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Budget 2021 Report

The Irish Farmers' Association October 2020



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1. Introduction – Background and Overview of Budget 2021

Budget 2021, the largest budget package in the history of the state, is framed by the backdrop of twin challenges: Brexit and Covid-19.

The likelihood of a no-deal Brexit looks increasingly likely as no major breakthrough in the European Union-United Kingdom negotiations looks forthcoming. Accordingly, the government has put forward Budget 2021 under the assumption that the United Kingdom will leave the European Union on January 1st, 2021, without agreeing to a trade deal. The economic fallout of the UK's departure from the customs union and common market will have a devastating effect on certain sectors of the Irish economy. In 2019, €5.5 billion of Irish food and live animal exports went to the UK.¹ The most benign outcome predicts that our food exports will take a negative hit of 10%.²

Covid-19 has caused severe damage to the public finances with a steep rise in spending on social protection and healthcare. According to the CSO figures, unemployment currently stands at 16% compared to 5.2% twelve months ago. It peaked at 28.8% in April 2020 – the highest level of unemployment on record. Government spending has increased sharply, with the latest estimates being that total expenditure will be €86 billion this year, €16 billion higher than pre-pandemic expectations.

Accordingly, Budget 2021 forecasts a deficit of €20.5 billion or 5.7% of national income next year. The borrowing required to cover this deficit will increase the national debt to approximately €240 billion. An unanticipated surge in corporate tax revenues and income tax from the multinational sector has helped to reduce this year's deficit.

Overall, the outlook is uncertain. Expected GDP growth for 2021 is 1.75% GDP, projected growth in modified domestic demand is 4.9% and unemployment is expected to be 10.25%. Continued public health restrictions, the absence of a vaccine, and a no-deal Brexit will mean that the economy will continue to suffer in 2021. With this in mind, the Government delivered an increased budget allocation of €17.75 billion for the 2021 budget, more than €17 billion of which relates to expenditure, and €270 million in tax measures.

¹ CSO Goods Exports and Imports, December 2019

² Vulnerabilities of Supply Chains Post-Brexit, London School of Economics, 2020

2. Main changes to the Agriculture Budget

The Agriculture Budget has been increased by €179 million to €1.826 billion, an increase of over 10%.

2.1 Farm Schemes

Agri-Environmental measures

The allocation for the Agri-Environmental schemes is €200m. This will include GLAS payments to 48,500 farmers in the scheme. 36,000 farmers on GLAS whose contracts expires on Dec 31st 2020 will have their contracts extended. In addition, Locally Led Scheme are worth approximately an additional €10m.

In addition, €79m is earmarked for new agri-environment and other farm support measures. Details of these have yet to be made available but they will be related to climate actions on farms. This funding will contribute to the development of a pilot scheme to encourage environmental action from farmers who are not currently in GLAS, and a number of pilot environmental actions that will be available to farmers on a broader basis. €10 million is to be ring fenced for the tillage sector. It will also contribute to the development of new initiatives on farm safety

Beef Data and Genomics Programme

€40m was allocated under the BDGP for 24,000 farmers in the scheme in 2021.

Beef Sector Efficiency Pilot, based on the BEEP-S Scheme

€40m is allocated for targeted supports in 2021.

Beef Farmers Rearing Dairy Calves

€5 million for a new calf weighing measure to support beef farmers rearing dairy calves.

Sheep Welfare Scheme

€17m is allocated for the Sheep Welfare Scheme for 19,000 farmers in 2021.

Areas of Natural Constraint

€250m is allocated to the ANC scheme for 2021 and benefiting around 100,000 farmers.

Targeted Agricultural Modernisation Scheme

€80m for the TAMs scheme to support investment on farms and the continuation of the scheme.

Organic Farm Scheme

The Organic Farm Scheme has been increased by 33% from €12 to €16m to encourage more farmers to participate in the Scheme

Forestry

The forestry budget of €103.5 million has been maintained for 2021.

