IRISH CREAMERY MILK SUPPLIERS ASSOCIATION

ICMSA

THE FAMILY FARM ORGANISATION

ICMSA PRE-BUDGET SUBMISSION 2022

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Introduction.

The Irish economy has performed well in last number of years with strong economic growth and the expectation of continued growth was framing all policy objectives for the next number of years. However, the economic shock to the Irish economy due to the outbreak of the Covid-19 virus and Brexit has caused a lot of uncertainty as to future spending and taxation policy. Due to the welcome response to Covid-19 from the Government in terms of increased health spending and welfare allowances, the deficit will be substantial once again in 2021 but rather than return to the austerity of the previous decade, it is the right to continue to boost fiscal spending to encourage the green shoots of the economy. While international interest rates remain low, it should see Ireland borrow to invest in long term capital projects and from an agricultural point of view, this capital spending should focus on the transition to a lower carbon future. Indeed, it was the green shoots that came from the agriculture sector in the last recession and Government policy must not forget that the previous export led recovery post 2009 started in the green fields of rural Ireland. What is required in Budget 2022 is certainty, this means that businesses including farmers know that policies will be made to support them and develop jobs sustainably including the economic sustainability of Irish farmers. If uncertainty abounds, it is the breeding ground for stagnation in the decision-making process in terms of investment, it is essential that decisions are made to keep agriculture and the Irish economy growing.

The Agri-food sector has continued to play a hugely important part in the growth of the Irish economy with Agri-Food exports to the fore. Irish Agri-food and drink exports were approximately €13 billion in 2020 supporting over 7% of total employment in our economy. It is essential not only for rural Ireland and farm families but also the national economy that reform takes account of the contribution of Irish agriculture particularly in a post Brexit environment.

The Irish Government and Department of Agriculture, Food and the Marine have ambitious plans for the future of Irish agriculture as outlined in the 2030 Food Strategy, but the agriculture sector is concerned in relation to the possible implications of the Climate Action Act 2021. Irish farmers will deliver on sustainability, biodiversity, carbon reductions and water quality but targets must be realistic, recognise the climate efficiency of Irish agriculture and achievable. Irish farmers have worked proactively in protecting the environment and will continue to so in the future, but appropriate public policies must be in place to reward farmers for the provision of public goods, to support the transition to a low emission agriculture sector and to ensure these measures are achieved in an economically sustainable way. Irish farmers can be part of

the international effort to address climate change and they will not be found wanting in the fight to reduce GHG emissions and transition to a low carbon economy by 2050. The target of at least 19 Mt CO_2 equivalent in 2030 set out in the 2019 Climate Action Plan would have required farmers to change their practices considerably and while the new targets have not yet been finalised, farmers are concerned that unrealistic targets will be put in place. ICMSA believe that incentives to promote the measures in the Teagasc Marginal Abatement Cost Curve (MACC) should be part of Budget 2022 and will lead to enhanced results.

ICMSA believe that with evidence-based policies, the transition to a reduced carbon environment could be beneficial to Irish farmers given our low carbon footprint relative to other countries. This transition must be implemented with full recognition of the special nature of Irish farms and the economic sustainability of Irish farming. It has been proven that Irish agriculture is one of the most carbon efficient agriculture sectors globally and ICMSA believe that this must be fully recognised in all future policy changes. In this Submission, ICMSA has proposed policies that will help reduce agriculture emissions and with a view to boosting productivity simultaneously.

The National Farm Survey has outlined the level of investment on Irish farms in 2020. On-farm investment increased by 5% to over €1 billion, a massive contribution to the rural economy. Over half of this investment was on dairy farms (even though they represent around 10% of farmers) with an average investment of €30,585 in 2020 per dairy farm (€33,091 per dairy farm in 2019). The level of investment by dairy farmers in the last 6 years is over €3.5 billion resulting in increased employment in rural areas and economic activity. This shows that farmers are willing to invest in their farms and provides policy makers with the opportunity to implement polices such as those in this Submission to meet their environmental objectives.

ICMSA believe Irish agriculture has an excellent opportunity to reach its full potential but with the key concerns being Brexit, Climate Change, and future EU agriculture policy to the fore in the coming year, Government taxation and spending policy is critical in Budget 2022. It is essential not only for rural Ireland and farm families but also the national economy that Budget 2022 takes account of the risk to the economic benefits and contribution of Irish agriculture particularly in a post Brexit environment.

Pat McCormack
President ICMSA.

