



The Irish Farmers' Association

Submission on the Finance Bill 2022

Executive Summary:

- Extension of **agri-taxation measures and supports in Budget 2023** acknowledged.
- The **Residential Zoned Land Tax** should not apply to currently used agricultural land in a manner similar to the exemption provided under the Vacant Site Levy exemption. 'A right to be unzoned' must be secured within legislation. Direct engagement with potentially impacted farmers is essential.
- Ready-mix used for farm buildings should be exempt from **Defective Concrete Products Levy**.
- Introduced support measures must be amended in line with new **Temporary Crisis Framework**.
- All farmers eligible for an **agri-environment scheme**, if desired, should receive 2023 payment.
- Essential significant funds from **Brexit Adjustment Reserve** ringfenced for farmers.
- Increased nationally funded **BEEP-S** alternative required to support vulnerable sector.
- **Renewable energy installations** should be funded by the Department of the Environment and not TAMS.

Budget 2023

Budget 2023 announced on the 27th of September contained a number of positive initiatives from a farming perspective that should be acknowledged. Of particular benefit was the retention of existing agri-taxation measures (especially those relating to Farm Succession/Inheritance); the introduction of accelerated capital allowances for the construction of slurry storage facilities, and the inclusion of farms within the remit of the new Temporary Business Energy Support Scheme. Further roll-over of existing on-farm measures (i.e. Fodder Support Scheme; Tillage Support Scheme, etc.) will help too, in a small way, against the phenomenal inflationary input price pressures currently endured, but they won't keep pace with input price challenges and more targeted measures may be required in the short-term. The increased permitted State-aid threshold to €250,000 and extension of the Temporary Crisis Framework to end Dec 2023 will be beneficial in this regard.

Residential Zoned Land Tax

IFA is fully aware of the current housing challenges and indeed the rationale underpinning the proposed introduction of the Residential Zoned Land Tax (RZLT), however we strongly oppose the inclusion of land which currently forms an integral part of existing farm operations and food production within its remit, in particular those impacted lands where the zoned residential status of the land was provided without any explicit consent, action or intent of the part of the land owner.

Irish farm families are private land owners who utilise land for food production, often spanning multiple generations. They have not caused or influenced the current housing crisis. They are not building speculators or developers withholding land from residential development.

This fundamental truth, similar to that employed within the Vacant Site Levy, needs to be acknowledged and accounted for in the RZLT, or any other measure introduced to positively influence or solve the ongoing housing crisis. Anything otherwise would be discriminatory on Irish farmers living in close proximity to urban centres, and serve nothing more than enforcing added expense on already low-income farm families.

COMMERCIAL DEMAND, intent of PURPOSE, and CONSENT must hold greater position and consideration regarding any liability to the RZLT. Local Authorities must hold a direct application for; or explicit/expressed consent of the farmer to zone the land for residential development before exposing them to this serious tax liability.

Farmers who request zoning of land for residential development; or who knowingly purchase residentially zoned land; or who wish to retain residential zoning on farmland should be considered for RZLT just as any builder/land developer would be. That is however PROVIDED they have had a genuine opportunity to change the zoned status of the land in question if so desired, or if they knowingly purchased the residentially zoned land AFTER this proposed legislation comes into force.

'A right to be unzoned' must be secured within legislation or automatic 'zoning reset' occur where actively used farm lands have been zoned for residential development by Local Authorities without any action/explicit consent on the part of the land owner, especially near smaller urban centres with less housing pressures. The 'right to request unzoning' as per Section 80 653L of the Finance Act 2021 is not sufficient. IFA propose that an independent, simple, cost-effective centralised mechanism of changing the zoned status of lands without justification must be provided for farmers wishing to change the zoned status of their land back to 'agricultural use', with a legislative clause included within such applications that such lands cannot be subsequently acquired by Local Authorities by way of Compulsory Purchase Order (CPO). This needs to be explicitly provided for in the legislation. There are significant concerns among many farmers that if they wish to continue farming, and get their zoned lands de-zoned, Local Authorities will subsequently acquire lands by CPO at discounted rates – i.e. agricultural rates rather than zoned land rates – to their economic disadvantage. The inequitable reality however, as currently stands, is that many farmers will be forced to sell owned land as economically they will not be able to afford the annual RZLT. For farmers that successfully get the zoned status of their lands amended, Revenue need to reimburse any extra tax previously paid (including re-installation of all available tax credits) on the transfer of land where relevant (i.e. where zoned vs dezoned land valuations were utilised in assessments).

