



# IFA

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## 2020 Budget Submission

Farming for a sustainable future

The Irish Farmers' Association July 2019



[www.ifa.ie](http://www.ifa.ie)



## Executive Summary

### The main priorities for IFA in Budget 2020 are:

- Brexit fund: comprehensive package of market support measures including direct support for farmers to include structural and adjustment fundings. This will include the setting aside of the State Aid limits.
- A €38m increase in funding for suckler cow farmers in addition to the existing BDGP and BEEP schemes bringing total funding to €100m. Increased ANC funding of €50m.
- Removal of the discrimination in the tax system for self-employed including the Earned Income Tax Credit and USC surcharge.
- TAMS funding must be increased to €120m to meet all current and future payment claims and to ensure the full RDP allocation is spent.
- An allocation of €10m for the reopening of the NPWS Farm Plan Scheme for farmers with Natura land.
- The contributory pension calculation must be in line with the National Pensions Framework and those on Farm Assist be credited with PRSI contributions.
- The strategic prioritisation of renewable energy and micro or community based renewables projects, in terms of planning and grid access to provide a potential additional income source.
- The introduction of a green tax credit where farmers with surplus energy are unable to sell back to the grid.



Making the case for farmers in the Budget 2019 with Paschal Donohoe Minister for Finance, Public Expenditure and Reform (LtoR) Martin Stapleton IFA Farm Business Chairman, Joe Healy IFA President, Damian McDonald IFA Director General, Joe Brady IFA Rural Development Chairman.

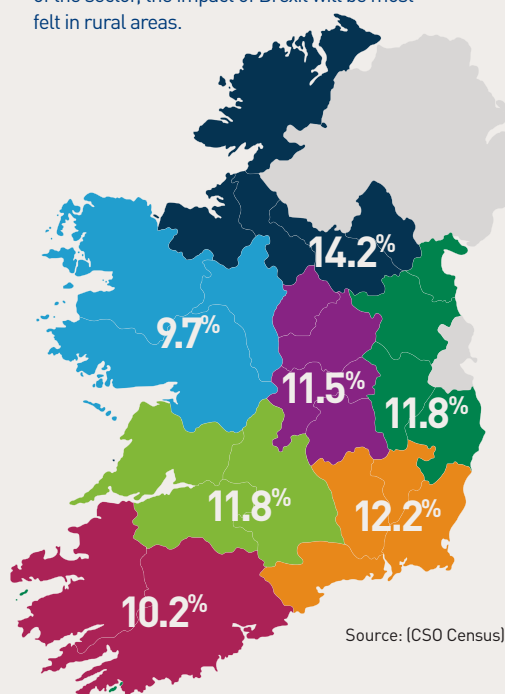
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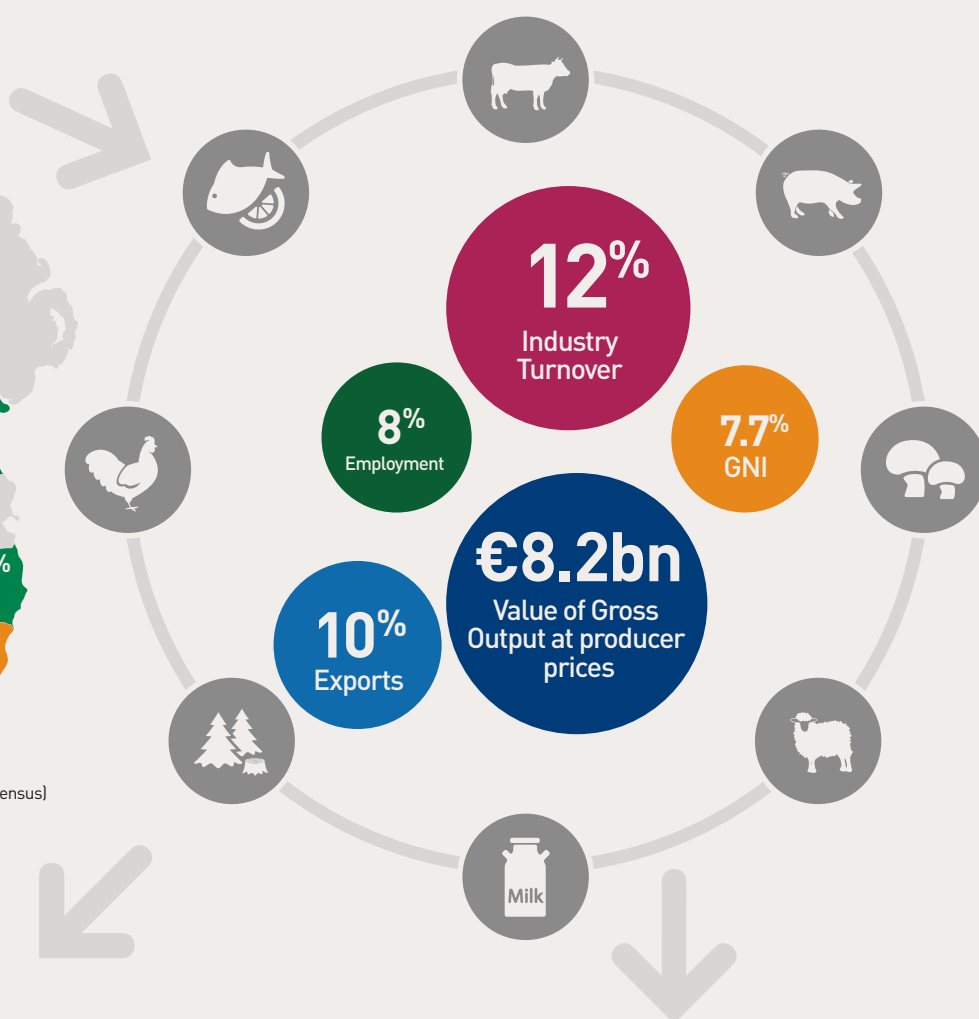
## Value of Agri-Food Sector

