



Finance Act 2014

Agri-Tax Measures

Update of previous
Budget 2015 summary document

Clarification on Stamp Duty Consanguinity Relief 27th February 2015

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Income Tax Rates, Bands and Credits

The top rate of income tax has been reduced from 41% to 40%.

The standard tax rate remains at 20%.

Standard Rate Bands

	At 20% Rate – the first		At 40%*
	Existing 2014	Proposed for 2015	
Single/Widowed	€32,800	€33,800	Balance
Married One Income	€41,800	€42,800	Balance
Married Two Incomes - Max	€65,600	€67,600	Balance
One Parent / Widowed Parent	€36,800	€37,800	Balance

* The 40% rate applies for the 2015 tax year – was 41% for 2014

Selected Tax Credits

There was no change in the tax credits for 2015

	<u>Existing 2014</u>	<u>Proposed 2105</u>
Personal Tax Credits		
- Single	1650	1650
- Married	3300	3300
Single Person Child Carer Tax Credit	1650	1650
PAYE credit	1650	
Home Carer Tax Credit	810	810
Dependent Relative Tax Credit	70	70
Age Credit		
- Single	245	245
- Married	490	490

Tax Credits are applied as a straight deduction from an individual's income tax as calculated by applying the two tax rates and using the bands outlined above.

Age Exemption Limits

There are income thresholds set for people aged above 65 years and below which they can earn income and pay no income tax. These thresholds remain unchanged.

	2015 Limit
Single	€18,000
Married	€36,000

PRSI

Farmers pay the self-employed rate of PRSI known as Class S PRSI. This is applied to all income and there is only one rate so no bands apply. The Class S rate remains unchanged at **4%**.

'Reckonable income' for the purposes of PRSI is profit after capital allowances but before reliefs and deductions

Universal Social Charge

The new lower exemption threshold above which income becomes liable to the USC is **€12,012** (increased from €10,036). So where an individual earns below this amount no USC applies. Where the income exceeds €12,012 in 2015 then the rates apply as in the table below.

2014 USC Income Bands	2014 USC Rates	2015 USC Income Bands	2015 USC Rates
€0 - €10,036	2%	€0 - €12,012	1.5%
€10,037 - €16,016	4%	€12,013 - €17,576	3.5%
> €16,016	7%	€17,577 - €70,044	7%
		€70,045 - €100,000	8%
		> €100k (self-employed only)	11%

The maximum USC rate paid is 3.5%, for individuals who are EITHER above 70 years OR who hold a medical card AND whose aggregate income (not including Dept. of Social protection payments) is €60,000 or less.

* Self-employed individuals with annual income exceeding €100,000 are subject to a 3% additional surcharge – an effective 11% rate of USC

The Universal Social Charge is payable on gross income after relief for certain trading losses and capital allowances, but before relief for pension contributions.

The marginal rate of tax for employed / self-employed individuals (**under 70 years**) with a maximum income **below €70,000** is as follows:

	<u>Self-Employed</u>	<u>Employed</u>
Income Tax	40%	40%
PRSI	4%	4%
Universal Social Charge	7%	7%
Total	51%	51%

Income Averaging

The averaging period used in the income averaging calculation is to be increased from 3 to 5 years.

The new income averaging rules will apply from 2015 onwards. Farmers who wish to avail of averaging in 2015 must have been farming for a minimum of 3 years up to 2014 (so 2012, 2013 & 2014)

Election for income averaging on the farming trade income only will also be available to farmers or spouse/ civil partner who supplement their farming income with income from an **on-farm diversification trade or profession**.

The trade must be one that is “ancillary to the trade of farming” and the trade must be “carried on by the individual or his or her spouse or civil partner on the farm land (...) used by the individual for the trade of farming”

Previously farmers or their spouse/civil partner could not avail of averaging if they had income from a *trade or profession other than farming*. PAYE income earned off the farm by the farmers or spouse/ civil partner does not preclude an election for income averaging on the farming trade income only as has been the case heretofore.

Land Lease Income Exemption

There have been a number of changes to the exemption of income from the leasing of farm land which will come into effect from 1st January 2015

- Eligible lessor's no longer need to be a minimum of 40 years of age to get the relief
- A non-connected company will now be regarded as an eligible lessee for this income exemption. Previously where land was leased to a company the lessor could not get the exemption on the lease income. Non-connected means not controlled either directly or indirectly by any person who is connected with the qualifying lessor or with any of the qualifying lessors
- Farm entitlements will continue to be eligible for this exemption if leased with land.

The maximum tax-free limits have been updated as follows **for new lease's only** undertaken from 1 January 2015.

2014		2015	
Term of Lease	Maximum Tax Free Lease Income / yr	Term of Lease	Maximum Tax Free Lease Income / yr
5 – 7 years	€12,000	5 – 7 years	€18,000
7 – 10 years	€15,000	7 – 10 years	€22,500
> 10 years	€20,000	10 – 15 years	€30,000
	Not applicable	>15 years	€40,000

Value Added Tax (VAT)

The standard rate of VAT remains at **23%**. The **13.5%** rate also remains unchanged

The **9%** reduced rate for tourism related services is to be maintained

The **flat rate farmer rate** is to increase from 5% to **5.2%** from 1st January 2015.