Commercial demand, or a housing need at local level must be clearly evident and defined within legislation. It must form an integral part of assessments undertaken on the inclusion or otherwise of individual sites within the scope of the RZLT. Where there is no housing need, RZLT should be exempt otherwise it represents nothing more than a penal tax on land owners and contradicts entirely the stated purpose of the RZLT as per Minister for Housing, Local Government and Heritage Darragh O'Brien T.D. within the Residential Zoned Land Tax - Guidelines for Planning Authorities¹ namely: *'The tax measure is aimed at incentivising residential development rather than generating revenue for the State'*.

The significant divergence between the annual 3% market value tax liability and the potential income yield or earning potential from the farm land itself is also unproportionate and excessive, contrary to the general taxation principles and will result in many forced land sales and a distortion of the agricultural land market. If being enforced for the 'greater good' to combat the housing crisis, why then are significant tracts of zoned residential land under State ownership (e.g. parks & amenities) exempt? Why isn't State owned lands; lands in strategic reserve and 'vacant/idle sites' utilised in first instance to meet the housing need rather than adopt a blanket based approach (again without any justification in the absence of housing need) and target privately owned farm land used for food production? Is this not somewhat discriminatory in nature on farmers?

The general perception among various Government officials from engagements held is that the 'right to request unzoning' as per Section 80 653L of the Finance Act 2021 represents a satisfactory mitigant for impacted farmers who want to have the zoned status of their land amended, thus removing any potential liability or unintended

¹ <https://www.gov.ie/en/publication/fbc41-residential-zoned-land-tax-guidelines-for-planning-authorities/>

consequences. In theory, while a mechanism or process is provided, there is no guarantee of success; and the reality appears very different.

Feedback from numerous IFA members, pertaining to the Vacant Site Levy, is that the process of changing the zoned status of land is anything but simple or straightforward. It can be very frustrating and costly to execute (some incurring costs running into thousands of euro's), and often times requires considerable lobbying and political support to get the zoned status amended at local level. Lack of governance was also a significant point of contention. There were instances where one official (a senior planning manager) identified the land liable for the Levy in first instance; approved the assessment physically carried out by a subordinate; heard the farmer appeal; quashed the appeal against the same planning managers original decision; and then valued the land to determine the tax to be levied. Members also emphasised, in relation to the Vacant Site Levy, the huge disparity in application/treatment of individual land owners (i.e. farmers; builders etc) both across and within Local Authorities, without any obvious, transparent or fair reason. They suggested that the highly subjective and political area of planning and zoning is incompatible with an equitable, fair and clearly transparent taxation measure.

There are numerous other items in relation to the RZLT and provided Revenue / Local Authority guidelines that is particularly concerning and which we wish to draw attention to.

Firstly, as noted above, the legislation essentially provides a mechanism to Local Authorities to force non-commercial rate paying land owners (i.e. farmers) off their own land by subjecting them to this very significant centrally collected tax, run by the Revenue Commissioners, either now or through future rezoning land as they see fit, without any reference to, or consent from the owner of the land and/or business operated from it. There is no de-zoning facility provided for after 2022-23. This must be rectified and specifically provided for in legislation. Adequate protections must be afforded to farmers subject to future changes in land ownership and/or in zoning to residential development by Local Authorities.

The timeline to develop and lodge a submission against the inclusion of farmed land in scope for the RZLT is very limited (Nov 1st '22 to 1st Jan '23) and more demanding on land-owners. It seems to add complication and expense on a farmer, and will inevitably involve input / legal advice during a period of time when the legal profession closes for the Christmas and New Year holidays. For example:

- (i) Despite the fact the Local Authority has no requirement to identify land ownership for inclusion on the 'map' of in scope land, a land owner wishing to appeal needs to provide proof of ownership before an appeal will be entertained.
- (ii) The land owner must supply very detailed plans to 1:1000 or 1:2500 scale of the lands in question. Why is this needed if the Council have mapped the land correctly?

