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Professor Niamh Moloney,
London School of Economics & Political Science
Houghton Street
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17th January 2021

Dear Professor Moloney,

I am writing in regard to the 'Your Vision, Our Future' external consultation of the Commission on Taxation & Welfare.

The Irish Farmers' Association is Ireland's largest farming organisation with approximately 72,000 members in 940 branches nationwide. The IFA has a commodity committee to represents the main agricultural sectors, including, dairy, livestock, sheep pigs, poultry, organics production and aquaculture but also has a number of committees that has overarching responsibility on issues which affect the entire agricultural sector, one of which I am Chair, the Farm Business Committee.

The agri-food sector is Ireland's largest indigenous sector and is a critical part of the food supply chain. Irish farmers, across all sectors, are however facing into an increasingly uncertain future. Increasing input prices, increasing regulation and pressures to meet climate ambitions, along with substantial cuts in European Union (EU) direct payments as a result of new Common Agricultural Policy (CAP) reforms for many, create stress and complexity to normal day-to-day operations, not to mention making planning and future investments all the more difficult.

It is in this context that I am forwarding the attached Submission to the Commission on Taxation & Welfare, and would very much welcome the opportunity to engage and discuss further in the months ahead.

Yours sincerely,

Rose Mary McDonagh
IFA Farm Business Committee Chair

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Irish Farmers' Association Submission to the Commission on Taxation & Welfare

Executive Summary:

- *It is essential that the design / re-design of the taxation/welfare system is governed by principles of equity/fairness; flexibility; tax neutrality; simplicity and an evidence-based approach;*
- *The Irish Agri-Food sector, both directly and indirectly, has successfully delivered more balanced regional development; employment and prosperity, particularly in rural areas. Existing interventions to promote agricultural activity; asset transfer and balanced rural development need to be maintained even strengthened in the years ahead as macro factors of influence intervene (e.g CAP Reform; Brexit; Climate Change etc.);*
- *While achieving increased agri-food exports in recent years, farmers individually have not necessarily benefited to the same degree. Aggregate farm incomes have remained stagnant, at low levels. The purchasing power of rural dwellers is typically half that of urban dwellers;*
- *More recently introduced / proposed taxation interventions to positively influence the existing housing crisis have failed to acknowledge the essential productive assets underpinning agricultural activity; inherent commercial demand for residential development regionally, and consequently may be deemed somewhat discriminatory in nature. Productive farm land used for food production purposes must be exempt from any Site Value Tax / Re-Zoned land Tax / Zoned Residential Land tax or any other form of land/asset type tax;*
- *Opportunity exists, via VAT exemptions and accelerated capital allowances, to further support increased investment and adoption of more environmentally friendly practices, therein supporting climate change ambitions of carbon neutrality by 2050.*

The Irish Farmers' Association is Ireland's largest farming organisation with approximately 72,000 members in 940 branches nationwide. The IFA has a commodity committee to represents the main agricultural sectors, including, dairy, livestock, sheep pigs, poultry, organics production and aquaculture but also has a number of committees that has overarching responsibility on issues which affect the entire agricultural sector, one of which is the Farm Business Committee.

As the largest and oldest indigenous industry, with a gross value added at factor cost of some €14.4bn, the Irish agriculture sector has been the foundation stone on which economic activity and employment (both upstream & downstream) has been built in towns, villages and surrounds throughout rural Ireland. Given same, coupled with its positive and growing status on global markets, many Governments have prioritised agriculture and food as a major economic driver for the Irish economy. This also explains in part the large suite of tax relief measures that are currently in place to support the sector, spanning multiple facets, including land mobility, succession and measures to complement wider agricultural policies and schemes – for example improved competitiveness (assisting new entrants/young trained farmers); environmental sustainability (supporting improved on-farm efficiency); the promotion of alternative farming models, and income volatility measures.

