**Budget 2017: Agri-taxation Measures**

**Taxation Response to Income Volatility**

1. An adjustment to the farmers’ ‘Income Averaging’ system, allowing for an opt-out in an exceptional year

Income averaging for farmers is a recognition that income in the sector is volatile and that the annual tax liability can vary significantly. The system works by averaging the last five years income on a rolling basis. The nature of income averaging means that it is somewhat counter-cyclical in that in years of higher income, the tax liability is lower than it would normally be and in years of lower income, it is higher. The fall in commodity prices to current low levels compared to higher prices in the last few years means that farmers this year face a high tax liability in a year of low income. This opt-out facility for exceptional years (once in a five-year period) allows farmers to pay on the basis of actual income instead of the average income. The additional liability is then paid over the following four years. This measure is being introduced immediately and will be available for the current year’s tax return and addresses the immediate cash flow concerns that many farmers have this year.

1. Consideration of an ‘Income Stabilisation’ measure, whereby some income can be deferred / saved in a period of high prices, to be drawn down in a period of lower prices

The Departments of Finance and Agriculture, Food and the Marine will engage further to consider potential ‘Income Stabilisation’ tools, whereby some income might be deferred in a period of high prices and drawn down in a period of lower prices, to see if these are possible for a future introduction.

The implementation of these two proposals together will provide a comprehensive taxation response to income volatility, addressing immediate cash flow concerns, while incentivising farmers to plan for the future.

**Further support measures for SMEs**

1. The ‘Earned Income Tax Credit’ increased by €400 to €950

This credit was introduced last year to encourage entrepreneurs and support small business owners with a view to eventually increasing it to the level of the PAYE tax credit. The majority of farmers, foresters, fishermen and small food processors are self-employed and the changes made in this year’s Budget will continue to promote and support entrepreneurship in the farming and agri-food sectors. The changes to the USC will also apply.

1. Increased PRSI benefits for the self-employed

There are also Increased PRSI benefits for the self-employed, including eligibility for the ‘Invalidity Pension’.

1. Increase in the designation of micro-brewing to 40,000 hectolitres per annum

Food Wise 2025 recognises the huge growth potential of craft and micro-brewing and there has been remarkable development in this sector in the last few years. The number of production microbreweries has increased from 10 in 2013 to over 60 currently; the output of production microbreweries up 56% in 2015 figure; and, production microbreweries in Ireland currently employ some 500 people, accounting for an extra 187 direct jobs in the past year. The increase in the limit for the designation as a microbrewer to 40,000 hectolitres per annum will allow brewers to continue to plan for expansion. Putting that expansion on a sound long-term basis is important given the craft beer sector’s strong regional focus and potential to deliver jobs and exports.

**Marine Taxation**

1. Introduction of a fishers’ tax credit of €1,270

A fisher’s tax credit of €1,270, available to those actively working on sea-fishing as employees, owner-operators or in a share-fisher capacity, has been introduced. It is similar to the seafarers’ tax allowance available to other maritime sectors. It is designed to assist in attracting and retaining essential crew and delivers on the commitment to support jobs in rural communities. This measure supports Ireland’s seafood industry, which was worth €1billion in GDP in 2015 and follows on from the recommendation in the Marine Taxation Review.

**Environmental agri-taxation measures**

1. The extension of the Sustainable Energy Authority of Ireland’s (SEAI) accelerated capital allowance scheme to non-incorporated businesses

Currently this scheme is available only to companies and the majority of farmers operate as sole traders. This will incentivise investment in energy efficient equipment by farmers and improving farmer participation in the scheme would strengthen Bord Bia’s marketing message of sustainable Irish agriculture production through its Origin Green Programme and its various Quality Assurance Schemes. Such a scheme would be of obvious benefit to other high-energy consuming sectors such as dairy, pig and poultry production. This measure was initially recommended in the ‘Agri-taxation Review’ and its introduction signals the full implementation of that report’s recommendations.

1. Renewal of CGT Restructuring Relief for a further three years

A Capital Gains Tax Relief for farm restructuring was introduced in Budget 2013. It is a ‘rollover’ relief granted where a more efficient farm holding results from the sale and purchase of land, i.e. where the newer farm parcels end up closer to the farming hub. Farm fragmentation is a feature of Irish farms, which have an average of 3.8 separate parcels. By its nature this measure will only apply in certain limited circumstances in a relatively small number of cases. However since the changes in the measure in Budget 2015, there is evidence of a significant increase in the take-up of this measure. The renewal of the measure is for a further three years.

**Changes to the Farm and Fish Assist Schemes**

1. Changes to means testing for Farm Assist and Fish Assist

This will be of benefit to farmers and fishermen who qualify for these social protection payments. The means test will revert to the position which applied prior to Budget 2012 whereby 70% of income will be assessed as means as distinct from 100%.

**VAT**

1. Increase in the farmer’s VAT flat-rate addition

The farmer’s ‘flat-rate addition’ is being increased from 5.2% to 5.4% with effect from 1 January 2017. The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs, and is reviewed annually in accordance with the EU VAT Directive.