The situation on appeal on the supplemental maps is not much better, with map publication on May 1st 2023 and final date for receipt of submission June 1st 2023 (24 working days at best) with the same preconditions for land owner farmers. *It is worth noting that no such preconditions are applied to submissions from members of the public who are NOT landowners.*

As noted above, there is no requirement placed on Local Authorities to have appeals reviewed by an impartial member of the Authority unconnected with the Department charged with drawing up lands in scope for the RZLT. Situations need to be avoided where the same official identifies and approves lands to be included, reviews and determines appeal outcomes. Effectively one person controlling the whole process. Full transparency on the appeals process with independent arbitrators is required.

Land is now deemed serviced if adjacent to roads where services could be connected. The unintended consequence of this is that future road improvement schemes, where they involved installing water and waste water services, in areas where farming takes place may be resisted by local farmers as it would set them up for RZLT once zoning was changed.

All residential homes on residentially zoned land on plots larger than 0.4047ha (1 acre) have to be registered for the RZLT with Revenue even though they are not liable for the tax given existing residential property and associated gardens/yards are exempt. If the property is not subject to the RZLT why is registration necessary? What is the purpose of this? What is the penalty if not registering? How will this be enforced to ensure fairness? Is the plan to force such home owners in the future to build on the land around their home or pay a tax? If not why the requirement? Many modest rural residential homes will be in plots greater than 0.4047ha (1 acre) and by their nature as a residential property with planning permission, the plot will be zoned residential.

The public submission phase allows for members of the general public to submit a case for inclusion of any lands on the in-scope map. What precautions are there to prevent vexatious submissions by political groups or pressure groups to include farmers property?

The legislation provides for the Revenue Commissioner to notify the relevant Local Authority when it is made aware that potentially zoned serviced residential development land has not been included on the most recent Local Authority map published in accordance with the legislation. The Local Authority will take the information provided into account when revising the final map. What provisions have been included to ensure impacted land owners are directly engaged and advised of their potential liability to RZLT? The practice of council officials zoning/rezoning land in a bulky county development plan draft and publishing it for public comment and submission (approach as proposed re RZLT) is not the same as active or direct engagement with the land owner. This practice of 'hiding a proposal in plain sight' is disingenuous and takes advantage of people not directly involved in, or aware of, land development typically – i.e small family farmers - and must stop. The consequences are too severe. Direct engagement with impacted land owners is essential. Where the owner fails to register and account for RZLT or underpays the amount of RZLT due, tax and interest (8% per annum; 0.0219% per day) will accrue as a charge on the land. This means that the property cannot be sold or transferred without paying the outstanding amount of RZLT and interest. Where a landowner significantly undervalues their land for the purposes of the tax (i.e. by at least 33% relative to its market value), a surcharge of up to 30% may be applied.

There are numerous references within the guidelines that 'the principle purpose is to encourage the timely activation of zoned and serviced residential development land for housing, rather than to raise revenue'. If true, what has the payment or otherwise of Commercial Rates got to do housing supply? If a business is operating on in scope lands, why should a farm business be treated any differently to any other business and discriminated against?

IFA Proposal:

- **The proposed Residential Zoned Land Tax will not apply to currently used agricultural land in a manner similar to the exemption provided under the Vacant Site Levy exemption.**
- **Impacted land owners, potentially liable to RZLT, must be directly contacted and informed of potential liability and the existing timeline for farmers to make a submission against potential liability should be extended considerably.**
- **Intent of purpose, consent and commercial demand involving potentially impacted lands (purchased or otherwise) should ultimately determine liability.**
- **'A right to be unzoned' must be secured within legislation or automatic 'zoning reset' occur where actively used farm lands have been zoned for residential development by Local**

Authorities without any action/explicit consent on the part of the land owner, especially near smaller urban centres with less housing pressures.