### Regional Employment

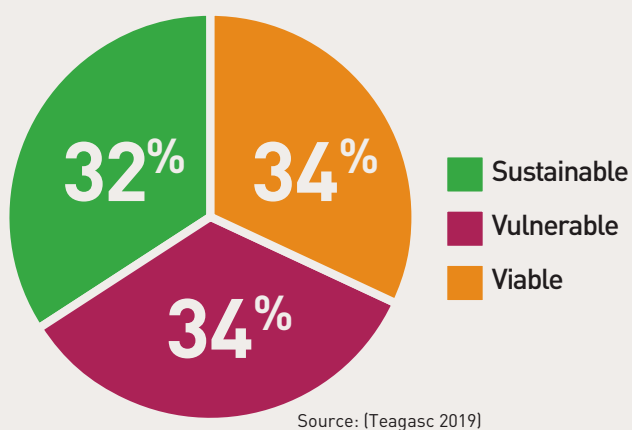
Indigenous firms account for between 80 -100% of employment in the agri-food sector. This employment is largely outside of Dublin. The regional breakdown in the Census 2016 reflects the regional importance of the sector, the impact of Brexit will be most felt in rural areas.



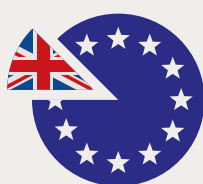
### Economic Contribution 2018



### Farm Viability



### Big Challenges



Brexit



Environment



CAP

## Exports and our markets

The value of Irish agri-food products remains strong. In 2018 the sector represented approximately 10% of the value of our overall exports at €13.7bn. The UK remains our strongest market with 41% of all our agri-food products destined for the UK market.

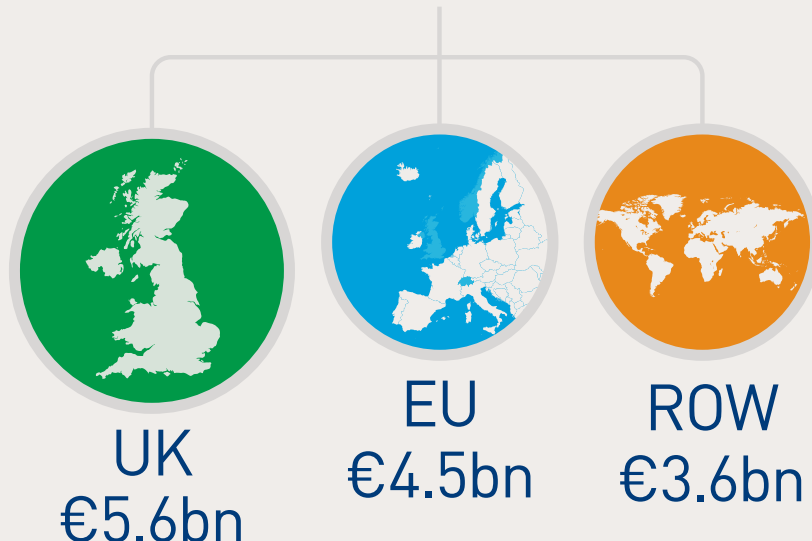
### Value of Irish exports 2018 by destination

Agri Food Total Exports	UK 2018 (€'000)	EU (exc. UK) 2018 (€'000)	ROW (exc. EU) 2018 (€'000)	Total 2018 (€'000)	Relative Importance of UK
Animal products (Other)	318,361	209,877	117,764	646,002	49%
Plant products (Other)	220,350	153,435	54,927	428,711	51%
Fruit & Veg (inc. products)	252,451	48,852	18,137	319,440	79%
Forestry (inc. products)	397,877	63,582	15,695	477,154	83%
Beef	1,205,073	1,060,303	167,365	2,432,741	50%
Beverages	286,834	336,476	807,539	1,430,850	20%
Cereal & cereal preparation	403,793	17,007	16,705	437,504	92%
Coffee, Tea, Cocoa & Spices	265,838	65,425	52,839	384,103	69%
Dairy Produce	1,020,597	1,635,729	1,963,083	4,619,409	22%
Seafood	46,425	356,860	172,094	575,379	8%
Live Animals (meat products)	369,531	84,041	35,749	489,322	76%
Pigmeat	470,198	162,354	194,125	826,677	57%
Poultry (inc eggs)	248,727	32,758	35,974	317,458	78%
Sheepmeat	57,943	226,852	29,746	314,540	18%
<b>Total Agri Food Trade</b>	<b>5,563,998</b>	<b>4,453,552</b>	<b>3,681,740</b>	<b>13,699,290</b>	<b>41%</b>

Source (CSO)

