FINANCE BILL 2019 – IFA PROPOSAL

INTRODUCTION
The IFA's submission on the proposed Finance Bill 2019 includes one main amendment on the increase on Carbon Tax

Carbon Tax increase
The increase of the Carbon Tax on Marked Gas Oil (MGO) will have a negative impact on agricultural production costs in Ireland, resulting in a reduction of the profitability of Irish agriculture.

The use of Agricultural Contractors (ACs) is the most efficient means for farmers to carry out many of the high volume usage of MGO tasks on farms. ACs typically have the most up to date machinery, equipment and technology.

According to the Association of Farm & Forestry Contractors Ireland (FCI), ACs will use 68% of the 500 million litres of MGO which will be consumed in 2019. With the increase in the carbon tax, this would equate to additional costs of €6.8m to farmers, increasing to over €90m in 10 years. The total cost of the carbon tax to farmers will be €600m in the next 10 years.

ACs will be unable to mitigate against the impact of the Carbon Tax since the nature of agriculture production means that the opportunities to reduce fossil fuel usage are very limited at present. Increases in fuel price associated with this tax will have no impact on the volume of fuel that is used.

The cost increases associated with the Carbon Tax cannot be passed on to the purchaser of farm outputs. Farmers will ultimately have to bear the cost of these fuel input price increases from the ACs. There is no alternative to MGO for the agricultural industry at present.

IFA proposes that a similar Diesel Rebate Scheme, which is currently in operation for road hauliers, be introduced for agricultural contractors.