- **An independent, simple, cost-effective centralised mechanism of changing the zoned status of lands without justification must be provided for farmers wishing to change the zoned status of their land back to 'agricultural use', with a legislative clause included within such applications that such lands cannot be subsequently acquired by Local Authorities by way of Compulsory Purchase Order.**
- **There is no de-zoning facility provided for after 2022-23. This must be rectified and specifically provided for in legislation. Adequate protections must be afforded to farmers subject to future changes in land ownership and/or in zoning to residential development by Local Authorities.**
- **Revenue must reimburse any extra tax previously paid (including re-installation of all available tax credits) on the transfer of land where relevant (i.e. where zoned vs dezoned land valuations were utilised in assessments)**
- **Per Section 653AHA, sites subject to a relevant contract entered into prior to 1st January 2022 are not subject to the RZLT. Such exemption should extend to include all relevant contracts entered into before the enforcement of the RZLT i.e. February 2024.**
- **Residential land owners, who are not liable for RZLT, should not be required to register for the RZLT.**

Concrete Levy - exemption for farmers using ready-mix justified

There's huge frustration among farmers at the imposition of the concrete levy as part of Budget 2023. While the Finance Bill provides for a reduced levy (5%); a delayed implementation (to Sept '23) and reduced coverage (pre-cast product now excluded) than what was initially suggested, the levy will further inflate the cost of doing business for farmers who are already dealing with a massive escalation in farm input costs.

Many farmers are required to install additional slurry and soiled water storage as part of the revised Nitrates Action Programme. Farmers are also choosing to invest in their farm infrastructure to reduce on-farm labour requirements and better utilise slurry due to the escalating cost of fertiliser.

The concrete levy is a strong disincentive for farmers to invest in improving their farming facilities, and significantly dilutes the benefit accruing from the welcome accelerated capital allowance on slurry storage introduced in Budget 2023. A very large proportion of farm building works requires ready-mix, meaning that farmers are going to be disproportionately impacted by this levy. IFA believe it is entirely justified that ready-mix used for farm construction should be exempt from the levy.

By way of example, the cost of constructing a typical three-bay lean-to slatted has increased close to 70% relative to pre-Covid levels (see Table 1). And that is before any concrete levy is added! The concrete levy will add a further €1,400, bringing the total net increased cost closer to an extra €27,500, or a 75% increase in September 2022. TAMS reference costs have been reviewed and increased somewhat, but the increases are below inflated levels and will need further upward revision.

IFA proposal:

- **Farmers using ready-mix for farm buildings must be exempt from the concrete levy, otherwise capital expenditure will be postponed.**
- **TAMS reference costs will need to be reviewed again with further upward revision given the phenomenal increase in input costs.**
- **A full regulatory impact assessment of the proposed levy is required before implementation.**

Table 1: Estimated cost of building typical 3-bay lean-to slatted shed 2022 vs. 2018

	2018	Sept '22
	€	€
Shed frame, sheeting, doors, barriers, crush supplied & fitted	15,225	25,930
Slats	3,000	5,130
All concrete works (tank; walls; ancillary) concrete supplied	16,210	28,570
Stone	1,150	1,452
Electrical	1,410	1,645
Plumbing	255	330
Digger/dumper hire	920	1,135
Total net cost	38,170	64,192
Added cost to build (2022 vs. 2018)		26,022
% Increase (without Concrete Levy)		68%
Added cost 5% Concrete Levy		€1,429
% Increase (including Concrete Levy)		72%

Note: For indicative purposes only (Source: Adapted from Irish Farmers Journal, 20/04/22)

In addition, clarification is required regarding the implications and extension of the concrete levy where liable concrete products are sourced from other jurisdictions not currently enforcing the Concrete Levy. Situations need to be avoided, where the obligations of the 'first supplier' as outlined in the Finance Bill 2022, fall on the consumer (records; cost; administration etc).

Temporary Business Energy Scheme

The introduction of the Temporary Business Energy Scheme within the Finance Bill is to be acknowledged as an important support measure against the escalating energy price crisis. Reference is made in Section 88 (9)(c)(i) to the maximum claim permitted per Section 2.1 of the Temporary Crisis Framework is €62,000 where the person is carrying on a trade of farming.

IFA propose that this figure must be increased to €250,000 in line with the amended Temporary Crisis Framework initiated from 28th October 2022. Further update and clarification are also required that 'energy intensive' farm businesses (i.e. energy/electricity is greater than 3% production value or turnover) may also avail of Section 2.4 of said framework ('Aid for additional costs due to exceptionally severe increases in natural gas and electricity prices') and claim for a maximum of 50% of eligible costs up to a cumulated €4m limit, where all listed criteria is satisfied.

Maximising the availability of other available supports per Temporary Crisis Framework (amended Oct 28th 2022) – i.e. liquidity support in the form of guarantees / subsidised loans etc - is also imperative in mitigating the on-farm challenges currently endured.