Stamp Duty

Rates remain unchanged

<u>Non Residential rates</u>		<u>Residential rates</u>	
<u>Consideration</u>	<u>Rate of Duty</u>	<u>Consideration</u>	<u>Rate of Duty</u>
Entire Consideration	2%	Up to €1,000,000	1%
		Over €1,000,000	2%

Consanguinity relief for Stamp Duty

This relief which gives a 50% deduction on the rate applying to transfers between related persons.(i.e. blood relations including lineal descendant, parent, grandparent, step parent, husband or wife, brother or sister of a parent or brother or sister, or lineal descendant of a parent, husband or wife or brother or sister & foster children)

This relief reduces the rate that applies on transfers of certain non-residential property from 2% to 1%.

This relief is to be extended for a further three years until the end of 2017 – only in the case of farm land that is acquired by an active farmer (so for example the purchase of a site does NOT qualify)

- **For transfers that are executed from 1st January 2015 and before 1st January 2016 then consanguinity relief will operate with no restrictions on the age of the transferor. The transferee conditions still apply as detailed below.**
- For transfers executed from 1st January 2016 and before 1st January 2018 then for the relief to apply
 - The transferor must be under the age of 67 at the date of the transfer
 - The transferee must, for a period of 6 years from the date of transfer either:
 - Farm the land on a commercial basis AND either hold (or within a period of 4 years obtain) a recognised agricultural qualification OR spend 50% of their normal working time farming on a commercial basis (including the transferred land)
 - Lease the land to a farmer who has a recognised ag. qualification OR spends 50% of their normal working time farming on a commercial basis (including the transferred land)

Consanguinity Relief was previously abolished in Budget 2011 for transfers of **residential property**.

Stamp Duty on Agricultural Leases

Agricultural leases not less than **[6]** and **[not exceeding]** 35 years in duration and where the lessee is an 'active farmer' will be exempt from Stamp Duty **subject to a commencement order by the Minister for Finance. Note therefore that this measure does not have effect from 1 January 2015.**

'Active Farmer': A farmer who farms the land on a commercial basis AND either holds (or within a period of 4 years obtain) a recognised agricultural qualification OR spends 50% of their normal working time farming on a commercial basis (including the leased land)

Previously stamp duty on leases of agricultural land was levied at the rate of 1% of the annual lease amount charged.

Capital Acquisitions Tax (CAT)

The rate of CAT is unchanged at **33%**

There was also no change made to the **CAT thresholds**

	<u>Group</u>	<u>2015 Threshold</u>
A	Son/ Daughter, minor child of deceased child	€225,000
B	Lineal Ancestor/ Descendent, brother sister, niece, nephew	€30,150
C	Any other person	€15,075

Capital Acquisitions Tax - Agricultural Relief

From 1st January 2015 the conditions for a donee (receiving a gift) or successor (receiving an inheritance) to avail of CAT agricultural relief are as follows

- They must continue to meet the Farmer Test (the 80% agricultural property test) that has applied up to now

And in addition an individual must either

- Hold (or obtain within 4 years of receiving the property) a recognised agricultural qualification (as listed for the young farmer stamp duty exemption qualifications listed in schedule 2, 2A or 2B to the Stamp Duties Consolidation Act 1999) AND who farms the property on a commercial basis with a view to the realisation of profits for a period of 6 years from the valuation date for the property OR
- Spend 50% of that individual's normal working time* farming agricultural property (including the property received) on a commercial basis with a view to the realisation of profits for a period of 6 years from the valuation date for the property OR
- Lease the whole or substantially the whole of the agricultural property, comprised in the gift or inheritance for a period of not less than 6 years commencing on the valuation date of the gift or inheritance, to an individual who satisfies either of the previous two criteria.

*Definition of “normal working time”

Revenue are shortly going to issue an official eBrief to give guidance as to what constitutes “normal working time”. Based on a clarification provided by the Minister for Finance during the Committee Stage Debate of the bill we can expect the definition to run along the following lines

- Normal working time including both on-farm and off-farm working time approximates to 40 hours per week
- An individual spending an average of 20 hours per week working on the farm will meet the 50% of normal working time criteria
- Where it can be shown that an individual’s normal working time is less than 40 hours a week, then the 50% requirement will be applied to the actual hours worked, subject to the overriding requirement that the farm be farmed on a commercial basis and with a view to the realisation of profits

Capital Gains Tax (CGT)

The rate of CGT is unchanged at 33%

Capital Gains Tax Retirement Relief

- *CGT Retirement Relief on disposals (to a person other than a child of the transferor) of land that has been rented out under a conacre arrangement*

Under this provision land that is currently let under a conacre arrangement which is **either**

- disposed of **[on or]** before 31st December 2016 **OR**
- is **leased** out on or before 31st December 2016 for a minimum of 5 years **[and up to a maximum of 25 years]** and which is then subsequently disposed of

where the disposal is to a person other than a child of the transferor, will, subject to meeting the other qualifying conditions of the relief, qualify for CGT Retirement Relief. **[NB: Prior to the first letting the land must have been owned and used by the individual for the purposes of farming for a minimum period of 10 years, ending at the time of first letting]**

Previously land rented out under conacre arrangements did not qualify for retirement relief where the land was disposed of to someone other than a child. Where the disposal was to a child then land let under conacre arrangements for a total period of less than 15 years **[now increased to 25 years]** could qualify for the relief provided the 55 year minimum age condition and the 10 year usage rule were met.