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Section 1

Income Volatility Management

Farm income fluctuates from year to year due to many circumstances outside the control of Irish farmers. External forces such as macroeconomics, weather events, geopolitical matters, commodity markets, feed and oil prices, currency, and disease all combine to cause income volatility. Such external and internal forces increase the vulnerability of those involved in the industry and they must try and adapt to ever altering scenarios. However, the Irish Agri-taxation system significantly impedes the ability of the sole trader to grow and develop their business due to periods of significant farm income volatility. The Irish dairy sector had to deal with an extremely low milk price in 2016, the beef sector has experienced low beef prices in 2019 and 2020 to the improved prices experienced throughout 2021. Extreme weather in the form of snow and drought led to a fodder crisis in 2018 and this has been followed by the Covid pandemic in 2020/21. There needs to be a taxation mechanism in place to deal with volatility.

The extent of the extreme volatility in farm output prices and input prices in recent years has been clearly documented by Teagasc and agencies such as the European Market Observatories. As with any other tradable commodity, farm products face the potential for increases and decreases in both their demand and supply and as a result, changes in their value on world markets and thereafter Irish farm product prices. Most of the external issues facing the Irish agriculture sector such as Brexit, Covid-19 and trade wars cannot be controlled at farm level. ICMSA believe that the Government must develop a workable and straightforward Agri-taxation measure in Budget 2022 that will help farmers to manage the inherent volatility within the sector, especially during years of low output prices as has been committed to in the Programme for Government to "consider taxation measures to manage evolving issues such as market volatility".

Output and input price volatility has played a major role in the undermining of family farms over the last decade. Continued volatility will lead to greater income uncertainty further undermining the family farm structure and this is an important issue for Irish farming in terms of generational renewal. For example, from 2007 to 2021, milk prices in Ireland have fluctuated from close to 40cpl to as low as 20 cpl. Volatility increases pressure on farm cash flow from year to year and is resulting in the exit of farmers from the industry. To address volatility, there is a need for farmers to have a taxation system that allows flexibility from year to year to ensure viability in a bad year can be sustained from profits earned in good years.

The report on Tax expenditures published in the aftermath of Budget 2019 realised an annualised economic cost of an "income stabilisation tool" in the first three years runs at €15.3 million. However, in this scenario cost of income stabilisation was based on the 2007–2009 period when there was some of the largest ranges of price volatility. This report also showed that later years sees this annualised economic cost reduced significantly once the scheme is up and running. In the second deferral period, 2011 to 2012, the average annualised economic cost is €2.8 million. In the third period, from 2013 to 2016, it is €3.9 million. ICMSA reject the premise that there is no market failure arising from not having an income stability scheme, indeed the mere fact that farmers go out of business, or a specific low-cost loan scheme was introduced for farmers to repay working capital is the definition of a market failure.

This measure is a counter cyclical measure and must be acknowledged as such and as it is not mentioned in the report, the multiplier effect from agriculture is higher than other sectors and would provide extra revenues for rural communities when farm product prices may be low.

Budget 2022 should provide for the introduction of an income volatility management tool as outlined in the Programme for Government to address the difficulties associated with volatile farm incomes and to ensure the availability of funds for investment.

Farm Management Deposit Scheme

In this context, ICMSA proposes the introduction of an income volatility management tool called the Farm Management Deposit Scheme (FMDS). ICMSA believe the Farm Management Deposits model has many merits and most definitely should be used as a template for the introduction of a farm income volatility management tool into the Irish income tax code for farmers based on the following criteria.

- Allow a farmer to deposit income into a farm management deposit account in the income tax year in which the profits are made, the amount of the deposit is not tax assessable income in that income year but is in a future year when the farmer opts to utilise the deposit for income or investment purposes. The deposits scheme complements other risk management strategies available to farmers such as income averaging.
- Rules for off-farm income of a person availing of this tax measure and an overall ceiling on the amount that can be deposited in the Farm Management Deposit Scheme should be incorporated into

this income volatility management tool. Off-farm income of a spouse should not hinder access of a farmer to this scheme. This tax relief measure could be confined to farmers whose sole or principal income is from farming with realistic off-farm income thresholds set.

- ICMSA believe limits could be placed both on the total amount that could be deposited each year and the aggregate amount at any time and suggest a maximum deposit per annum of 30 percent of farm profit and/or a maximum of €10,000. Funds could remain in the Farm Management Deposit account up to a maximum period of five years.
- Farmers would then be able to place these funds in an independent deposit account or a Co-operative Managed Account to support the farm business in the event of a downturn in farm income and/or for investment in the farming enterprise.
- Where funds are taken from the farm deposit account in the form of income, then the normal rate of tax applicable in the year of withdrawal would apply.
- On-farm investment using funds from the farm management deposit account would qualify for all reliefs currently available for on-farm investment such as capital allowances.
- All interest on the deposit will be returned to the farmer and only the farmer in question will have access to the account to withdraw the money according to set parameters defined within the scheme.
- The normal rules regarding deposit guarantees would apply to these accounts whether in a financial institution or a Co-operative managed account.

