



# Poultry Tax Update -

## ACA-BACK TO BASICS LEADING TO STRUCTURE

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01

*Ifac* and Poultry



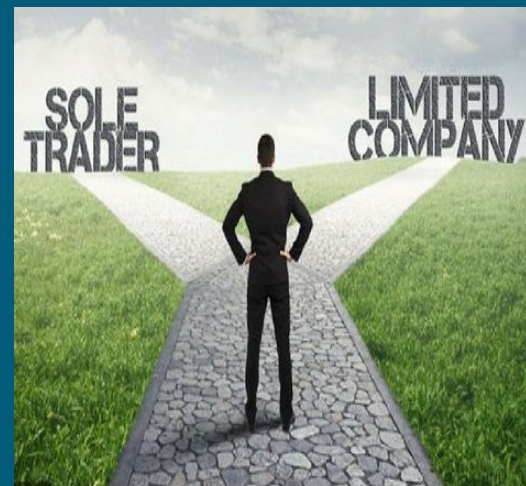
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Climate Change Tax  
Incentive -  
Accelerated Capital  
Allowances (“ACA”)



03

Income Tax –  
Revisit the basics



04

Farming  
Structures

01

# *Ifac & Poultry Sector*



# Ifac and Poultry

- 610 producers (370 Poultry Meet & 240 egg)
- Growing sector in both producers and numbers
  - 31% increase in laying hens from 2010 to 2016
- 70 new planning permissions lodged in 2018
- Circa 180 poultry clients in *ifac* – Cavan & Monaghan



# Broilers



## Broilers – Margins per House

Average Turnover per House	€	443,942
Average Feed Cost	€	358,460
Net Profit	€	41,397
Average Margin		9%
Margin Range		6% to 10%
Low of €22k per house to €64k per house		





# Eggs



Eggs – Margin per House	
Average Turnover per House (Net Energy)	€ 176,892
Average Feed Cost	€ 73,427
Net Profit	€ 29,084
Average Margin	16%
Margin Range	8% to 19%
Low of €15k per house to €72k per house	



02

# Climate Change & Tax Incentives

# Climate Change & Tax Incentives



- ACA on energy efficient equipment extended to sole traders, partnerships and others from 1<sup>st</sup> January 2017
- Must carry on a trade and use the equipment for trading purposes
- The relief does not apply where the equipment is leased, let or hired to any person
- Provisions are available to the end of 2020



# Accelerated Capital Allowances – “ACA”



- Capital allowances of 100% in Year 1
- To qualify;
  - the equipment must meet certain energy-efficiency criteria,
  - be specified on a list of approved products –
    - SEAI is responsible for maintaining the list with equipment falling into ten designated classes of technology, e.g. Lighting, Heating and Electricity Provision, etc. *and*,
  - be above a certain minimum amount to qualify for the increased allowance.



# Accelerated Capital Allowances

The energy-efficient equipment must satisfy the following criteria:

- New equipment,
- Acquired and used for the purposes of the trade,
- In use at the end of the chargeable period for which the allowances are claimed,
- It must meet specified energy-efficient criteria,
- It must fall within specified classes of technology listed ***and***
- It must have met the minimum expenditure limits for each class of technology

Energy-efficient equipment that is machinery or plant but that has not been approved can avail of the normal wear and tear allowances (12.5% over 8 years).

How do I know it will qualify - SEAI/grant payable.

03

# Income Tax – Revisit the Basics

# Income Tax – Reminder of Basics



- Income Tax Rates – 20% & 40% personal rates
- Tax Bands 2020
  - *Single Person* €35,300
  - *Married One earner couple* €44,300
- Tax Credits 2020
  - *Single Person* €1,650
  - *Married Couple* €3,300
  - *Earned Income Credit* €1,500
- PRSI – Self Employed 4%





# USC

- U.S.C. – Exempt If Income Below €13,000
- 0.5% to €12,012
- 2% to €20,484 (band increased from €19,874)
- 4.5% to €70,044
- 8% to €100,000
- 11% over €100,000 (non PAYE)



# Capital Allowances



- Capital Expenditure – written off over a period of time
- Machinery -12.5% (8 years)
- Farm Buildings – 15% (7 years)
- ACA – Qualifying spend – 100% (1 year)



# Income Tax - Tips



- Stock Relief – 25%/50%/100%
- Income Averaging – 5 years – 1 year opt out option – other trade restriction removed from 1.1.19
- Family wages – pay up to €15k
- Land Leasing – tax free income up to €40k p.a
- Succession Tax Credit - €5k p.a. for 5 years



# Effective Rate of Tax



- Low Rate 28.5%
- Marginal Rate
  - *Up to €70,044 48.5%*
  - *Over €70,044 52%*
  - *Over €100,000 55% (non paye income)*