This amendment is to encourage those landowners who are continually letting out land on short-term conacre arrangements to convert those into leases of a minimum of 5 years in order to re-establish their rights to CGT Retirement Relief.

- **CGT Retirement Relief on disposals to all categories of previously leased land**

The maximum period that land could be **leased** out and still qualify for CGT Retirement Relief is being increased from 15 years **to 25 years**. **[Prior to the first letting the land must have been owned and used by the individual for the purposes of farming for a minimum period of 10 years, ending at the time of first letting]**

- **CGT Farm Restructuring Relief**

To enable farm restructuring, relief from Capital Gains Tax has been available (subject to conditions) where land disposed of by either sale or exchange has been reinvested into other land. This relief has been available for the period from 1st January 2013 to 31st December 2015.

The deadline for the completion of the **first** restructuring transaction is being extended to **31st December 2016**. Both restructuring transactions must still be completed within a 24 month period.

Also, subject to EU approval, a **disposal of a complete farm** land holding and its replacement with other land **will qualify** subject to **meeting the current restructuring criteria** in relation to a reduction in the fragmentation of the farm and an improvement in the operation and viability of the consolidated farm. Note it is expected that updated farm restructuring guidelines will be published in early 2015 to give effect to the provision for whole farm land replacement pending EU approval.

CGT relief for newly purchased property - not extended beyond 31st Dec 2014

This relief was introduced in Budget 2012 and catered for properties bought between 6th December 2011 and the 31st December 2014. Under the conditions of this relief where a property is purchased and held for more than 7 years then any capital gain that accrues in that seven year period will not be subject to CGT on its disposal.

Social Welfare Changes

Child Benefit Rates (€/ Child)

	2015 Rates (€/ month)	2014 Rates (€/ month)
Rate per child per month	€135	€130

These new rates come into effect from 1st January 2015.

There is a stated intention to increase child benefit by a further €5 in January 2016 “if circumstances allow”

Farm Assist

The payment rate for farm assist will remain unchanged as per table below.

Selected Social Welfare Rates

There were no changes to any of the social insurance and social assistance payments including the following

	<u>From January 2015</u>	<u>2014</u>
State Pension (Contributory)	€230.30	€230.30
State Pension (Non-Contributory)	€219	€219
Jobseekers Allowance (aged 26 +)	€188	€188
Farm Assist	€188	€188

A Christmas Bonus equivalent to 25% of the holiday week payment will be paid to social welfare recipients.

Other Measures

Water Charges - Tax relief at 20% will be provided on water charges, up to a maximum of €500 per annum – equivalent to a relief of €100

Specific Measures Relating to Agriculture

- **Agri- environmental measures** – funding of €150 million to fund REPS, AEOS & GLAS
- **Beef Genomics Scheme** – funding of €52 million. A proposed payment of €100 per animal for the first 10 animals – the remaining animals are eligible for an €80 per head payment in participating herds. Subject to approval as part of RDP.
- **Beef Data Programme** – continued for 2015 with a funding allocation of €9 million
- **Beef Quality Assurance Scheme** – funding of €6 million targeted at assisting farmer participation in the scheme
- **Sheep Technology Adoption Programme** – funding of €4 million. Sheep Grassland Scheme payment of €15 million to be included as part of BPS payments in 2015
- **Farm Safety Scheme** – funding of €12 million. Will open subject to EU approval. Grants at rate of 40% up to a max ceiling of €20,000
- **Targeted Agriculture Measures (TAMS)** - funding of €34 million
- **Grassland Sheep Scheme** – funding of €15 million
- **Forestry** – Funding of €110 million
- **Horticulture Sector Funding** – Fund of €4.2 million to support capital investment in horticulture provided. Funding of €3 million for a Food & Horticulture Promotion Fund
- **CEDRA** – funding of €1 million for the support of innovative and small scale pilot initiatives as part of a Rural Innovation and Development Fund

The Finance Bill has gone through report stage (as of 08/12/2014) and is due to be debated by the Seanad on 10th/11th December and will likely be signed into law before the end of 2014.

Note:

This summary is based on the author's interpretation of the relevant Finance Bill measures and should not be taken as a definitive interpretation of these measures. For all individual tax queries you are advised to seek professional tax advice from your own accountant/ tax adviser.

References

Department of Finance Budget Section - <http://budget.gov.ie/Budgets/2015/2015.aspx>

Revenue Budget Information - <http://www.revenue.ie/en/press/budget/index.html>

Department of Social Protection - <http://www.welfare.ie/en/Pages/Budget-2015.aspx>

Department of Agriculture, Food & the Marine -

<http://www.agriculture.gov.ie/press/pressreleases/2014/october/title,78247,en.html>