ICMSA Recommendation:

- ***Introduction of a Farm Income Volatility Tool into the Irish Tax Code to address the extreme volatility in farming based on a farm management deposit scheme model as outlined above.***

Brexit

There has been a long and strong relationship between the Irish and UK Agri-food sectors with Ireland exporting significant quantities of beef and dairy products to the UK and with Irish and UK processors operating in both countries. Despite the TCA agreement signed in December 2020, there remains several outstanding issues to be resolved in relation to Brexit. With issues such as grace periods for health certificates and on-going disagreements on the Irish Protocol, there are potential pitfalls for Irish agriculture in the coming years. While market prices have not been impacted to date due to a strong global market, market conditions

can change rapidly, and the impact of Brexit could be severe on specific sectors. Thus, Budget 2022 needs to provide for a reserve fund to complement EU initiatives specifically for Brexit related losses should they arise.

ICMSA Recommendation:

- ***A Brexit Reserve Fund for exposed sectors.***

Personal Taxation

Taxation Bands

There has been no movement in taxation bands since Budget 2019 and ICMSA believe there should be an upward movement in Income Taxation bands in Budget 2022. ICMSA is proposing the band for Single/Widowed without dependants should increase to €35,000 and the Married/Civil Partner band increased to €45,000

Universal Social Charge

The USC continues to have a negative impact on low and middle-income families including farm families and ICMSA supports the elimination or a considerable further reduction of this charge. ICMSA believes that the rules must also be amended to allow the deduction of Pension contributions before the USC is calculated. In addition, ICMSA believe Budget 2022 must address the current anomaly regarding USC and the self-employed whereby self-employed income more than €100,000 has an additional 3 percent USC (effective rate of 11 percent USC) relative to equivalent PAYE income (effective rate of 8 percent USC). If entrepreneurship and expansion are to be encouraged in our economy, parity must be restored with respect to the rate of USC for self-employed income. It has been noted in the PFG that "the 3% USC surcharge applied to self-employed income is unfair" and "proposals will be considered to ameliorate this over time". ICMSA believe that progress needs to be made on this issue.

ICMSA Recommendations:

- ***Increase of €700 to Personal Taxation Bands.***
- ***Reduction of the Universal Social Charge in Budget 2022.***
- ***Amendment to allow the deduction of Pension contributions before the USC is calculated.***

Section 2

Land Policy and Taxation

Stamp Duty

The increase in the non-residential stamp duty rate to 6% in Budget 2018 was a major deterrent to land purchase to secure farm viability, that it was increased to 7.5% in Budget 2020 was a major blow to family farms. Many farmers need to grow the size of their farm to maintain their viability. Therefore, having a 7.5% stamp duty on top of the sale price has been a major negative in farm development and consolidation in the last year. ICMSA is calling for agricultural land sales to be subject to a 3% rate of stamp duty.

Young Trained Farmers Stamp Duty Relief should be permanent and would provide reassurance regarding future costs for farm families planning the transfer of their farm. This relief is hugely important for farm succession and land purchase and ICMSA believe that it must be retained as a priority. Many young, trained farmers avail of the full Stamp Duty Relief before they reach 35 years of age as seen in Table 1 below, but it is also important that Consanguinity Relief is retained in tandem with Young Trained Farmer Stamp Duty Relief. Individual family situations vary and as such Young Trained Farmer Stamp Duty Relief and Consanguinity Relief allows them to inherit their "tools" or assets at a time that suits the family and not pay the full rate of stamp duty which currently stands at 7.5%. It is more important than ever that the full relief rate is retained to allow the new entrants to enter farming without a significant Stamp Duty bill which would hinder their future development or indeed prevent their entry into farming.

ICMSA believes that the rate should be retained at 0%, this rate gives certainty and allows for long term planning and any change to the Young Trained Farmer Relief would put farm succession plans in real doubt undermining the much-valued family farm structure in Ireland and its benefits to the wider rural economy.

Table 1 – Reliefs claimed 2012-2018

	Stamp Duty – Young Trained Farmers		**Consanguinity Relief on Non-Residential Transfers**	
Year	**Number of Claims**	**Tax Cost € Million**	**Number of Claims**	**Tax Cost € Million**
2012	1,157	7.9		
2013	714	3.8		
2014	722	4.7	1796	3

2015	989	5.2	2071	4.7
2016	735	4.6	864	2.1
2017	845	7.8	622	1.2
2018	1,056	16.8	1647	22

Source: Revenue Commissioners

ICMSA believe that the Young Trained Farmer Stamp Duty Relief must be retained, and the conditions adjusted to help more young farmers avail of the relief as submitted to a consultation earlier this year.