Undoubtedly there are numerous and broader challenges ahead for Ireland and its citizens, prompting the establishment of the Commission of Taxation and Welfare and the review of existing taxation and welfare systems for the new realities. It is however essential that core principles are maintained and incorporated into future designs, taking account of the following:

- Equity/fairness - taxing people according to their ability to pay;
- Flexibility – capable of adjusting to changing circumstances or economic conditions;
- Tax neutrality - avoid influencing taxpayers to make decisions based on tax reasons rather than economic merits;
- Simplicity - tax rules are known to taxpayers, and;
- Evidence based approach - decisions taken are based on assessment of facts.

With regard the latter, it is essential that a holistic approach is taken and the true impact of any proposed amend is thoroughly understood, taking full account of the immediate availability of obvious alternative inputs/practices where relevant and indeed avoiding unintended broader negative externalities from such impositions including amongst others the creation of economically unviable operations and lost employment. Pertaining to agriculture, please note the following:

Fiscal Stability / Promoting employment / Supporting Economic activity:

- The core principle of taxation policy in the medium term should be on keeping taxes on labour income (income tax) low in order to support employment. Any amendment must be introduced within the realm of fairness/equity.
- Agriculture is an important component of the Irish economy and particularly for rural and regional economic activity. The sector encompasses primary agricultural production (Agriculture, Fishing & Forestry), Food & Beverages, and the Wood Processing sector and accounted for almost 4% of Gross Value Added at factor cost in 2020, having grown from €9.96 billion in 2010 to €13.03 billion in 2020.
- The sector employed 163,600 people or 7.1% of total employment in 2020. Outside of Dublin and the mid-east region, the sector provides between 10% and 14% of employment. At an aggregate level, some 137,500 farms producing over €8.2 billion in output; over 770,000 hectares of forest; and over 2,000 fishing vessels and aquaculture sites producing fish with a value of €700 million, underpin the sector[1].
- More than any other industry, many of the economic benefits in the agriculture sector, both direct and indirect, are dispersed throughout the country. The disproportional economic importance of agriculture to the regions is underpinned by most recent comparable CSO data from 2018. 24.1% of all agricultural gross value added at basic costs is produced in the Border Midland and Western (BMW) region, while only 9.2% of all national economic value added is produced in this region. 75.3% of all agricultural value added is produced in the South and East (S&E) region, compared to 50.8% of all national economic value added in produced in this region (excluding Dublin). It should be emphasised that agriculture is a much more important part of the economy in the more rural areas/locations.
- Beyond direct employment and agricultural value, the sector, as noted, also plays a key role in the wider rural and local economy, with DAFM estimates for output multipliers ranging from around 2.5 for beef, 2.0 for dairy and food processing, and 1.75 for seafood. This compares with an average output multiplier of 1.4 for the rest of the economy and 1.2 for foreign owned firms.
- The Agri-Food sector was instrumental in pulling the Irish economy out of deep recession after 2008, but enjoyed limited benefits itself. Indeed, there has been a clear and obvious reduction in farmers share of the value chain – see table below – with their purchasing power, and that of rural areas more generally, as measured in GDP per capita, considerably below that of urban dwellers. Food & Drink exports totalled a record €13.5bn in 2021, (€37m/day) accounting for 9% of total exports in value terms. In 2020 the sector accounted for 38% of total indigenous exports and over 60% of indigenous manufactured exports[1]. Between 2010 and 2021, total exports from the sector increased 71%. The strong growth in exports is however not having a proportionate impact at farm level, where at best aggregate farm incomes have remained static in the last decade. Again, this needs to be acknowledged and factored into any amendments proposed.

	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2021 vs. 2010**
Value of Agri-Food exports (€bn)	7.9	8.9	9.1	10	10.5	10.8	11.1	12.6	12.1	13.2	13	13.5	+71%
Av. Farm Income (€)	23,224	30,095	25,476	25,437	26,642	26,303	23,848	31,412	23,333	23,578	25,615	31,000	+33%
3yr rolling average			**2010-12**	**2011-13**	**2012-14**	**2013-15**	**2014-16**	**2015-17**	**2016-18**	**2017-19**	**2018-20**	**2019-21**	
Value of Agri-Food exports (€bn)			8.6	9.3	9.9	10.4	10.8	11.5	11.9	12.6	12.8	13.2	+53%
Av. Farm Income (€)			26,265	27,003	25,852	26,127	25,598	27,188	26,198	26,108	24,175	26,731	+2%