### Value of Exports in 2018

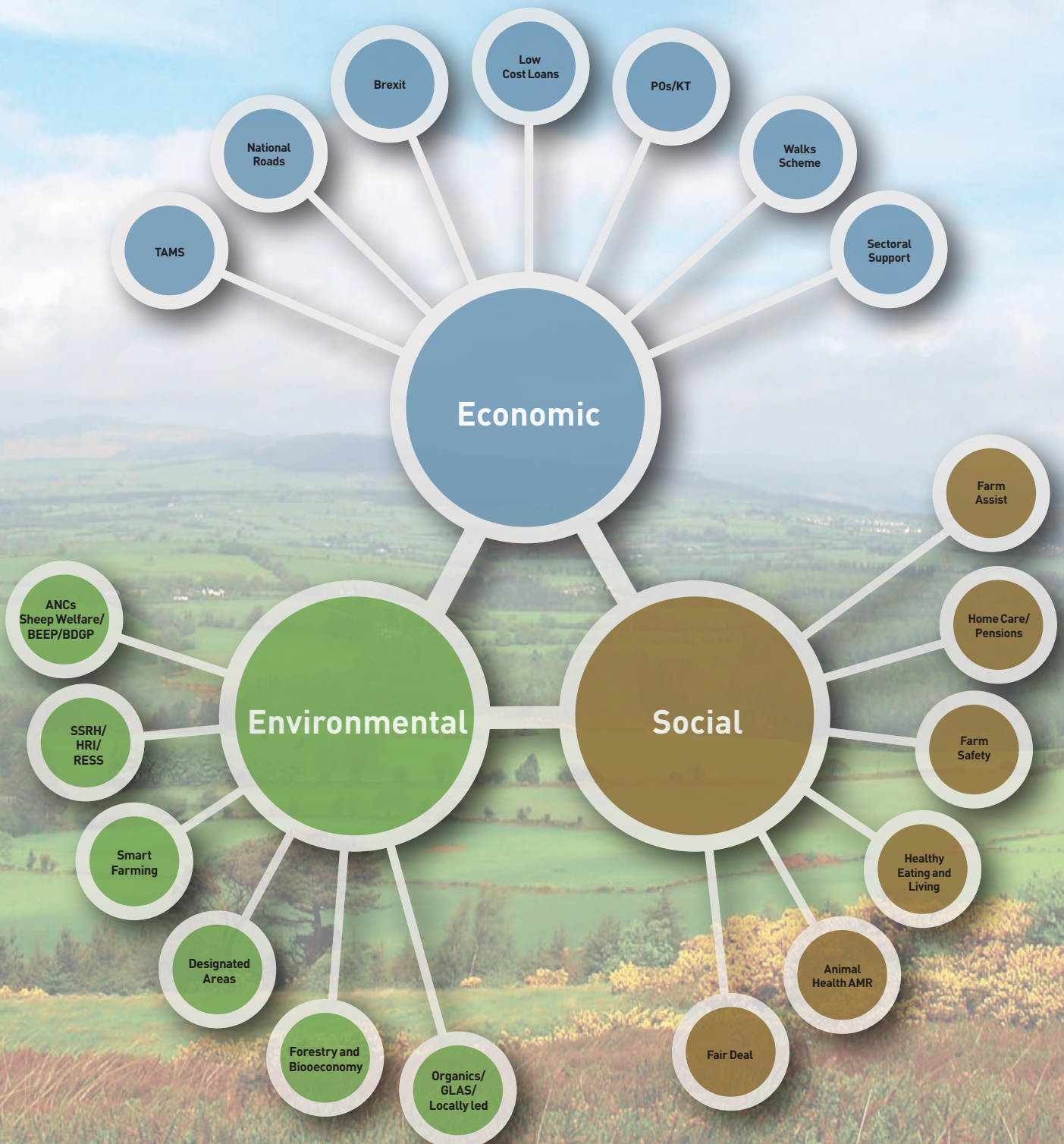
€13.7bn





## Expenditure Measures

IFA has put forward proposals based on the three pillars of sustainability: Economic, Environmental and Social.



# 1 Expenditure Measures to Support Farm Enterprises

## 1.1 Supporting farm incomes

### Brexit supports

The impact of Brexit continues to have a damaging effect on the price of agricultural goods. Currently the risk of a no-deal Brexit is increasing, with the possibility of WTO tariffs up to 70% on beef and 55% on cheddar. The impact of a no deal or disorderly exit, where the UK leaves without any line of sight of what a future trading relationship will look like, would be a disastrous scenario for Irish agriculture. There are no positives for Irish agriculture with Brexit.

Beef farmers have already lost hugely since the Brexit vote. The €100m fund to go towards losses already incurred from September 2018 to May 2019 must be paid out to farmers as a matter of urgency without any unnecessary conditionality.

In the context of the Mercosur deal announced in June 2019, Commissioner Phil Hogan indicated that €1bn will be available to support the beef market if these imports impacted beef price. Substandard Mercosur beef imports of 269,000 tonnes are already putting downward pressure on EU beef prices and farm incomes, contributing to the current beef crisis. This €1bn must be made available as a Brexit support.