Consanguinity Relief is a hugely important relief from Stamp Duty frequently availed of in transferring family farms. Consanguinity relief is mostly relevant to transfers of agricultural property where the transferee does not qualify for an alternative relief such as Young Trained Farmer Relief. Consanguinity Relief should also be a permanent fixture to encourage farm transfer to the next generation. ICMSA made a submission in 2020 in relation to Consanguinity Relief and it was our judgement that it should remain and become a permanent relief at 1%.

ICMSA Recommendations:

- ***Stamp duty rate must be reduced to 3% for agricultural land sales.***
- ***Young Trained Farmer which is due to expire on 31 December 2021 must be extended in Budget 2022 and along with Consanguinity Relief made permanent.***

Capital Gains Tax

ICMSA believe that the current 33 percent rate of Capital Gains Tax continues to be a significant deterrent to farm investment and propose that Budget 2022 should provide for a significant reduction in the 33 percent rate currently applicable to all chargeable gains. In addition, the first €1,270 of an individual's chargeable gain is exempt from Capital Gains Tax, however, this exemption has not been increased since its introduction and ICMSA believe it should be increased to €3,000 in Budget 2022 to stimulate the sale of non-essential assets and encourage further re-investment in the farm business.

Indexation was withdrawn in 2002 and ICMSA propose its re-introduction to further stimulate investment including on-farm investment.

ICMSA Recommendations:

- ***Budget 2022 must provide for a significant reduction in the 33 percent rate of Capital Gains Tax.***
- ***First €3,000 annually of an individual's chargeable gain be exempt from CGT.***
- ***Indexation should be reintroduced to take account of inflation and to act as a catalyst for investment.***

Capital Acquisitions Tax

ICMSA welcomed the increase of Group A threshold from €320,00 to €335,000 in Budget 2020 and believes that Budget 2022 should increase the threshold further. In this context, the transfer of the family farm to the next generation in a timely manner is essential to ensure the continued growth and viability of the Agri-food sector. Group A tax-free thresholds for transfers from parent to child/favourite niece or nephew are currently €335,000, this still represents a significant reduction compared to previous tax-free thresholds and ICMSA propose that Budget 2022 provides for an immediate increase to €400,000. In addition, as a commitment to the continued growth and development of the economy, the Government must provide for a reduction in the 33 percent Capital Acquisitions Tax rate in Budget 2022 to 30%.

The transfer of the family farm to the next generation would not be possible in the absence of the 90 percent Agricultural Relief for Capital Acquisitions Tax. This cornerstone relief which promotes the transfer of land from one generation to the next must be maintained at its current 90 percent rate in Budget 2022.

There is an anomaly within the application of the Capital Acquisitions Tax Favourite Niece/Nephew Relief regarding a situation whereby the niece/nephew has opted to lease the farm from the disposer prior to transfer as opposed to a situation whereby the niece/nephew has been working for the disposer. ICMSA believe this relief should also apply where the favourite niece/nephew has farmed the land under a lease agreement.

Benefits from the same Group Threshold are aggregated back to 5th December 1991, this can cause considerable difficulties when transferring assets to family members and ICMSA propose that Budget 2022 should provide for the introduction of a ten-year limit to the look-back period for aggregation purposes on gifts and inheritances. In addition, ICMSA propose the re-introduction of the lower rate of Capital

Acquisitions Tax applicable to gifts (75 percent of Capital Acquisitions Tax Rate) to encourage the lifetime transfer of assets.

ICMSA Recommendations:

- ***Budget 2022 must provide for a reduction in the 33 percent rate of Capital Acquisitions Tax to 30 percent and the Group A Tax-Free Threshold should be increased to €400,000.***
- ***Retention of Agricultural Relief.***
- ***ICMSA believe CAT favourite niece/nephew relief should apply where the favourite niece/nephew has farmed the land under a lease agreement.***
- ***Ten-year look back period for Group Thresholds.***
- ***A reduced tax rate for assets transferred by gift.***

Land Leasing Income Tax Relief.

Income Tax Relief on land leases and the ongoing discrimination in the tax code of inter-family leases continues to be an issue for many farm families. There are many personal and family reasons why a parent is unable to transfer the family farm to the next generation prior to the retirement age of 66 years of age. ICMSA believe farm families must be provided with an option to lease the farm to a family member for a period in advance of retirement, particularly, in the absence of a suitable Farm Retirement Scheme. In this context, ICMSA propose the following regarding the extension of income tax relief to include family members in Budget 2022.