(Source: Bord Bia Export Performance & Prospects; Teagasc National Farm Survey, various years)

- Re purchasing power, an EU Commission on Agriculture & Rural Development (2020) report found that although Ireland is the leading economy in the EU, reaching 150% of the EU average, this was driven mainly due to the high purchasing power in urban areas (i.e. 209% of the EU overall average) as rural areas (94%) and intermediate regions (102%) were at/slightly below the EU average. Dublin and the south-west are above 120%, while the border region to Northern Ireland

[1] Annual Review & Outlook for Agriculture, Food & Marine (2021)

and the Midlands are between 60-80% of the average. This confirms the general pattern that GDP per capita (purchasing power) in the EU is lower in rural areas than in urban regions.

- A Government commissioned Indecon report published as part of Budget 2015 estimated that, taking account of direct annual exchequer costs, administration and other imputed costs, aggregate agri-taxation measures, at that point, had a positive net economic benefit to the Irish economy, providing a benefit-cost ratio of 1.16. Latest available Revenue data[2] suggest that estimated Capital Gains Tax paid by farmers for 2015-2018 had risen to €91m (vs. €50m in 2014), with relatively stable Capital Acquisition Tax receipts (€159m in 2019 vs. €164m in 2014).
- Taking all the above into consideration, to promote employment and support economic activity, particularly in rural areas, all existing supports for the agri-food sector must at least be maintained in the short-medium term. Some individual measures/suggestions are discussed below:
  - *Income Averaging:* Income averaging for farmers is recognition that income in the sector is volatile and the annual tax liability can vary significantly. This measure allows farmers to pay tax on the averaged profit and losses of their farming trade over a period of 5 years. The step-out facility for exceptional years (once in a five-year period) allows farmers to pay their tax on the basis of actual income in that year, rather than the average income. To provide relief for farmers who were adversely impacted by the Covid-19 restrictions, an additional option to step-out of averaging was provided for the year of assessment 2020, notwithstanding that the farmer may also have temporarily stepped out of income averaging in one of the four preceding tax years. It is our recommendation that a farmer should be allowed to 'step-out' of income averaging more than once in a five-year period, where they are not carrying an unpaid deferred tax amount from a previous 'step-out', providing a strong incentive to repay the deferred tax also. The additional option to step-out of income averaging introduced for 2020 has laid the way for the permanent retention of 2 'step-out' years per 5-year cycle. For example, if the farmer 'steps out' from income averaging in Year 1 and repays the deferred amount in Years 2 and 3, they should be eligible to 'step-out' again in Years 4 or 5 of a cycle.

  - *Agricultural Rainy-Day Fund:* The introduction of an agricultural Rainy-Day Fund, which allows all farmers to put aside a small percentage of their gross receipts, whether in their co-op, specially assigned bank account or State Farm Volatility Fund, which could be used by the National Treasury Management Agency (NTMA). The deferred funds could subsequently be draw down within the next 5 years and the tax due would be paid on the year of withdrawal; similar to how companies are allowed to offset their losses to protect the viability of the business by carrying it forward from a loss-making year to a profit-making year.

  - *Farm Assist:* Farm Assist is a special means-tested income support scheme available to farm families when their income falls below a certain threshold. Currently, c.6,000 farm families are in receipt of same. While very much welcomed, there are a number of minor additional amends that would add significantly and bring the scheme more in line with other available schemes and/or Government ambitions:
    - In the means test for Farm Assist, the depreciation rate for farm equipment and machinery should be increased to a standard rate of 10% to more accurately reflect the useful life of these assets.
    - The income disregards for agri-environmental schemes, included in the means test for Farm Assist, must be extended to also disregard forestry premium payments.
    - The option of a three-year income test assessment be considered.
    - Similar to recipients of the Jobseeker's Benefit and Jobseeker's Allowance, recipients of Farm Assist should be able to receive credited social insurance contribution.