3. Other relevant expenditure areas

3.1 Rural and Community Development

An additional €4 million has been allocated to Leader to help it support rural projects and create jobs. An extra €1 million has been allocated to CLÁR and the Walks Scheme.

3.2 Heritage

€96 million is allocated to conserve and manage Ireland's heritage. While specific allocations are not specified nevertheless farmers will partly benefit through an enhanced National Park and Wildlife Farm Plan, bog restoration, and measures in protected natural heritage areas.

4. Main Taxation measures

4.1 Agricultural taxation

Consanguinity relief

This Stamp Duty relief has been extended until December 2023. It provides an effective Stamp Duty rate of 1%.

Consolidation relief

This Stamp Duty relief has been extended until December 2022. It provides an effective Stamp Duty rate of 1%.

VAT Flat Rate Addition

In Budget 2021, the VAT Flat Rate Addition has been increased by 0.2% from 5.4% to 5.6%.

4.2 General taxation

Earned Income Tax Credit

In Budget 2021, the Earned Income Tax Credit for self-employed tax payers, including farmers, has been increased by €150 to €1,650 which is now in line with the Employee Tax Credit available to PAYE employees.

Carbon Tax on Marked Gas Oil (agri-diesel)

Carbon tax will be increased by €7.50/tonne to €33.5/tonne from midnight 13th October 2020. This will add an extra 2c to the cost of a litre of agri-diesel from next May.

Universal Social Charge

The ceiling of the second USC rate band will be increased from €20,484 by €203 to €20,687.

Employers' PRSI

The weekly income threshold for the higher rate of employers' PRSI increased from €395 by €3 to €398.

Dependent Relative Tax Credit

The Dependent Relative Tax Credit for those who maintain a dependent relative at their own expense is increased from €70 to €245 per year.

Accelerated Capital Allowances Scheme

The Accelerated Capital Allowances Scheme for energy efficient equipment is being extended for a further three years.

5. Social Protection and Health**5.1 Social Protection*****Pandemic Unemployment Payment (PUP)***

Introduction of earnings threshold of €480/month for self-employed to allow occasional work opportunities without losing PUP entitlement.

Covid-19 Enterprise Support Grant

The payment to small and micro enterprises has been extended until the end of March 2021.

Farm Assist

The allocation for Farm Assist is increased by €0.8 million from €59.9 million to €61.7 million. There is no change on the rates of payment except in the case of dependents. The rate for children under 12 will be increased from €36 by €2 to €38. For children over 12 it will be increased from €40 by €5 to €45. The fuel allowance will be increased from €24.50 by €3.50 to €28/week and will apply for 28 weeks.

The Rural Social Scheme

The Rural Social Scheme is decreased by €1.8 million to €52.2 million. The number of places under the scheme is maintained at 3,500.

Carer's Support Grant

Increased to €1,850/year which represents a €150 increase from €1,700.

Living Alone Allowance

Increased to €19/week which represents a €5 increase.

Parent's Benefit

In Budget 2021, this benefit for parents on leave from work, was extended by 3 weeks.

State Pension

The State Pension age will remain at 66 years, and will not increase to 67.

5.2 Health

Prescription charges

Prescription charges for all medical card holders will be reduced. For the over 70's it will reduce from €1.50 by €0.50 to €1/item and for the under 70's it will reduce from €2 by €0.50 to €1.50/item.

Drugs Payment Scheme

From November 2020, the Drug Payment Scheme threshold will be reduced from €124 by €10 to €114 per month.

Home Support

Home Support Service will provide an additional 5 million hours in 2021, with specific provision that up to 5% of the new hours are allocated for home care related to dementia.

National Treatment Purchase Fund

€130 million has been allocated to the National Treatment Purchase Fund (NTPF) for 2021, an increase of €30 million.

Medical Card

The income limits for medical card eligibility for persons over 70 will increase by €50 to €550/week for a single person and by €150 to €1,050 for a couple.