- Lessor must be 55 years or older.
- Suitably qualified lessee (Farmer with appropriate qualifications).
- Lease contract for definite term of no more than ten years.
- Lease contract to include provision for transfer of farm to lessee at end of lease period.
- Clawback provision if farm is not transferred to the trained farmer at the end of the lease contract period.
- Force majeure provisions.

ICMSA Recommendation

- ***Income tax relief on land leases should be extended to family members in Budget 2022 subject to strict criteria regarding farm transfer.***

Section 3

Climate Action and Environment

Farmers have always had to adapt to changing policies throughout the last number of decades. With the Climate Action Act in place, measures contained in that Act as well as the reforms in the Common Agricultural Policy means that agricultural policy is now inextricably linked to environmental policy and is to the forefront of domestic policy. Investment for the strategic future development of the farm sector, focusing on greater efficiency and sustainability by encouraging investment in efficiency and renewable infrastructure on farms should be prioritised. This section of the Submission represents an opportunity to engage with farmers to implement some of the polices outlined below to help Ireland achieve the targets that will form part of future national and EU policy.

Ireland is one of the most carbon efficient agriculture sectors globally and carbon leakage from a reduction in production from this efficient sector to a less efficient country is a real possibility if policies are implemented incorrectly. At 20.21 Mt CO_2 of emissions for 2017, the Climate Action Plan target of between 17.5 Mt CO_2 and 19 Mt CO_2 by 2030 was an ambitious target but is something that could have been achieved provided the correct policies and incentives were implemented. The increased ambition whereby doubles the reduction in CO2 may be the target would require severe and unrealistic realignment in Irish agriculture and may lead to the collapse in the rural economy and associated rural structure. Whatever target is agreed, it needs to be consistent, fair from a global perspective and achievable and critically supported through investment from the Government.

Carbon Reduction

Some areas of reductions can be achieved through methane and nitrous oxide reduction measures. This can be partially reduced by using protected urea and use of low emission slurry spreading (LESS) equipment. It is essential that all LESS equipment has no VAT applied at purchase to encourage the further uptake of these spreading techniques. The TAMS II grants should also be amended to have a 60% grant on all LESS equipment. In addition, TAMS ceilings need to be increased or reset to zero for those who have invested in the last number of years and reached the current maximum investment ceiling of €80,000.

Protected urea must be encouraged as an alternative to CAN (Calcium Ammonia Nitrate) or traditional urea and one of the main stumbling blocks at present is the price differential between the products. A rebate

system should be introduced for farmers who use protected urea. This would involve farmers receiving a rebate for every ton of protected fertiliser purchased.

ICMSA Recommendations:

- ***Reduction to zero rate of VAT on all LESS equipment.***
- ***60% TAMS grant on all LESS equipment.***
- ***Rebate system introduced to encourage use of protected urea.***
- ***Reset of TAMS maximum investment ceilings.***

Energy

Renewable energy has always had the potential to work hand in hand with agriculture from anaerobic digestors, wind turbines to solar panels. All options can only be adopted if appropriate incentives are in place and a real emphasis on microgeneration is required. A minimum price per kilowatt hour for energy supplied to the national grid from microgeneration would act as a kick start to a microgeneration policy along with net metering. Net metering is a billing mechanism that credits the renewable energy produced by the farmer for the electricity they supply to the grid. This scheme should be guaranteed for a minimum of 25 years.

Solar panels were introduced as part of TAMS II funding in the early part of 2019 with changes introduced in 2020 and these are welcome. A minimum of 18 kilowatt systems (11 kw currently) should be included for grant aid and applied to batteries to make efficient use of energy produced. There is a lot of potential for roof-top solar panels given the level of investment in animal housing over the last decade on Irish farms. Solar panels should not be part of the €80,000 limit on TAMS II investment limit. All capital investments with carbon reduction components should have the availability of 100% capital write down. Due to the longer payback period of some renewable projects, partnerships between farmers and other businesses could be introduced whereby farmers have options to lease roof space if they do not wish to incur all the capital costs.

While anaerobic digestion is a relatively small portion of the agriculture sector at present, it can become more important if correctly incentivised. A trial initiative should be introduced in Budget 2022 to fund co-operatives to form and build digestors.

A VAT reduction should also be applied on all renewable energy products, this should include a reduced VAT rate on repairs and spare parts for renewable technologies.