  - *Stock Relief:* Stock relief is available to any person carrying on the trade of farming, the profits from which are chargeable to tax under Case I of Schedule D. Those farmers are entitled to an income tax deduction in respect of increases in the value of their farm trading stock. The term "trading stock" refers to items which are sold in the ordinary course of the farm trade such as farm produce and direct inputs. All existing stock relief (incl. Enhanced Stock Relief for Young Trained Farmers and for Farm Partnerships) should be maintained to protect these low margin enterprises and support employment in rural areas.

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[2] https://www.revenue.ie/en/corporate/documents/research/farming-profile-2020.pdf

- *Retention of section 664A of the Taxes Consolidation Act 1997:* farmers are currently entitled to avail of relief from increases in the carbon tax on farm diesel under section 664A of the Taxes Consolidation Act 1997. Given the absence, in the short-term, of any viable commercial alternative to agri-diesel (Marked Gas Oil) to support food production operations on-farm, and the known trajectory of carbon taxes (i.e. the Finance Act 2020 legislated for an increase in the Carbon Tax from the current level of €26/t to €100/t by 2030), this relief must be retained and even extended to include agricultural contractors, particularly given increasing numbers of farmers will likely utilise the services of agricultural contractors to comply with new Low Emission Slurry Spreading regulations and the use of precision machinery for the application chemical fertilisers as a key eco-scheme measure under the reformed Common Agricultural Policy. Failing to do so will increase production costs at farm level (and across the supply chain) and result in a reduction in the profitability of Irish agriculture. In addition, the current rebate system is too cumbersome and is not open to all farmers. Therefore, carbon tax undermines the competitiveness of the agricultural sector and the planned future increase will have a huge impact at farm level over the next ten years.

- *Excise tax on green diesel:* There have been suggestions re possibly classifying the low excise levels charged on green diesel (mainly used on farms and in home heating) as a fossil fuel subsidy, possibly paving the way, presumably, to its later removal down the road to greater achieve our climate ambitions. A differential of up to 54c/litre currently exists between road diesel and green diesel however it is important to highlight that the two kinds of diesel have almost the same carbon emissions and indeed pay the same carbon tax (approx. 9c/litre). The differential in price is mainly because of contrasting tax treatments. The excise duty applied to road diesel is considerably higher than that applied to green diesel (43c/l vs. 5c/l respectively) – the differential, a user charge/contribution to the very substantial costs of providing the road network – which neither tractors nor houses are heavy users of. The farm sector uses over 1bn litres of green diesel each year, so any hike in taxes would have serious cost implications for farmers. Undoubtedly the growing trend toward renewable/greener powered automobiles will continue, however, as noted above, given there is no commercially available alternative to diesel-powered agricultural machinery in the short-term the current rates on fuel and diesel should remain unchanged.

- *Consanguinity Relief:* Consanguinity relief remains a vital relief to reduce the stamp duty burden on non-residential transfers. In 2018 and 2019, there was 1,355 and 1,605 claims of the relief. This relief rightly recognises the high prices of agricultural land relative to the low margin it generates and helps to reduce the cost of inter-generational transfers and should be maintained. The imposition of an age limit on a transferor in order for a transferee to avail of the relief will negatively impact on farm transfer and planning.

- *Agricultural/Business Relief Capital Acquisition Tax (CAT) Values:* 90% Agricultural Relief from Capital Acquisitions Tax is a hugely important support for the intergenerational transfer of family farms. Its retention for active farmers was a very positive move, ensuring that transferred land is put into productive use. IFA also supports the commitment in the Programme for Government *Our Shared Future* to increase the Category A threshold (parent and child) from the current rate of €335,000 to €500,000 in future budgets. Due to changing demographics and family structures, the Favourite Nephew or Niece Relief should be extended to a Favourite Successor Relief, allowing the farm to be gifted to someone who would be in a better position to continue farming the land. The movement from Category B/C threshold to Category A would allow for less of a tax liability, protecting the sustainability of the farm and promote land mobility.