#### IFA proposes:

- In addition to the €100m (EU Commission €50m, National Government €50m) further direct support for farmers will be needed to deal with losses incurred, particularly for beef farmers, post May 2019. These ongoing losses are due to the decline in the value of sterling and market disturbance arising from Brexit uncertainty.
- In the context of the current beef crisis which has been exacerbated by Brexit, Ireland must call on the EU to make available the €1bn fund immediately to stabilise the Irish and EU beef market. The Commission must ban the importation of Mercosur beef, which has consistently fallen short of European standards in audits by the EU Food and Veterinary Office.
- In the event of a no-deal/hard Brexit which reduces market access and increases barriers to trade, the EU must make available structural and adjustment funding. In this context State-aid rules must be set aside.
- Discussions are ongoing for the next MFF 2021-2027, the Irish allocation should be increased and take account of inflation. If the UK leaves the EU without a deal there may be further issues in terms of a shortfall in 2020, EU or national funding may be required in this instance.

### Suckler cow

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.

#### IFA proposes:

- To rollover and extend a simpler revised BDGP and BEEP schemes for sucklers to 2021 and 2022.
- A €38m increase in funding for suckler cows, in addition to the existing funding for the BGDP and BEEP schemes (€43m and €19m), bringing suckler cow funding to a total of €100m pa for 2021 and 2022.
- Suckler farmers need a targeted payment of €200 per cow, facilitated by a combination of CAP and national funding.

### Sheep Welfare Scheme

The Sheep Welfare Scheme has been very positive and effective; sheep are major contributors to environmental preservation, particularly in hill and mountainous areas. The four-year scheme is due to conclude in 2020.

#### IFA proposes:

- That sheep farmers are able to draw down the full €25m allocated annually under the welfare scheme, through the inclusion of an additional set of actions and options for farmers.
- A targeted payment of €30 per ewe through a combination of CAP and national funding is needed for sheep farmers.

### Areas of Natural Constraints (ANCs)

Additional allocations over the past two Budgets reversed 2009 cuts incurred. The ANC payment is worth €250m to nearly 100,000 farmers following the 2019 review. However, it is vitally important that the allocation to the ANCs is increased to take account of the low farm incomes.

#### IFA proposes:

- That funding for the ANCs is increased by a further €50m to bring the total budget for the scheme to €300m.

## 1.2 Climate action

The importance of climate is evident in agriculture, national funding must be provided in the achievement of these climate targets. The sector is committed to protecting our natural resources. IFA believe leadership is needed to achieve sectoral targets set out in the Government Climate Action Plan. In line with this, IFA has put forward a number of proposals.

### IFA proposes:

- An additional allocation to the DAFM budget, to introduce a Sustainable Development Programme (SDP).
- The SDP to co-ordinate the delivery of price supports for farm-scale and community-based renewables and to ensure the maximum delivery of the Teagasc MACC climate roadmap.
- To remove the overall €80,000 ceiling in the terms of the on-farm renewables fund, to facilitate maximum uptake.
- A review of the existing planning requirements for all on-farm renewable projects in line with other EU Member States.
- The overall grant aid available for Low Emission Slurry Spreading (LESS) scheme is increased to 60%; the separate limit to general TAMS is increased; LESS included in an enhanced GLAS; investment in LESS equipment is exempt from VAT.
- The introduction of a protected urea incentive scheme, closing the price differential between it and existing products.
- A support is put in place to encourage slurry additives uptake, and that Teagasc or DAFM publish an annual list of tested slurry additive products which can deliver the outcomes.
- The introduction of a liming grant scheme, to support environment efficiency in terms of healthy soils and crop growth.
- A soil structure support programme to include soil aeration equipment to maximise the agronomic and environmental benefits of good soil structures.

### Agri-environment schemes

Farmers are fully committed to improving the environmental and economic sustainability of their farming enterprises, contributing to the enhancement of the environment and increased amenity value of the countryside. Participants in agri-environmental schemes use 35% less fertiliser than non-participants.

An important programme within the current RDP 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.

### IFA proposes:

- That the GLAS scheme must be reopened for all farmers who are currently denied entry. In addition, all farmers must be paid in a calendar year.
- The funding allocation for all environmental and locally led schemes, including GLAS, the Burren, Hen Harrier and Organic Schemes of €250m is required in Budget 2020.
- The maximum target payment under GLAS should be increased to €10,000 in the next RDP.

### 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.

New measures are needed to reverse the decline in afforestation, while ensuring a balanced regional spread of forestry is achieved, while also protecting farmers from forest disturbances, such as disease, that negatively impact production and their livelihood. Maximising the economic return from harvesting operations, particularly thinnings, is key to achieving timber production targets and supporting farmers to mobilise the small fragmented private timber resource.

### IFA proposes:

- A payment for Ecosystem Services for farmers on land set aside for biodiversity enhancement and to encourage planting of more broadleaf woodlands. This payment would provide an income beyond the 15-year forest premium, until there is an economic return from the timber.
- A new Ash Dieback Reconstitution Scheme that provides a grant to re-establish woodland affected by the disease and reinstates 15-year forest premium on newly established forest.
- 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 required by some Local Authorities.





## Designated Areas Payments

Payments through the National Parks and Wildlife Service (NPWS) for land under SACs and SPAs through the Farm Plan Scheme must be reopened. This scheme meets the costs of restrictions imposed and provides adequate compensation to farmers whose incomes and livelihoods have been negatively affected by designation. This is particularly relevant to the Shannon Callows, Hen Harrier areas and hill land where there are severe farming and other developmental restrictions.