Extension of existing fuel support measures

While legislated increases in carbon tax were applied, offset by temporary comparable suspension of Natural Oil Reserve Authority levy and the retention of existing Excise Duty reliefs on motor fuel into 2023, the economic consequences of failing to extend these support measures further again are outlined in the Finance Bill, with a significant increase experienced in March 2023, across a number of mineral oils. This will add significantly to the cost of living and doing business.

IFA Proposal:

- Any withdrawal from existing levels of support should be done on a very gradual, phased basis.

RATES OF MINERAL OIL TAX

With effect as on and from:	Light Oil: Rates per 1,000 litres		Heavy Oil: Rates per 1,000 litres						Liquefied Petroleum Gas: Rates per 1,000 litres		Vehicle gas:
	Petrol	Aviation gasoline	Used as a propellant	Used for air navigation	Used for private pleasure navigation	Kerosene used other than as a propellant	Fuel oil	Other heavy oil	Used as a propellant	Other liquefied petroleum gas	Rate per megawatt hour at gross calorific value
10 March 2022	€474.11	€474.11	€413.51	€413.51	€413.51	€84.84	€118.01	€120.55	€118.27	€54.68	€9.36
1 April 2022	€465.98	€465.98	€405.38	€405.38	€405.38	€84.84	€118.01	€120.55	€118.27	€54.68	€9.36
1 May 2022	€465.98	€465.98	€405.38	€405.38	€405.38	€103.83	€141.12	€111.14	€130.52	€66.93	€9.36
12 October 2022	€483.34	€483.34	€425.45	€425.45	€425.45	€103.83	€141.12	€111.14	€130.52	€66.93	€9.36
1 March 2023	€654.07	€654.07	€555.53	€555.53	€555.53	€103.83	€141.12	€158.50	€130.52	€66.93	€9.36
1 May 2023	€654.07	€654.07	€555.53	€555.53	€555.53	€122.83	€164.23	€178.83	€142.76	€79.17	€9.36
11 October 2023	€671.43	€671.43	€575.61	€575.61	€575.61	€122.83	€164.23	€178.83	€142.76	€79.17	€9.36
1 May 2024	€671.43	€671.43	€575.61	€575.61	€575.61	€141.82	€187.34	€199.17	€155.01	€91.42	€10.13
9 October 2024	€688.78	€688.78	€595.68	€595.68	€595.68	€141.82	€187.34	€199.17	€155.01	€91.42	€10.13
1 May 2025	€688.78	€688.78	€595.68	€595.68	€595.68	€160.81	€210.45	€219.50	€167.25	€103.66	€11.48

Other key considerations for Government from Budget 2023

The renewal of the Beef Environment and Efficiency Scheme for sucklers (BEEP-S) was important, but the allocation was too low (€28m vs. €40m previously provided) and will leave support for suckler farmers well below what is needed. **Allocated funding must be increased and secured for future years to give greater economic certainty and protect this traditionally low-income vulnerable sector.** The fact that funding is provisionally derived from the Brexit Adjustment Reserve (BAR) also raises serious concerns about the longevity of the scheme beyond 2023.

With regard the BAR more generally, it is essential that primary producers, given their elevated risk to Brexit, now and into the future, get the highest allocation of available funds toward the provision of a series of targeted measures to help build on-farm resilience. **Similar to that employed for the Fishing & Maritime sectors, a significant proportion of BAR funding should be ring-fenced and held specifically for primary producers.** To date, while those further along the agri-food chain have managed to secure significant BAR funding, only a very small and limited amount has been allocated for primary producers. This must change. IFA remain committed to working with Government and all relevant stakeholders to ensure practical and beneficial supports are provided for farm families against Brexit.

IFA believe that Budget 2023 contains a number of measures that, indirectly, will constrain farmers in their endeavours to meet our climate change obligations and should be reconsidered. These include, most specifically, the tranche-based design of the new ACRES scheme; the introduction of the 5% concrete levy (discussed above); and the persistent funding of solar/renewable energy investment from TAMS.