- With regard the Agricultural Relief for CAT, which supports timely transfer of farms and assists with succession, there is also a need to protect the active/genuine farmer and maintain the integrity of the relief as a targeted incentive for farmers, as referenced in objective 2, recommendation 9 of the Agri-Taxation Report 2014, rather than for it to be used by non-farmers as a mechanism to reduce the tax burden when transferring wealth or seeking to secure land purely to off-set the carbon footprint of alternative operations. The latter, in the context of achieving net zero emissions by 2050, may significantly distort the agricultural land market; have serious consequences for economic activity in rural areas, and more broadly food security if adopted globally. IFA proposes that in order to avail of Agricultural Relief the transferor or transferee, or a combination of both, have to farm/lease to a qualifying active farmer or have farmed/leased to a qualifying active farmer, the land for a minimum of 15 years. In addition, the retention period of the individual receiving the gift or inheritance for farming purposes is 6 years; 15yrs where received by a non-farmer.

- The qualifying criteria for Agricultural Relief, both the 80% asset test and the 'active farmer' requirement, are individual criteria. Where the spouse may not be intending to actively farm at the time of the farm transfer, or where their assets are such that they would not meet the 80% qualifying criteria, the farm is unlikely to be transferred into joint ownership. By missing the opportunity, at the time of inter-generational transfer, to transfer the farm into joint ownership, this may prevent the farm ever being transferred into both spouse's names, and, therefore, usually reduce female participation in agriculture. If the asset is transferred into joint names initially, then there is likely to be a higher active participation by the two spouses in the running of the farm enterprise. To encourage the transfer of a family farm into joint ownership at the time of inter-generational transfer, IFA believes that 90% Agricultural Relief should apply where the farm is transferred into joint names, and where the 80% asset test and the active farming requirement is satisfied by either spouse.

- *Extending 10-year Ownership and Usage Period for CGT Retirement Relief to Spouse for Lifetime Transfers:* The agri-taxation review 2014 report identified an anomaly in the taxation system whereby the transfer of the 10-year ownership and usage qualification between spouses in the context of retirement relief from CGT is only allowable where a farm transfer occurs on the death of one of the spouses. Where the farm is transferred into joint ownership while both parties are alive, the spouse who takes joint ownership at that stage must own and farm the asset for the next 10 years before they can qualify for CGT Retirement Relief. This is preventing farm transfer into joint ownership and is a disincentive to female participation in agriculture. IFA proposes that where a farmer has owned and used an asset for 10 years and the asset is transferred into joint names, the transferee spouse should inherit the same time ownership and usage status.

- *Rate of Stamp Duty:* The rate of Stamp Duty applicable to land purchase has increased considerably in recent years. To promote required land mobility, given aged demographic, we propose that Agriculture is removed from the commercial definition and revised in line with the residential stamp duty charge of 1%, up to €1m, and 2% thereafter. We also propose that the young trained farmer stamp duty relief is renewed post 2022, with age limit of 35 years retained.

- *Rate of Class S PRSI:* In most cases, farmers between the ages of 16 and 66 years of age with earnings of €5,000 or more per annum are liable for Class S PRSI (introduced in 1988), at a rate of 4% of taxable income (subject to no upper limit) or €500, whichever is the greater.
    - It has been reported that existing PRSI rates for the self-employed (including farmers) are low by EU comparison, with suggestions made to progressively increase the rate (& voluntary minimum contribution) to greater match that payable by employers. Given the typically low levels of profitability on-farm, as demonstrated elsewhere, any potential increase would only add increased financial pressure on farm families, hinder entrepreneurial activity/innovation, and should be resisted.
    - Recognition must be afforded to the divergence in terms of SME composition (scale & type) in Ireland relative to our EU counterparts, but also to the fact that relative to employers, Class S contributions only cover a limited number of payments – i.e. they fail to include any short-term payments including illness and disability payments.
    - Rather than trying to derive higher contributions from those already contributing, a more equitable approach in the more immediate term may be to increase the contributions through increased employment and increased self-employment as demonstrated in pre-Covid era where an increasing surplus contribution trend was evident - €454m (2016); €731m (2017); €1,134m (2018) and €1,569m (2019).