ICMSA Recommendations:

- ***All energy produced from renewable energies and supplied to the national electricity grid must be paid on a net metering basis.***
- ***Increased incentives for solar panels on Irish farms through grant aiding of at least 18-kilowatt panel and batteries.***
- ***Funding for new cooperatives to invest in anaerobic digestors.***
- ***Availability of 100% capital write down on carbon efficient equipment.***
- ***Reduced VAT rate on renewable products and services.***

Capital Allowances for Climate, Air and Water Quality Investments.

ICMSA believes that there is a disjoint in the policy development process and action. The crucial concept is that climate mitigation policies and action must not undermine sustainable food production. ICMSA believe that balancing the environmental objective of reducing greenhouse gas emissions with the economic and social objective of promoting the sustainable development of the rural economy is critical.

Farmers will have a roadmap to follow in terms of GHG gas reduction, water quality improvements and biodiversity protection and enhancement. Many farmers are investing heavily in slurry storage and Low emission spreading equipment as outlined in the Teagasc MACC plan. ICMSA is proposing that there should be accelerated capital allowances available on this infrastructure and equipment associated with improvements to our climate, water, air, and biodiversity. A farmer should be able to utilise unused allowances in future years.

Section 4

Tax Incentives to Support Farm Investment

Stock Relief

Stock Relief measures are a vital tool for farmers increasing stock numbers as they expand their farming enterprise. However, the current 25 percent stock relief means that farmers who are expanding their enterprise are taxed at 75 percent of the additional investment which in many cases is a substantial amount and is having a negative impact on expansion. ICMSA proposes an extension of the 100 percent stock relief to all additional stock expenditure of up to €100,000. Once a farmer has reached the €100,000 level, he/she would then qualify for 50 percent stock relief on the remainder of their investment in stock. In addition, ICMSA propose that if the qualifying farmer disposes of the herd within a specified timeframe, then provisions could be included for a claw back of such relief.

ICMSA Recommendation:

- ***Budget 2022 to provide for the introduction of a new Stock Relief measure whereby farmers would be allowed 100 percent stock relief on additional expenditure of up to €100,000.***

Capital Allowances

Farm building capital allowances are deductible over a 7-year period for a farmer who incurs capital expenditure on the construction of farm buildings, fences, roadways, holding yards, drains, land reclamation and other works such as walls, water, and electrical installations. The rate of the farm buildings allowance is 15 percent of the capital expenditure for each of the first 6 years of the 7-year period with the balance of 10 percent allowed in year 7. Capital Allowances on farm machinery can be claimed over 8 years at a rate of 12.5 percent.

Capital Allowances are a necessary tool for farmers investing in the expansion and upgrading of farm facilities to ensure the future viability of their business. Due to the cyclical nature of farm income, ICMSA believe the Government in Budget 2022 must allow for more flexibility in the claiming of Capital Allowances and propose that farmers be allowed to write-off capital expenditure on farm buildings and plant and machinery over a period of between three and eight years with a "floating allowance" of up to 50 percent allowable in

any one year to promote farm investment. If implemented, the proposal would also provide a considerable boost to the economy of rural areas.

ICMSA Recommendation:

- ***Budget 2022 must allow for flexibility in the claiming of Capital Allowances and propose that farmers be allowed to write-off capital expenditure on farm buildings and plant and machinery over a period of between three and eight years with a "floating allowance" of up to 50 percent allowable in any one year to promote farm investment.***

TB Payment Break

Bovine TB rates have risen substantially since 2016 and there are many blackspots across the country that are going to be subject to tougher regulations under the new bTB strategy launched by the Minister for Agriculture, Food & Marine. Many farm families come under extreme financial pressure with an outbreak of bTB and most take years to recover from this financial hit. Given average herd sizes are on the increase, this financial hit is getting more significant each year and means that many farmers suffer financial, farm management and stress issues as a result. ICMSA is proposing that a bTB payment break would be introduced for those who require it similar to the Covid -19 payment breaks. This would be introduced in conjunction with financial institutions but guaranteed using FGLS money.

ICMSA Recommendation:

- ***A loan repayment break should be introduced for farmers impacted by a TB outbreak.***

Section 5

Funding Farm Schemes

Under the Rural Development Programme (RDP) 2014-2020, there was an overall allocation of €2.1bn of EU funding and €1.9bn of national funding. The economic, social, and environmental benefits to the agriculture sector and the wider rural economy of the many schemes provided for under the Rural Development Programme should not be underestimated in the preparation of Budget 2022 and these schemes should be further supported with additional funding available under Budget 2022 to ensure that the transition agreement under the new MFF and CAP budget is implemented and that effective schemes are in place for 2022.