All farmers eligible for an agri-environment scheme, if desired, should receive 2023 payment

An important programme within the new Rural Development Programme is the new Agri-Climate Rural Environment Scheme (ACRES) - the successor of GLAS, REAP and some EIP's – however its tranche-based design will mean that participation rates in agri-environmental schemes in 2023 will be only half what might otherwise have been, and many farm families, particularly those in the most vulnerable sectors, will be left without a key income source as a result.

Table 2: Farm financials & relative importance of GLAS payments to average farm incomes

	Average Farm Income 2017-21 (€'000)	GLAS participation rate - 2021	Average GLAS payment – 2021 (€'000)	GLAS (2021) as % Average Farm Income (2017-21)
Dairy	80.0	16%	3.7	4.6%
Cattle Rearing	9.5	45%	4.0	42.1%
Cattle Other	15.6	41%	3.9	24.9%
Sheep	16.9	49%	4.0	23.7%
Tillage	40.6	42%	4.7	11.6%

(Source: Teagasc National Farm Survey, 2022)

With contracts under GLAS and REAP set to finish at the end of this year, combined with expressions of interest for ACRES, it is expected that over 60,000 farmers may wish to participate in an agri-environment scheme in 2023.

However, under Budget 2023, the Minister for Agriculture announced just 30,000 places under Tranche 1 of ACRES (currently open for applications). Tranche 2 will not open until Q4 2023, with scheme participation commencing January 2024.

All farmers eligible for an agri-environmental scheme, if desired, should receive a payment in 2023. This can be done by offering a bridging payment to farmers who are not successful in Tranche 1 of ACRES that matches their previous agri-environmental scheme payment, or alternatively by paying an upfront payment in 2023 for Tranche 2 ACRES participants, similar to the way REPS payments were in the past.

Feedback received from numerous Agri Planners/Consultants regionally in terms of ACRES is that the significant administrative burden and time taken with on-farm visits may considerably limit the number of applications received by the 21st November Tranche 1 deadline. Recent media reports suggest, with less than three weeks to the existing deadline, that only 4,000 farmers have been successfully approved. **The existing deadline should be extended and/or the application process simplified to maximise farmer uptake.**

Renewable energy investment must be independent of TAMS

It has been well documented and generally accepted that agriculture has a huge challenge ahead in meeting its climate change obligations (i.e. 25% cut in emissions by 2030). If we want to get real about meeting these challenges, we need to get our policies aligned and also ensure sufficient funding, independent of CAP, is available for required actions.

Renewables will certainly play a big part, and with the availability of significant farm infrastructure, roof-top solar is certainly an option that many farmers may consider pursuing.

Currently, solar panels are funded through TAMS, but farmers that utilise TAMS funding for solar cannot sell surplus electricity generated on-farm to the Grid (thus limiting the potential for solar to really generate a viable diversified income stream). From an Industry perspective, a further limitation is the fact that the benefits of increased energy generation from roof-top solar on farm buildings go to the Energy sector rather than Agriculture.

Measures were introduced in Budget 2023 to boost renewable energy generation - increased funding for TAMS; increased permissible grant-aid; planning permission exemptions for rooftop solar panels - all of which are welcome, but the fundamental problem from a farmer perspective is that solar installations, given existing policies, should not be funded from TAMS.

The more funds that are used for solar panel/renewable energy installations in TAMS, the less funds are available for farmers to make other necessary on-farm investments to support and count toward the Agri sector achieving its required 25% cut in emissions.

We are not in any way trying to dismiss the potential of solar, or the commitment and serious challenge ahead for farmers in meeting our climate obligations, but it seems completely illogical that you want farmers to do more and more to meet our targets, yet are taking away the financial support available to make that happen, so others can benefit. It just does not make sense.

IFA propose that renewable energy installations should be funded independent of TAMS by the Department of Environment; restrictions on the volumes that farmers can sell onto the Grid when grant-aided must be lifted; and the actions of farmers should be reflected in the emission reduction target for Agriculture.

Background

The Irish Farmers' Association is Ireland's largest farming organisation with approximately 77,000 members in 940 branches nationwide. The IFA has a commodity committee to represent the main agricultural sectors, including, dairy, livestock, sheep pigs, poultry, organics production and aquaculture but also has a number of committees that has overarching responsibility on issues which affect the entire agricultural sector. The IFA Farm Business committee closely follow and lobby on taxation and financial policy issues with both the Government Departments and Financial institutions.