- *Capital Gains Tax (CGT) Entrepreneur Relief* encourages investment in businesses; reward risk-taking and entrepreneurial behaviour. From 1st January 2017, a reduced CGT rate of 10% applies to the disposal, in whole or in part, of qualifying business assets up to an overall lifetime limit of €1m of chargeable gains. If a landowner wishes to sell land to a long-term tenant, then the CGT Entrepreneur relief of 10% should apply to incentivise supporting the genuine farmer and giving the long-term tenant preferred status. Agricultural land that is subject to Compulsory Purchase Order (CPO) should not be categorised as 'development' land and should still qualify for CGT Entrepreneur relief. Farmers cannot be disadvantaged by the State's decision to initiate a CPO. The lifetime limit of €1m on the CGT Entrepreneur relief should be increased. The enhancement of CGT Entrepreneur Relief is an important measure to encourage risk-taking and investment, and the subsequent disposal of business assets during an individual's lifetime.

- *Succession Tax Credit:* The succession tax credit is an annual €5,000 tax credit for succession farm partnerships for up to a maximum of five years. It was introduced to encourage experienced farmers to form partnerships with young trained farmers and to plan for the gradual transfer of ownership of their farms to those young trained farmers. The tax credit also enables young farmers to invest in the farm business through capital expenditure. Currently, in order to qualify, a farmer must agree to transfer at least 80% of the farm assets to a chosen successor within a specified period. This high level of transfer may not provide an experienced farmer with adequate financial security and leave them in a vulnerable position going forward. We must protect the transferor and limit their exposure to financial precarity. The stipulation that the identified successor must be under 40 years of age and have obtained the necessary qualification will ensure for timely lifetime transfers and increase the productivity/efficiency of the farm. In 2017 and 2018 there were only 175 and 290 farmers respectively who availed of the relief.[3] This measure can deliver wide-reaching benefits in terms of health and safety, rural development, and environmental sustainability if uptake is increased. The investment which this measure enables also creates spin-offs for the local and associated economy. In order to increase uptake, the relief should be extended to a young farmer's off-farm income for three of the five years to allow the young farmer to invest some off-farm income in order to develop and expand the farm; the percentage of farm assets that a transferor must agree to transfer to the successor should be reduced, and the age limit of 40 retained.

Public Health:

- *Greater promotion of Sustainable Nutrition/Diets:* With increased public and political focus on achieving national climate ambitions, it is very likely the increasing consumer trend toward non-conventional diets – i.e. plant-based / flexitarian style diets – will continue in the short-term. It is essential, based on evidence based scientific data, that any divergence in the nutritional composition of these alternative food types (including metrics relating to food miles travelled from source if deemed relevant in the context of climate change ambitions) are clearly identified and promoted to the general public so as to enable a better-informed choice, and ensure that the nutritional needs of varying demographics are maintained. In addition, revenue generated from the sugar tax on sweetened drinks, should be directed towards the promotion of the consumption of fresh and healthy Irish produce.

- *Farm Safety Incentive:* Internationally, the agriculture sector is the most hazardous occupation one can be engaged in, accounting for an increased proportion of work-place fatalities, accidents and ill-health annually. Non-registered farmers should have the option to reclaim VAT on the cost of purchasing and maintaining farm safety equipment to help maintain best safety standards, via the VAT 58 form. Such investments should also qualify for accelerated capital allowances.

- *Fair Deal and Support for Older People:* Older farmers and other older people living in rural Ireland can experience poverty and social isolation because they rely on small fixed incomes that are vulnerable to increases in the cost of living or unexpected expenses, such as medical care. The current burden of nursing home care on farm families is threatening the viability of the family farm. Rural dwellers face higher costs of living than those in urban areas, particularly in expenditure on transport and the necessity to own a car. The needs of older people and low-income farm families need to be addressed. The Programme for Government references the Fair Deal Scheme saying it will provide assistance when staying at home will no longer be an option. IFA welcomes the Government's recent enactment of the Nursing Homes Support Scheme (Amendment) Act to revise the Nursing Homes Supports Capital Schemes arrangements for farmers and business owners which must be enacted without delay. IFA proposes:
    - The Nursing Home Support Capital Schemes must provide for the inclusion of farm land leased to third parties, in line with other Government policy on inheritance under Agricultural Relief.
    - Older people should be supported to live at home through increased funding for the Home Care Package Scheme so that the number of hours provided is increased.
    - The Total Contribution Approach (TCA) for calculating Contributory State Pension payments should be implemented in line with National Pension Framework (2008) agreement, which provides for total contributions of 30 years to qualify for a maximum payment.
    - Provide credits to farmers on Farm Assist prior to 2007, when they were ineligible to make PRSI contributions under the scheme.

