



IFA

Guide to Woodland Taxation in Ireland

Forestry is considered a
farming activity for tax
purposes.

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Introduction

Forestry is considered a farming activity for tax purposes. Commercial forestry farmers can benefit from a range of tax incentives designed to encourage investment. This is just a guide to woodland tax, regulations change over time, so it is very important that you seek independent, expert and up-to-date advice.

Tax Clearance Certificates

Tax clearance certificates are required for all forest owners in receipt of annual forestry premium payments and/or grants exceeding €10,000. In cases where the forestry contract is in joint names, tax clearance certificates must be provided for all applicants. Applications for a tax clearance certification can be made online, click [here](#) for more information.

Income Tax

Income from commercial woodlands in the State that are managed on a commercial basis are *exempt from income tax but liable to USC and PRSI*. To qualify for the income tax exemption demonstrating ownership of a woodland is not sufficient, occupation and management with a view to profit realisation must also be shown.

- Woodland planting grants are not treated as income by an owner, the cost of planting and maintenance should be shown as net of grants received in a farmers annual accounts.
- Annual premiums are treated as income and the annual profit i.e. income less expenses must be returned annually.

Pay Related Social Insurance (PRSI)

The profit from woodlands for each year is fully liable to PRSI. Profit is defined as a financial gain when the amount of revenue earned exceeds the expenses, costs and taxes of producing timber. Farmers pay Class S contribution at a rate of 4% up to the age 66.

Universal Social Charge (USC)

You must pay USC if your gross income is over €12,012 per annum.

2024	Rate
First €12,012	0.5%
€12,013 to €25,760	2%
€25,761 to €70,044	4%
€70,045 to €99,999	8%
Self – employment income over €100,000	11%

Value Added Tax (VAT)

Commercial forestry operations are regarded as farming activity for VAT purposes.

Flat rate farmers

An unregistered farmer adds VAT at a flat rate of 4.8% to compensate for VAT paid on costs. For unregistered farmers, it is important to have a written contract, including pricing which gives the VAT exclusive price. *It is important to speak with the merchant prior to the deal being struck to ensure the price is exclusive of VAT.*

In some cases, a farmer may be able to claim VAT on expenditure such as ground preparation, fencing and roadways, etc. (i.e. fixed capital expenditure). VAT can be reclaimed using the online VAT 58 form, claims and enquiries relating to repayments to unregistered farmers should be made to Revenue via the online ROS portal.

Registered Farmers

A farmer, who qualifies as a flat rate farmer, has the option of registering for VAT. This farmer can reclaim the VAT on their related farming purchases but is also required to charge VAT at the appropriate VAT rate on all sales. The following are the VAT rates for forestry:

Activity	Rate
Forestry services (planting, felling etc.)	13.5%
Timber sales	23%
Firewood	13.5%
Forest and Land	23%

Stamp Duty

- Stamp duty applies to all transfers and purchases of forestry land at a rate of 7.5%. The only exception is the transfer of forestry land between spouses and within group related companies, they are exempt from stamp duty.
- Standing timber (i.e. growing timber) in a commercial woodland is exempt from stamp duty if the growing timber accounts for 75% of the land area. The underlying land is liable.
- Young Trained Farmer Relief and Consanguinity Relief does not apply to the transfer of woodlands.

Capital Gains Tax (CGT)

- The standing timber in commercial woodlands occupied by individuals is exempt CGT, however the underlying land is not exempt.
- Where an individual disposes of woodlands, capital gains tax is chargeable on the lands only and not on the trees growing on the lands. The current rate of CGT is 33%.

Capital Acquisition Tax (CAT)

Commercial woodlands are subject to CAT on gifts to, or inheritance by, individuals regardless of the residence or domicile of the disponent and beneficiary. In addition to specific exempt thresholds, relief is available to commercial woodlands as agricultural property.

The relief, as a reduction in market value is as follows:

- A flat rate reduction of 90% applies to both inter-vivo (between the living) gifts and inheritance of commercial woodlands.
- All gifts and inheritance between husband and wife are exempt from CAT.
- The woodlands can in any member state of the European Union and still attract Agricultural Relief

Agricultural Relief

Commercial woodlands that are actively managed qualify for agricultural relief without the Asset Test* but must satisfy the Active Farmer Test.

- The Active Farmer Test requires that the land is actively managed, and the person(s) involved must either have farmed the agricultural property for at least 50% of their time or have a relevant agricultural qualification.
- They must also manage the forestry land on a commercial basis for at least six years from the date of gift or inheritance but can sell and purchase replacement woodlands in the 6-year period without losing the 90% relief.
- Sale of timber in the 6-year period does not affect the relief.

For more information on Agricultural Relief, click [here](#).

** The 80% Agricultural Property Test or Asset Test requires 80% of what is being taken over must comprise either land, buildings, stock or machinery.*

This document has been prepared by IFA Farm Forestry section and has been reviewed by Declan McEvoy Tax Consultant. This is just a guide to woodland tax, regulations change over time, so it is very important that you seek independent, expert and up-to-date advice.