Targeted Agricultural Modernisation Schemes II (TAMS II)

Sustainability of the environment, farmers and rural areas are essential and hence it is important that investment on farms needs to continue. It is essential Budget 2022 continues to support the ongoing implementation of a strong on-farm investment scheme across all sectors to improve efficiency and meet better environmental and animal welfare standards and thereby ensure the ongoing growth and viability of the sector. Firstly, it must be funded again in 2022 and not delayed until the CAP Post 2020 is implemented. The funding must be announced as part of Budget 2022 and the scheme open for applications on 1 January 2022.

Improvements are required in relation to the TAMS scheme to reflect the level of investments required at farm level and the range of allowable investments including road underpasses and additional farm safety equipment. Investment in nutrient storage needs to be highlighted and the availability of grant to all farmers must be prioritised.

ICMSA Recommendations:

- ***Demand led funding for TAMS applications in 2022.***
- ***Investments pre-2022 should not be part of the maximum investment ceiling post 1 January 2022.***
- ***Increased incentives for solar panels on Irish farms through grant aiding of at least 18-kilowatt panel and batteries.***

- ***A specific farm safety ceiling of €20,000 should be introduced.***
- ***Road underpasses and additional farm safety equipment should be eligible for grant aid.***

REAP

There are currently over 4,900 farmers approved for the new REAP scheme in 2021. Unfortunately, over 10,800 farmers applied for this scheme which means that almost 6,000 farmers application were unsuccessful. There is demand for environmental schemes and ICMSA believe there should be a REAP 2 scheme introduced in Budget 2022 and focus specifically on dairy farmers and more intensive farmers. A correctly articulated and funded REAP 2 scheme has the potential to deliver multiple benefits in terms of climate change mitigation, reduced ammonia emissions and improved bio-diversity and thus, ICMSA is calling for the scheme to be opened to accommodate an additional 10,000 farmers in 2022.

ICMSA Recommendation:

- ***A REAP 2 scheme should be opened, and payments made in 2022 to support climate and other environmental measures on intensive farms.***

Dairy Calf to Beef Scheme

Many livestock holdings were seeking alternatives to increase their profitability and the introduction of dairy calf to beef scheme in Budget 2021 was an excellent start to promote alternative enterprises on farms. Rearing dairy calves should be further encouraged as dairy beef is more climate efficient than other systems of beef production. ICMSA is calling on further funding increases for the Dairy Calf to Beef scheme in Budget 2022.

ICMSA Recommendation:

- ***Increased funding for the dairy calf to beef scheme.***

Flooding Scheme

Funding for Bord na Móna's largescale peatlands restoration project has been approved in 2021. The Scheme aims to protect CO2 emissions, enhance biodiversity, create jobs and contribute to Ireland's target of being carbon-neutral by 2050. These achievements to be welcomed but it will also lead to farmers becoming vulnerable and potentially economically unviable.

Bord na Mona and the Government will have to provide clear assurances that privately owned farmland adjacent to the Bord na Mona sites will not be flooded or water-logged as part of the projected rewetting of the 80,000 acres. ICMSA is asking for funding to be made available to those farmers that will be affected by this and other rewetting schemes.

ICMSA Recommendation:

- ***Funding made available to farmers affected by rewetting scheme.***

Section 6
Indirect Taxation

Value Added Tax

ICMSA propose that the 23 percent VAT rate which was introduced in 2011 should be reviewed downwards to 20 percent in Budget 2022. ICMSA believe that this would encourage further on-farm and rural investment and would have a positive impact on purchasing activity in the rural economy.

ICMSA Recommendation:

- ***A reduction in VAT from 23 percent to 20 percent in Budget 2022.***

Farm Safety Initiatives

Farm fatalities and serious injuries continue to be a serious concern in the agriculture sector. The taxation system can play an important role in addressing this major issue. Financial constraints on farmers often result in a lack of investment in the upgrading of safety equipment and clothing. In this context, ICMSA propose that farmers should be allowed to claim back VAT on farm safety equipment, cattle handling devices and clothing. Such items include slurry gas sensors, respiratory masks, and mobile crushes. In addition, ICMSA is proposing the introduction of a Scrappage Scheme for PTO shafts as was recommended in the Seanad Public Consultation Committee Report on Farm Safety.