### IFA proposes:

- That additional funding of €10m must be allocated to the NPWS in Budget 2020 to pay farmers where restrictions to farming result from the designation of land.

## Organic Farm Scheme (OFS)

The Organic Farm Scheme assists farmers in the conversion process to organic farming with an allocation of €56m up to 2020. The OFS scheme reopened for a short period in late 2018, it is now closed. There is potential to increase the number of conversions to reach consumer demand. 72,000ha of land are under organic production in Ireland, up some 50% since 2014.

### IFA proposes:

- The targeted reopening of the organic transitional scheme for specific commodity sectors that are currently in deficit such as tillage, horticulture and dairy.
- The reopening of the scheme for longer periods to improve sectorial balance and reduce imports. ROI imported €8m to meet demand of certified organic grains.
- An additional payment on the first 3ha of organic horticulture. There is a clear growing market and demand for organic fruit and vegetables that will return a margin.

## 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 Budget 2020. 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.
- Government must commit adequate resources for the development of Ireland's bioeconomy allowing agri-communities to develop alternative income streams while enabling Ireland to meet its GHG emission and renewable energy targets. Fiscal stimuli must include capital grant aid for renewable energy installations and the development of biomass supply chains in addition to feed in tariff (FIT), feed in premium (FIP), medium term contracts (10 – 15 years), along with the provision of low interest loans.

## Renewable Electricity Support Scheme (RESS)

Ireland currently faces the considerable climate and renewables compliance challenges of reducing national GHG 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 GHG emissions from the transport sector, which have increased by 139% since 1990 and an overall increase in national GHG 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:

- The RESS must be announced by the Department of Communications, Climate Action and Environment, with a proportion of the scheme ring-fenced for community and farm scale projects.
- That a robust climate and renewables activation programme be introduced, as follows:
  - A zero-carbon electricity tariff for community based renewable projects, to displace electricity production from gas, which accounts for 35% of greenhouse gasses emitted when generating electricity.
  - The introduction of a €100 prosumer strategy, which ring-fences 20% of the electricity levy paid annually, to encourage homeowners and farm families to replace their fossil fuels with renewables sources.

## 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 2020, to create sufficient scale in the market to achieve the targets and avoid costly penalties.

## Home Renovation Incentive (HRI)

The 2020 environmental targets set for Ireland to produce 16% of energy from renewable sources and to decrease national greenhouse emissions by 20% are a challenge. 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 renewable technologies such as solar, heat pumps, micro wind and battery storage to assist Ireland to deliver and comply with its environmental obligations.

## Smart Farming

IFA leads a voluntary climate focused programme called Smart Farming with the Environmental Protection Agency. The programme aims to address the dual challenges of improving farm returns while reducing the impact on the rural environment. In 2018, the average cost savings identified by participating farmers was €7,100 with average emissions reductions of 9%.

### IFA proposes:

- The expansion and development of the voluntary 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 Competitiveness

### Low cost loans: working capital

Access to credit at a competitive rate is critically important to support farm investment and improve efficiency. The lack of competition between the financial institutions, and the legacy of historical banking losses is resulting in higher interest rates.

The high demand for the Agri-Cashflow Loan scheme in 2017 clearly demonstrated the need for competitively priced working capital on farms. The roll out of the Future Growth Loan Scheme of €300m in 2019, while welcome for investment, does not include a facility for low cost finance for working capital.

### IFA proposes:

- Future finance must include low-cost working capital finance and on-farm investment to support the competitiveness of farming enterprises and other SMEs.

### 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 set up of producer groups and organisations included in the Rural Development Programme (RDP). 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 support to cover some of the ongoing running costs of POs. In addition, the DAFM initiative to establish new POs within the horticulture sector should continue to be supported.

### IFA proposes:

- Funding is provided to assist farmers with the ongoing running costs of POs and extending establishment aid in certain sectors.

### 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. With the existing programme finishing in July 2019, transitional arrangements need to be put in place in advance of the next Rural Development Programme.

### IFA proposes:

- To support increased participation by farmers and POs in KT programmes across all sectors, IFA is proposing funding of €25m. This would allow an extension of the KT programme for 2020 and allow additional participants into the scheme.

### 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 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 TB Forum must rebalance this to achieve eradication by 2030.

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 them and ensure all 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 sustainable or appropriate and requires a dedicated budget allocation. The financial and structural support measures required for Animal Health are outlined below.

### IFA proposes:

- Increased funding for the TB Eradication Scheme to compensate farmers in full for the necessary controls to achieve TB eradication.
- A Wildlife Control Programme staffed to facilitate increased capture activity in recognised TB problem areas – to include wildlife issues prior to major infrastructural works/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 Regional Veterinary Offices.

- 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.

## 1.4 Investment and diversification

### 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 and animal welfare standards. Expenditure on TAMS is currently behind target, with approximately 30% of the allocation of €395m spent to date. There needs to be increased flexibility and the addition of extra items to ensure funding is drawn down.