[3] The Farming Sector in Ireland: A Profile from Revenue Data. The Revenue Commissioners. August 2020.

- *Vaccines and Herd Health Products:* The European Commission's 'Farm to Fork' Strategy is seeking to reduce the overall EU sales of antimicrobials for farmed animals and in aquaculture by 50% by 2030. Ireland performs considerably better than our EU counterparts in terms of their use. In 2018 the annual sales of antimicrobial agents for food producing animals in Ireland was at 46.0 mg/PCU, a slight decline over the last years, and well below the 2018 EU average of 118.3 mg/PCU. Notwithstanding, non-oral or pour-on animal medicines are safer to administer than oral medicines. VAT on non-oral animal medicines, including vaccines, is applied at the standard rate 23%, while for oral animal medicines a zero-rate of VAT applies. The Commission should consider applying 0% VAT rate on non-oral animal medicines and vaccines to increase uptake.

Housing:

- IFA are fully aware of the current housing challenges, however we strongly oppose the inclusion of land which currently forms an integral part of existing farm operations and is in productive use within the remit of any proposed Site Value Tax / Land re-zoning tax / Zoned Residential Land Tax.
- Farmers are private land owners who utilise land for food production - an essential activity that helps sustain food security; economic activity; rural development and employment in towns and villages throughout rural Ireland. More often than not there exists strong cultural links with owned land and assets of the farm family given its intergenerational transfer, often spanning multiple generations. Farmers have not caused or influenced the current housing crisis. They are not building speculators or developers withholding land from residential development. This key and essential point, similar to that employed within the Vacant Site Levy, needs to be acknowledged and accounted for in the development of any new/innovative taxation measures seeking to positively influence or solve the ongoing housing crisis. Productive farm land supporting on-farm activity must be exempt from all such interventions. Anything otherwise would be discriminatory on Irish farmers living in close proximity to urban centres, and serve nothing more than enforcing added expense on already low-income farm families. Some may be forced to sell the land (again held for generations) to avoid these penal taxes (referencing new proposed land re-zoning tax; Zoned Residential Land Tax). Recognition also needs to be afforded to the immediate commercial demand for housing in regional areas when scoping liability to any new taxation related intervention re the housing market.
- Re potential introduction of a *Site Value Tax* - in its broadest sense, many farm operations may be considered 'asset rich, cash poor'. Average on-farm assets (i.e. Machinery; Breeding Livestock; Trading assets; Land & Buildings) in 2020 was estimated at €806k, however average farm income on Irish farms in 2020 (a positive financial year for many given relatively strong output prices) was only €25.6k, with wide variation depending on farm size and farm system – the average 2020 farm income on Cattle Rearing farms was €9k; Cattle Finishing farms €15k; Sheep farms €18k; Dairy €74k; Tillage €32k. At an aggregate level, only one-third of Irish farms are considered economically viable – i.e. able to provide a financial return to labour employed at the minimum agricultural wage, plus a 5% return on non-capital assets. More than two in every five Irish farms (43%) have a farm income less than €10k. It is therefore IFA's position that any new tax/measure must give due consideration to one's 'ability to pay' same, and that land that is actively farmed by farm families as an integral part of their farm business should be excluded entirely from any Site Value Tax.
- Aligned with above, in relation to the *Land re-Zoning Tax* / *Zoned Residential Land Tax,* Government and Local Authorities need to take full account of current land use, inherent immediate commercial demand for housing in regional areas, and follow similar precedence as set by the Vacant Site Levy which fully exempt land operated for farming purposes from the levy rather than enforce an unjust blanket tax.
- There needs to be recognition that land may be designated zoned/within urban development zones purely by virtue of its close proximity to urban centres rather than by any desire, owner action or intent. Land operated for farming purposes needs to be fully exempt, otherwise all you'll be doing is enforcing added expense on already low-income farm families; with some possibly forced to sell land that's been in families for generations to avoid these blunt/penal taxes.
- Re the proposed Land re-Zoning Tax, there will also exist challenges in quantifying and assigning liability for any increase in land value. Being zoned or within an urban development zone in itself does not automatically infer added value. If land is in an area of low commercial demand then the zoning makes little of no difference to value.
- It is not clear or obvious why there is a departure from that of the Vacant Site Levy, nor indeed given the very low volumes of agricultural land that typically enters the marketplace annually (even less with residential zoned status) whether the Zoned Residential Land Tax will deliver the significant volume of additional land for residential development desired.