04

# Farming Structures

# Farming Structures



- Sole Trader
- Partnership
  - Registered
  - Non Registered
  - SRFP
- Limited Company



# Sole Trader



- Most Common/Less Legalistic
- Easiest to Operate
- Taxation:
  - *Income – level at where hit high rate*
  - *Capital Tax – Normal Rules*
- Volatility measure - income averaging
- Available to all





# Partnerships

- Registered Farm Partnerships (RFP) & Non Registered Farm Partnerships;
- Each partner taxed on their share
- Income volatility/Averaging
- Same tax position as sole trader
- RFP - Stock relief @ 50% + Grants, BPS benefits



# Succession Farm Partnerships



## Purpose

- Encourage transfers to next generation

## Commence

- January 2017

## Tax Credit

- €5000 x 5 years
- Split in line with profit sharing ratio
- Does not apply to companies
- Ceases once reach 40







# Who Does It Suit?

- Developed farmer with high tax
- Developing Farmers with high investment/borrowing require
- Farmers with high borrowings
- Farmers looking to create wealth
- Farmer with low drawings outside of debt repayments
- Not suited to all due to complexity





# Extracting Cash from Company



- Directors Loan
  - *Assets transferred into Company-stock machinery/BPS/Farmyard*
  - *Creates a reserve which may be withdrawn tax free from the Company*
- Salary/Rent/Dividends
  - Income Tax up to 40%
  - PRSI @ 4%
  - USC @ 8%
- Expenses
  - *Wholly and exclusively incurred otherwise not allowable*



# Extracting Cash from Company



- Share Buyback
  - *Sufficient Cash Reserves*
  - *Watch Trade Benefit Test*
  - *Liable to 33% CGT instead of 52% income tax*
- Wind Up of Company
  - *Liable to CGT @ 33%*
  - *Possible Reliefs available Retirement Relief and Entrepreneur Relief*

# Potential Issues



Farm building where used in trade of farming

- *No rates*

If using Solar etc. will this open up the possibility of rates or same

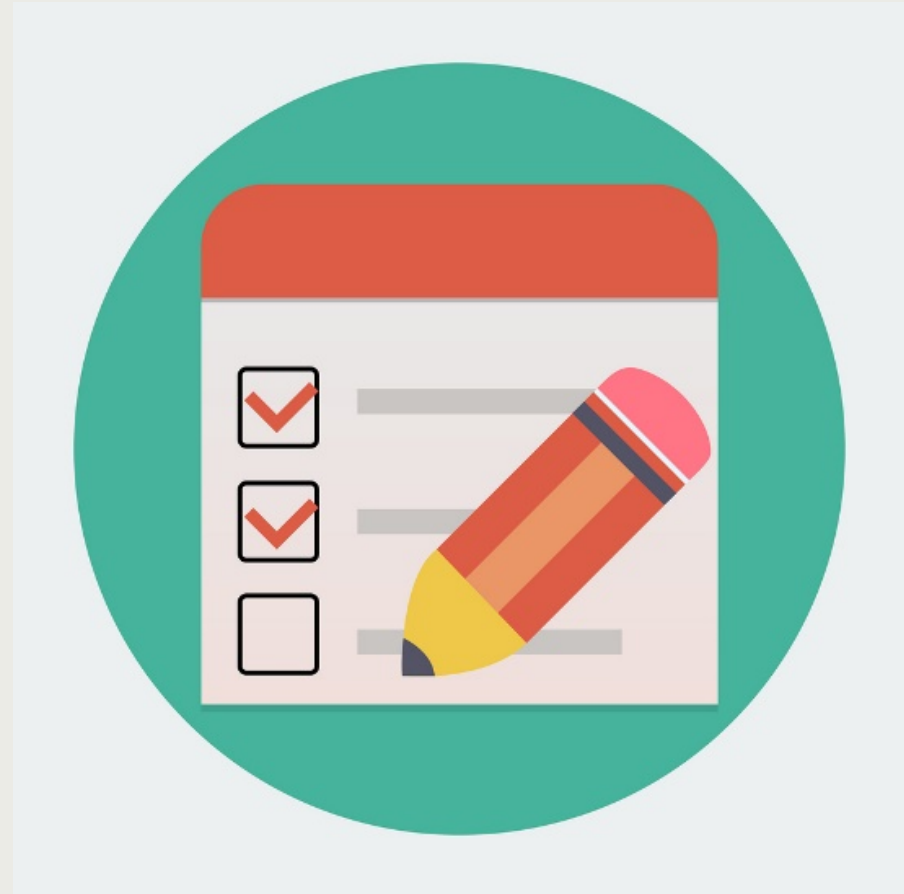
- Used to generate electricity
- A separate trade?



# Potential Issues



- Liaise with local farm organisation reps
- Don't run off and highlight to local authority
- Ensure issue handled properly





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