### IFA proposes:

- An allocation for TAMS for 2020 must be set at €120m. It is necessary to meet all outstanding commitments and new applications for 2020.
- Additional items are included for grant aid including road underpasses, weighbridges, rubber mats and other items.
- There needs to be a separate investment limit for solar panels, similar to (LESS).
- The ceiling for LESS needs to increase.
- The investment limit for the intensive sectors, such as pigs and poultry is increased.
- The minimum investment limit of €2,000 is lowered to accommodate small investments which meet a positive outcome, such as EID readers and health & safety equipment.
- The standard costings are adjusted in line with increased costs of building material, machinery and labour.





## 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.

## 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 the scheme be renewed post-2019 and that funding is increased to €8m in Budget 2020. This is to meet the demand for investment, evidenced by the oversubscription of the scheme in previous years and to support the recommendations, of the Oireachtas Joint Committee Report on Climate Action, regarding the expansion of the Irish Horticulture sector.
- In addition, compensation must be provided for the disposal of ash plants in the amenity horticulture sector, arising from the Ash-Dieback disease.

## Sugar Sweetened Drinks Tax (SSDT) and healthy eating

IFA recognises the rationale for the SSDT incentive for the promotion of healthy eating. It applies at a rate of 30c per litre where drinks have more than 5g of sugar per 100ml, whilst 20c per litre is taxed on drinks with between 5g and 8g of sugar per 100ml. Since its introduction on 1st May 2018, Revenue has reached €24.5m and a total of €35m is estimated for 2019, with €3m collected to end of March 2019.

### IFA proposes:

- That the €35m revenue generated from the sugar tax on sweetened drinks, should be directed towards the promotion of the consumption of fresh and healthy Irish produce.

## Aquaculture

IFA recognises the Government's commitment to fully address the backlog of licence applications and renewals by the end of 2019. The determination of 300 shellfish licences in 2018 and the prospect of the determination of a further 300 shellfish licences in 2019, has resulted in an increased number of licence appeals 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 ensure ALAB is sufficiently resourced 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.
- In addition, to reduce costs and improve efficiency in licence applications.
- That sufficient funding 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.



## Walks Scheme

The Walks Scheme, operated by the Department of Rural and Community Development, has reopened. This scheme will have 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 expenditure on the scheme is increased so that the full €4m allocated is fully utilised.

IFA recognises the role tourism can play in supporting sustainable economic opportunities for the farming sector, in particular walking. The development of a small number of iconic multi-day walking trails e.g. Wild Atlantic Way Coastal Path & Beara Breiffne Way have the potential to offer significant incremental economic opportunities to the farming sector, through the development and maintenance of world class walking trails and the provision of a host of visitor services.

This is over and above the current very successful walks scheme, but would apply strategic long-distance trails generating economic benefit for farm enterprises and potentially be transformative for rural Ireland.

### IFA proposes:

- That such iconic walks are developed with local communities and are funded through a specially targeted budget.



## 1.5 Social Protection

### Farm Assist

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

### IFA proposes:

- 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.
- That the income disregards for agri-environmental schemes, included in the means test for Farm Assist, be extended to also disregard forestry premium payments.
- The option of a three-year income test assessment be considered in certain circumstances.

### Home Care Support Scheme

The Home Support Service provides crucial supports for older people to remain in their own homes for as long as possible. IFA recognises that the budget has increased in recent years to €446m in 2018, however, the demand continues to grow. CSO figures indicate a 19.1% increase in population for those aged 65 years and over.

### IFA proposes:

- That the budget allocation for the Home Support Service is increased and that priority be given to older people living in rural areas who have limited access to community-based services.

### Fair Deal Scheme

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.

The Government must honour its commitment to remove the discrimination against farming and other small business assets and introduce a three-year cap on farm assets where a family successor gives a verified commitment that they will farm for a period of six years. This is contained in the Heads of Bill, which was approved by Cabinet in June 2019.

### IFA proposes:

- In Budget 2020, Government must provide additional funding to support the introduction of a three-year cap on productive farm assets under the Nursing Home Support Scheme.
- That the introduction of the Heads of Bill be implemented retrospectively from July 2018.

## Contributory pension

The self-employed, including farmers were only eligible to make Class S social insurance contributions from 1988. The proposed changes to the Total Contribution Approach when calculating contributory pension payments must not disadvantage farmers.

### IFA proposes:

- That the changes to the method of calculating contributory pension is consistent with the National Pensions Framework, which stated that a total contributions requirement of 30 years would be introduced to qualify for the maximum personal pension rate.

A separate, but related issue, is where family members who had paid Class K when they were employed or assisted in the running of the farm business, resulted in getting a lower pension because these contributions are not counted towards the calculation of pension payment rate.

### IFA proposes:

- That farmers who paid Class K contributions when employed or assisting on the family farm are not disadvantaged in calculating pension payments.

The contributory pension is a hugely important source of income support for retired self-employed workers. The exclusion of farmers in receipt of Farm Assist from making PRSI contributions prior to 2007 has resulted in farmers receiving lower pension payment rates.

### IFA proposes:

- That farmers in receipt of Farm Assist prior to 2007 who were ineligible to make PRSI contributions, should be credited contributions to help them qualify for contributory pension, rather than being required to make voluntary contributions.
  - This should be implemented in a similar way to those in receipt of Jobseekers Allowance.

## Work-life balance for self-employed

It is imperative that farm families and the self-employed are not discriminated against with the introduction of the European Council Directive 2010/18/EU on work-life balance as outlined on the 24th May 2019. To ensure an effective up take of, in particular, paternity leave by men, the Government must ensure all parents including the self-employed are given an opportunity to avail of the Parental Leave Scheme.

