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# 2022 Budget Report

The Irish Farmers' Association October 2021



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## 1. Introduction – Background and Overview of Budget 2022

Budget 2022, the COVID-19 Recovery Budget, is framed by the emergence from the COVID-19 pandemic and a reopening, resurgent Irish economy, coupled with the ongoing uncertainty surrounding Brexit.

A no-deal Brexit was avoided at the last minute in 2020, but the future is far from certain. The European Union/United Kingdom negotiations continue to rumble on and are fraught with uncertainty and ambiguity. These conditions do not favour prosperous stable trading relations with what remains our most important outlet for agri food exports. While the cliff edge of a no-deal Brexit was avoided in 2020, the relationship between the UK and the EU remains in flux and this threat hangs over the agri industry, despite a rising worldwide commodity market in 2021.

While COVID-19 caused severe damage to the public finances, the deficit is much less than originally anticipated. Initial estimates put the deficit in the region of €21 billion, but last week's revised figures show that the National deficit will come in closer to €13 billion. While this remains significant, a €7 billion turnaround in the forecast deficit is a huge improvement in the overall financial landscape.

Overall, the outlook is positive as Ireland and the world-wide economy emerges from the COVID-19 pandemic and economic restrictions are lifted. Interest rates on the international markets remain historically low and offer an opportunity to invest and to provide a sustainable and future proofed economy to all sectors, including agriculture. The challenges of climate change remain and Ireland, including the agri sector has an important role to play in contributing to tackling these challenges.

In terms of forecast economic growth, the estimates have been recently doubled from 8.8% in the *Summer Economic Statement*, to a revised figure of 15.6%. When measured by Modified Domestic Demand, which more accurately reflects the domestic economy, growth is forecast to be 5.25% this year and 6.5% in 2022.

## 2. Main changes to the Agriculture Budget

The Agriculture Budget has been increased by €32 million to €1.858 billion.

### 2.1 Farm Schemes

While there are indications that all farm schemes are to be rolled over, we have yet to receive formal confirmation in relation to individual scheme budgets.

Key features of the budget include:

- €872m in funding for Rural Development and Forestry supports, including:
  - supports for the beef and sheep sectors including BDGP, BEEP-S, Sheep Welfare Scheme, ANC and Dairy Calf Programme
  - € 80m for on farm investments through TAMS including specific supports for solar energy installation.
- €21m to support organic farming.
- €4m for the establishment of a Food Ombudsman's Office
  - Requires primary legislation to be enacted by the Minister for Agriculture.

- Grant aid to support the planting of multi species swards.
- €15m for the continuation of the soil sampling scheme.
- An additional €2m to support farm safety initiatives.

### 3. Other relevant expenditure areas

#### 3.1 Carbon Tax Redirected

- The *Programme for Government* gave a commitment to allocate €1.5bn carbon tax receipts to agriculture over the 2021 – 2030 period.
- However, €49m of 2022 carbon tax receipts initially allocated to agriculture, has now been reallocated to the Department of Social Protection.

#### 3.2 Rural and Community Development

- An additional €4m has been allocated to Leader to help support the economic and social development of rural areas and the offshore islands, and to contribute to regionally balanced development.
- Additional funding of €1.5m has been allocated to CLÁR and €2m to the Walks Scheme.

#### 3.3 Heritage

€120 million is allocated to conserve and manage Ireland's heritage. While specific allocations are not outlined, nevertheless farmers will partly benefit through delivery of conservation projects under LIFE and other funding instruments. Also included is an expanded NPWS Farm Plan programme, bog restoration and conservation of protected peatlands, including raised bog compensation schemes.

#### 3.4 Strategic Banking Corporation of Ireland (SBCI)

Ongoing access to flexible loan schemes through the SBCI for farmers, fishers and food and drink SMEs.

## 4. Main Taxation measures

### 4.1 Agricultural Taxation

#### ***Young Trained Farmers (stamp duty)***

Young Trained Farmers (<35 years old) stamp duty relief is extended until end of 2022. This is the furthest this can be extended, but the Department of Agriculture, Food and the Marine are positive that EU State Aid rules will allow the reliefs to be extended again in Budget 2023.

#### ***Stock Relief***

- Stock relief extended for a further 3 years at a rate of 25%.
- Partnership stock relief at 50% and Young Farmer stock relief at 100% is extended until end of 2022.

#### ***Zoned Land Tax***

- Land which is zoned suitable for residential development and has not been developed, will be subject to a new tax at 3% of market value.
- 2 to 3-year lead in time to introduction depending on zoning date.
- Replaces the current vacant tax levy.

## **Corporate Taxation**

- No change for farms operating as companies, with tax rate remaining at 12.5%.
- The increase to 15% is only for large turnover global corporations.

## **VAT Flat Rate Addition**

- In Budget 2022, the VAT Flat Rate Addition has been decreased by 0.1% from 5.6% to 5.5%.
- The estimated cost of this change is €7m per annum to farmers.

## **4.2 General Taxation**

### **Income Tax**

- The Earned Income and Personal Tax Credit for self-employed tax payers, including farmers, has been increased by €50 to €1,700.
- An increase of €1,500 in the income tax standard rate band for all earners to €36,800.

### **Universal Social Charge (USC)**

The ceiling of the second USC rate band will be increased by €608 to €21,295 (keeps minimum wage workers out of the higher USC band).

The USC Rates & Bands from 1 January 2022 will be:

- Incomes of €13,000 are exempt.

Otherwise:	€0	–	€12,012 @ 0.5%
	€12,013	–	€21,295 @ 2%
	€21,296	–	€70,044 @ 4.5%
			€70,045+ @ 8%

- Self-employed income over €100,000 @ 3% surcharge.

(The reduced rate of USC for medical card holders is being extended for a further year).

### **Employers' PRSI**

- The weekly income threshold for the higher rate of employers' PRSI increases from €398 by €12 to €410, 1st January 2022.

### **Minimum Wage**

- Increased by 30c to €10.50 per hour.

### **Carbon Tax**

- Carbon tax will be increased by €7.50/tonne to €41/tonne from midnight 13<sup>th</sup> October 2021.
- Increase on agri diesel, kerosene, natural gas and LPG from 1<sup>st</sup> May 2022.
- This will add an extra 2c to the cost of a litre of agri-diesel from next May.

### **Vehicle Registration Tax**

- VRT new increased rates table and extension of relief on electric cars.

### **Accelerated Capital Allowances Scheme**

The Accelerated Capital Allowance Scheme (ACAS) for energy efficient equipment will not include equipment directly operated by fossil fuels.

## **5. Social Protection and Health**

### **5.1 Social Protection**

#### **Pandemic Unemployment Payment (PUP)**

- Pandemic wage subsidy to be phased out by April 2022.

#### **Welfare Payments**

- Farm Assist
  - Increase in weekly rate of payment by €5 per week
  - Qualifying adult rates also increasing by €3.30 to €138.
  - The rate for children under 12 will be increased by €2 to €40. For children over 12 it will be increased by €3 to €48.
  - The list of agri-environmental schemes that attract a disregard under the farm assist scheme is to be amended.
- The State Pension and core social welfare payments increase by €5 per week in 2022.
- Living Alone Allowance will increase by €3 per week.
- Fuel allowance increased by €5 per week immediately. Weekly means threshold for Fuel Allowance increases by €20 to €120.
- Parent's Benefit to be paid for 7 weeks from July 2022.

### **5.2 Health**

#### **Drugs Payment Scheme**

- The Drug Payment Scheme threshold will reduce by €14 to €100 per month.

#### **Childcare**

- Free GP care extended for children aged 6 & 7.