ICMSA Recommendations:

- ***Farmers should be allowed to claim back VAT on farm safety equipment, cattle handling devices and clothing.***
- ***The introduction of a Scrappage Scheme for PTO shafts as was recommended in the Seanad Public Consultation Committee Report on Farm Safety.***

Section 7

Social Welfare Issues

Farm Assist

Farm Assist has been utilised for many years by low-income farm families as an essential income support during periods of low income. ICMSA believe that to take full account of an income crisis each year, it is essential that the Department of Employment Affairs & Social Protection takes the current years' income into account when assessing means on family farms. With price and weather volatility, there can be serious income swings on farms from year to year. Thus, the current practice of means assessment based on previous years' income does not fully reflect the current year income situation on family farms.

Additionally, farmers who were receiving a Farm Assist payment for a period may not have paid their PRSI contribution in the years they received the aid and thus their pensions benefits may not be under threat. ICMSA believes that the Department of Employment Affairs & Social Protection need to address this anomaly.

ICMSA Recommendations:

- ***To take full account of income crisis in a, it is essential the Department of Employment Affairs & Social Protection takes the current years' income into account when assessing means on family farms.***
- ***Review farmer pension entitlements for those who were in receipt of Farm Assist from 1999–2006.***

Occupational Benefit

Farming has been the most dangerous occupation in Ireland for every year of this century and it is no surprise given the long hours and lower margins in the sector. While deaths on farms are well documented and rightly create headlines for the devastation that is left behind on farms and within families, there are many farm accidents that lead to long term incapacity and other injuries that farmers may be unable to work for weeks or months. Long term incapacitation for the self-employed had benefits introduced in 2017 which was a welcome development. However, short term injury for the self-employed does not receive any support. This

is discriminatory against the self-employed and must not be allowed to continue. A farmer who breaks his/her arm or leg for example, cannot farm until the injury has healed and ICMSA is proposing that the self-employed should receive Occupational Benefit in Class S similar to those in Class A. The alternative now sees farmers who are medically unable to work return to farm duties early and inflicting further long-term damage.

ICMSA Recommendations:

- ***Introduction of Occupational benefit for self-employed.***

Rural Social Scheme

The Rural Social Scheme plays a key role in the development of local communities and ICMSA believe that funding for this vital scheme should be increased further in Budget 2022 to ensure the maintenance and development of local and vibrant communities.

ICMSA is also proposing that the six-year overall participation limit should be reviewed and extended where a programme is under resourced.

ICMSA Recommendations:

- ***Additional funding should be allocated to the Rural Social Scheme.***
- ***The six-year participation time limit should be reviewed and extended where a programme is under resourced.***

Fair Deal Scheme

The Nursing Homes Support Scheme is a scheme of financial support for people who need long-term nursing home care. Under the Nursing Homes Support Scheme, individuals contribute towards the cost of their care and the State pays the balance. This applies whether the nursing home is public, private, or voluntary. However, there are significant difficulties regarding the costs of care and the implementation of the Fair Deal Scheme for farm families.

ICMSA fully supports a policy of lifetime transfer of family farms thereby giving the next generation the opportunity to grow and develop the business. However, there is a considerable discrimination against farm

families. ICMSA believe that the five-year look-back rule which applies to the financial assessment for the Fair Deal Scheme must be reassessed and suggest a reduction of this look-back period to one year.

ICMSA welcomed the implementation of legislation on farm families and other business owners on the 3-year cap of the percentage charge that can be applied to the non-residential farming asset. ICMSA believe that there should be a refund of the monies paid by residences in care for over three years.

In addition, it is essential that there is no further increase to the 7.5 percent of the value of any assets which can be considered in any one year (5 percent of assets if the application was made prior to the 25th of July 2013) in the financial assessment of ones' contribution to care.

ICMSA Recommendations:

- ***Five-year look-back period should be reduced to one year.***
- ***No changes to percentage deductions.***
- ***Refund of monies paid over three years.***

Employer PRSI

The current threshold at which employers pay the 8.8 percent employers PRSI for employees is on earnings up to €398 per week. However, ICMSA believe if the Government wants to promote job creation within the primary agricultural sector, it is essential that the lower rate of employers' 8.8 percent PRSI on jobs that pay less than €398 per week and the 11.05% percent higher rate of employers' PRSI on earnings greater than €398/week is reduced in Budget 2022.

ICMSA Recommendation:

- ***The employer PRSI rate should be reduced.***

Pension Contributions

Farmers like all citizens need to ensure their financial needs are adequately provided for post-retirement. Therefore, continued saving in the form of a private pension needs to be incentivised and the current marginal rate of income tax relief for pension contributions must be maintained in Budget 2022.

ICMSA Recommendation:

- ***The current marginal rate of income tax relief for pension contributions must be maintained.***
- ***Given the volatility in farm incomes, the tax rules for pension contributions should allow for greater flexibilities in relation to annual contributions.***

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