### IFA proposes:

- That the self-employed are not discriminated against in terms of for maternal, paternal and carers benefits.

## 1.6 Farm safety

IFA is steadfast in its belief that awareness and education programmes focussed on prevention, through supporting farmers to change behaviour, are the best way to reduce farm accidents. IFA is currently rolling out its peer-to-peer farm safety programme, which supports farmers through education and training initiatives.

### IFA proposes:

- That the introduction of a Farm Safety Scheme - increased funding for health and safety equipment under TAMS.
- The minimum spend of €2,000 in TAMS be reduced or removed to eliminate the current disincentive to participation.
- That a handbrake and PTO improvement scheme: to include a PTO scrappage scheme and a handbrake replacement scheme, assisting farmers to replace malfunctioning equipment.
- An annual farm safety budget be allocated to the Farm Safety Partnership Advisory Committee to implement future farm safety action plans.

## 1.7 Road development

The National Development Plan envisages that almost €6bn will be spent on national road schemes. This will lead to considerable upheaval for farm families impacted, as their farms are carved up to facilitate the development of the national road network. During the recession, when national roads construction had ceased, the €5,000/ac flexibility payment was removed, it currently stands at €3,000/ac.

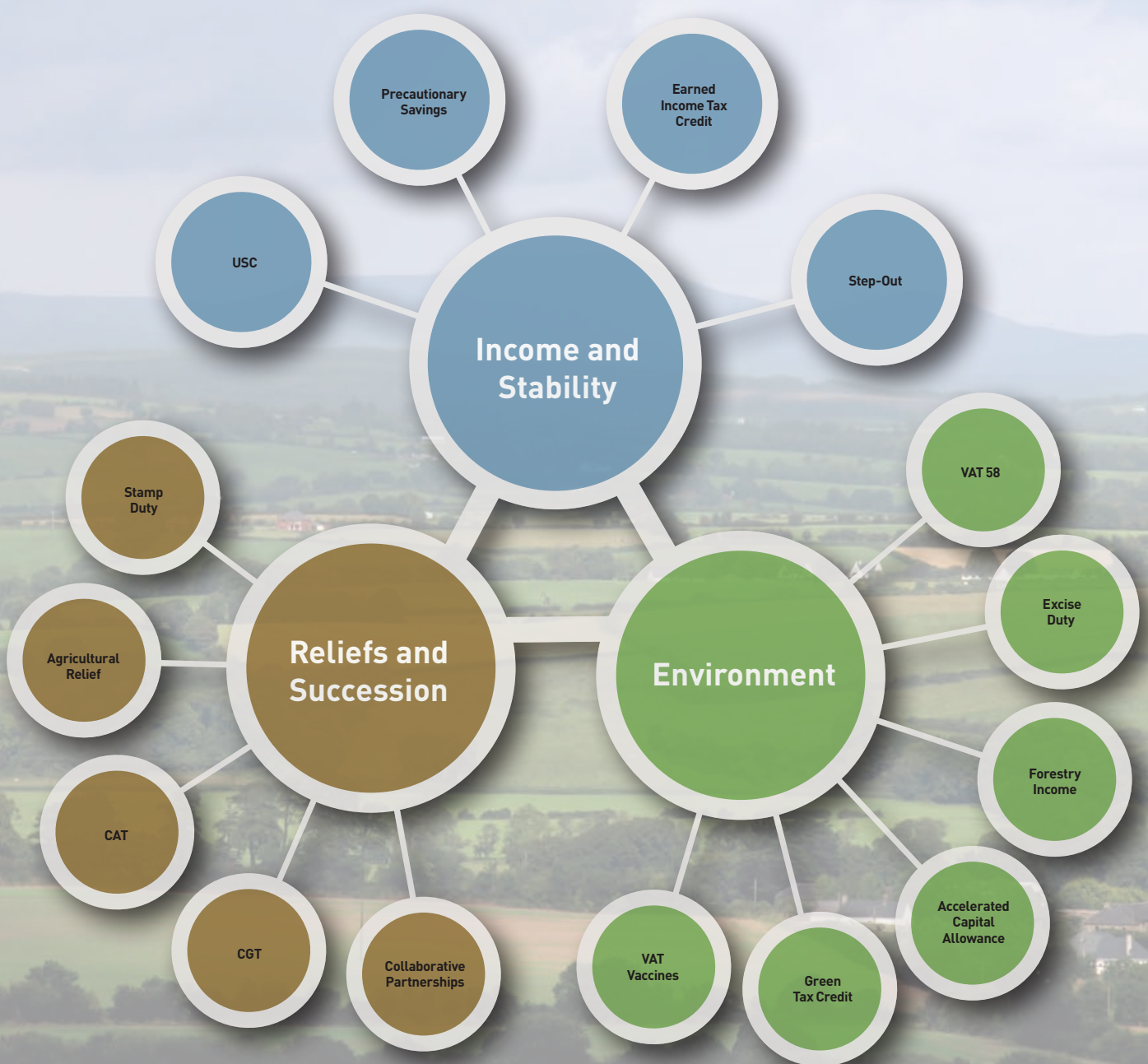
### IFA proposes:

- That farmers impacted by national road developments under the new National Development Plan receive a flexibility payment, reinstated to the value of €5,000/ac.



