred tax due on the average profit will be payable in instalments over a subsequent 4 year period. The election is available for the tax year 2016 and subsequent years of assessment; that is the 'step-out' may be availed of by farmers this year when they come to pay their preliminary tax at the end of this month.

Where a farmer 'steps out', the deferred tax shall be payable in 4 equal instalments. The first instalment of the 4 instalments shall be due and payable on or before the self-assessed tax return deadline the following year, with the remaining 3 instalments due and payable on or before each of the following 3 anniversaries of the date on which the first instalment was due and payable.

A farmer may only elect to 'step out' once in a five year period ('An individual shall only be entitled to make an election.....in a year of assessment provided an election has not been made in any of the 4 years of assessment immediately preceding such year of assessment').

Tax Credits

- The **Earned Income Tax Credit** is being increased from €550 to €950.
- The **Home Carer Tax Credit** is being increased from €1,000 to €1,100.
- A new **Fishers Tax Credit** of €1,270 is being introduced, which is available to qualifying fishers who spend at least 80 days per year at sea engaged in sea-fishing.

Accelerated Capital Allowances for Energy Efficient Equipment

The scheme of accelerated capital allowances for energy efficient equipment was introduced in 2008 for companies. It is now being extended to make it available to farmers and all sole traders.

Details of the SEAI scheme for Accelerated Capital Allowances (ACA) and of the qualifying equipment under the scheme are available at: www.seai.ie/Your_Business/Accelerated_Capital_Allowance/About_the_ACA/

The extension of the scheme will now allow individuals (sole traders) to write off 100% of the purchase value of qualifying energy efficient equipment against their profit in the year of purchase

CAPITAL TAXES

Farm Restructuring Relief

Capital Gains Tax relief for farm restructuring is being extended to 31 December 2019. The relief applies where the first transaction in the restructuring (e.g. sale, purchase or exchange of land) will be carried out by that date. All transactions in the restructuring must be completed within 24 months of the first transaction (i.e. the disposal of land must occur within 2 years of the purchase of land, and vice versa).

CGT Entrepreneur Relief

CGT Entrepreneur relief applies a reduced Capital Gains Tax rate to the first €1 million of qualifying gains made by individual entrepreneurs and business people, including farmers. In Budget 2017, the rate is reduced from 20% to 10%. The relief applies to disposals of qualifying business assets by business people and farmers .

Raised Bogs Restoration Relief

There is an exemption on Capital Gains Tax in respect of compensation paid under the Cessation of Turf Cutting Compensation Scheme administered by the Minister for Arts, Heritage and the Gaeltacht relating to the cessation of turf cutting on raised bog Special Areas of Conservation or Natural Heritage Areas. The exemption is now being extended to payments made by the Minister for Arts, Heritage, Rural and Gaeltacht Affairs under the Protected Raised Bog Restoration Incentive Scheme. It applies to payments made under either Scheme on or after 1 October 2016.

Capital Acquisitions Tax

The Group tax free thresholds for Capital Acquisitions Tax have been increased. This is outlined in the table below:

Threshold	Existing Level	New Level
A	€280,000	€310,000
B	€30,150	€32,500
C	€15,075	€16,250

The amendment applies to gifts and inheritances taken on or after 12 October 2016.

VALUE-ADDED TAX (VAT)

Unregistered Farmers' Flat-rate Addition

The farmers' flat-rate addition is being increased from 5.2% to 5.4% with effect from 1 January 2017. The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs. The flat-rate addition is reviewed annually in accordance with the EU VAT Directive and the increase to 5.4% in 2017 achieves full compensation for farmers.

Restriction of the VAT Flat-rate Scheme for Unregistered Farmers

Provision is being made for the Minister for Finance to restrict the application of the flat-rate VAT scheme for unregistered farmers in certain circumstances. Where the Minister is satisfied, following a review by Revenue, that business models or structures employed within a particular agricultural sector, give rise to systematic excess payment of the flat-rate addition within the sector, the Minister may, by order, prohibit the payment of the flat-rate addition in relation to specified agricultural produce or services.

The purpose of the amendment is to ensure that excessive VAT recovery within a sector can be prevented. Farmers who are impacted by such an order will have the option to register for VAT and recover VAT incurred on inputs under normal VAT rules.

Carbon Tax

Relief from the carbon tax for natural gas and coal used in high efficiency heat and power (CHP) co-generation is being extended from a partial relief to a full relief. The relief is confined to the natural gas actually used to generate high efficiency electricity as certified by the competent authority. This is subject to a commencement order to be made by the Minister for Finance.