## Taxation Measures

The taxation proposals are based on three pillars of Income and Stability, Reliefs and Succession and the Environment.



## 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, requires the introduction of additional targeted measures to allow farmers to directly manage risks in their own enterprises.

#### Income Averaging 'Step-Out' flexibility

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.

##### IFA proposes:

- That a farmer should be allowed to 'step-out' of income averaging more than once in a five-year period, where they are not carrying an unpaid deferred tax amount from a previous 'step-out', providing a strong incentive to repay the deferred tax also.
- For example, if the farmer 'steps out' from income averaging in Year 1 and repays the deferred amount in Years 2 and 3, they should be eligible to 'step-out' again in Years 4 or 5 of a cycle.

#### Precautionary savings for volatility

The precautionary savings proposal from ICOS is an income stability tool for the dairy sector. This 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 farmer's 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 would be available to farmers operating across all sectors. In order to facilitate this, IFA proposes 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 ICOS precautionary savings proposal.

##### IFA proposes:

- To support the introduction of an adapted ICOS precautionary savings proposal, 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 draw down within the next 5 years, and the tax due would be paid on the year of withdrawal.

### 2.2 Removing discrimination in the tax system

#### Earned Income Tax Credit

The discrimination in the tax system between PAYE employees and the self-employed, which results in the self-employed entering the income tax system at a lower income, must be fully eliminated in Budget 2020 as it is not in the spirit of supporting entrepreneurship.

##### IFA proposes:

- That 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 in Budget 2020. The gap of €300 from the current level of €1,350, must increase to €1,650.

#### USC for the self-employed

A surcharge of 3% is applied to any self-employed income over €100,000, resulting in a total of 11% USC applied on any proceeds over €100,000.

##### IFA proposes:

- The discrimination of the application of the USC between PAYE and self-employed earners must be removed, aligning the self-employed with PAYE workers.



## 2.3 Farm transfer, succession and partnerships

### Rates of stamp duty

In Budget 2018, stamp duty was increased from 2% to 6% for commercial property, which included farms. Agriculture is a low margin, highly capital-intensive business, which requires investment in its primary asset, land. This increase will also have significant impact on young trained farmers given the introduction of State Aid limits to their reliefs. The rollover of consanguinity relief post 2020 remains vital for farm transfer and planning.

#### 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.
- That further consideration must be given to lowering the rate of Stamp Duty, considering the introduction of the €70,000 limit for Young Trained Farmers in the Finance Bill in October 2018.
- That reviews to Stamp Duty, and in particular consanguinity relief, are announced before Budget day in October. Adequate timing should be provided for in the year it is due for renewal, to support smooth intergenerational transfer and to reduce uncertainty.

### Agricultural/Business Relief and Capital Acquisitions Tax (CAT) values

The 90% Agricultural Relief from CAT is critical to support the transfer of the intergenerational transfer of economically viable family farms. Its retention for active farmers in Budget 2015 was a very positive move, ensuring that transferred land is put into productive use.

#### IFA proposes:

- To support the commitment in the Programme for Government to increase the Category A threshold (parent and child) from the current rate of €320,000 to €500,000 in future budgets.

### 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.

#### IFA proposes:

- This essential grant, which is diminishing, be extended.

## 2.4 Farm investment and improvement measures

### Vaccines and herd health products.

The threat of Antimicrobial Resistance (AMR) to global public health is recognised by the WHO and nationally through Ireland's National Interdepartmental Action Plan for AMR, involving the Departments of Health and Agriculture, which set 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 of VAT applies.

#### IFA proposes:

- That the 5% VAT rate on non-oral animal medicines, currently allowable under Council Directive 2006/112/EC be applied immediately.
- That the Government commits to the 0% VAT rate as soon as is possible, on adoption of the EU Council Directive.

### 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 should a landowner wish to sell land to a long-term tenant, then the CGT Entrepreneur relief of 10% will apply to incentivise supporting the genuine farmer and giving the long-term tenant preferred status.
- That the lifetime limit of €1m on the CGT Entrepreneur relief should be increased in Budget 2020. 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.
- That agricultural land that is subject to CPO should not be categorised as 'development' land and will still qualify for CGT Entrepreneur relief.





## 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.

### 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.

## Agricultural Relief 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:

- To avail of the Agricultural Relief the transferor or transferee, or a combination of both, have 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.
- That the retention period of the individual receiving the gift / inheritance should be increased from 6 to 15 years.

## Green tax credit

Due to the lack of income generating potential from renewables currently in Ireland, with a very low proportion of electricity coming from agriculture sources, there is a clear barrier to entry nationally in terms of costs and access to the grid. IFA believes agriculture could contribute more if it was economically viable to do so.

### IFA proposes:

- Pending the introduction of a feed-in-tariff and grid access, that for each unit of surplus energy produced through on-farm green energy, an equivalent income tax credit be granted to the energy provider.

## 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:

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

## 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.

1 HSA (2018) Fatal Accidents. Found at [www.hsa.ie/eng/your\\_industry/agriculture\\_forestry/further\\_information/fatal\\_accidents/](http://www.hsa.ie/eng/your_industry/agriculture_forestry/further_information/fatal_accidents/)



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