- Instead, as stated, its application may serve nothing more than enforcing added expense on already low-income farm families; and adding significant additional workload on Local Authorities in dealing with increased volumes of de-zoning applications.
- To re-iterate, it is IFA's position that land that is actively farmed by farm families as an integral part of their farm business should be excluded from any proposed Site Value Tax / Land re-zoning tax / Zoned Residential Land Tax.

Climate:

Irish farmers are fully engaged and committed to climate action. All farmers in receipt of a basic payment maintain their land in compliance with the Good Agricultural and Environmental Conditions (GAEC) across a range of areas, with many farmers also participating in various agri-environmental schemes – a demonstration that farmers respond positively to properly focused and funded climate initiatives/supports.

In light of the proposed National Strategic Plan and changes made under the revised Common Agricultural Policy (where 25% of direct payment receipts will be cut to fund eco-schemes) increased adoption of targeted agri-environmental measures on-farm is likely in the short-term in order to sustain direct payment receipts – a fundamental income source to sustain farm operations in the majority of cases. This should be acknowledged and accounted for in any proposed amendment to existing tax reliefs / welfare supports to influence personal behaviour in the name of greater achieving national climate ambitions.

The Irish agri-food sector has benefited, for some twenty years, from having a coherent, stakeholder-led vision and strategy to underpin and guide the sector's continued development. The current Government approved strategy for the agri-food sector, "Food Vision 2030 – A World Leader in Sustainable Food Systems" envisages a transformational pathway to a position of world leadership in Sustainable Food Systems by 2030. It seeks to add value sustainably into the future, with a strategic focus on environmental protection. There are numerous industry-led initiatives (e.g. Teagasc Sign Post Programme; Grass10; Farm Zero C, etc) currently in operation to educate and positively influence behaviour toward improved on-farm efficiencies and the transition of farm operations to net zero emissions by 2050.

There are also a number of additional considerations that, if introduced, could further support the just transition. These include:

- Funding to expand and develop the IFA Smart Farming Programme, as recommended in the Joint Oireachtas Climate Action Committee Report Climate Change: A Cross-Party Consensus for Action March 2019.
- Funding to introduce a Sustainable Development Programme (SDP) to co-ordinate the delivery of price supports for farm-scale and community-based renewables and to ensure the maximum delivery of the Teagasc Marginal Abatement Cost Curve (MACC) climate roadmap.
- The introduction of a protected urea incentive scheme, closing the price differential between it and existing products.
- A support scheme should be put in place to encourage slurry additives uptake.
- A soil structure support programme to include soil aeration equipment to maximise the agronomic and environmental benefits of good soil structures.
- The establishment of capital grants of approximately 50% for farmers to invest in microgeneration. This programme should apply to all usage on farms including the farm residence.
- Remove or reduce network charges for inter-farming community trading.
- Remove planning impediments for microgeneration projects.
- The introduction of an Ash Dieback Reconstitution scheme that appropriately compensates forest owners affected by the disease. This would include the reinstatement of 15-year premiums on re-established woodlands and an option not to replant under certain circumstances.
- The introduction of a Payment for Ecosystem Services (PES) in recognition of the range of environmental services provided by forests, including carbon. This payment would incentivise farmers to plant at the scale required and would provide income beyond the fifteen-year forest premium payments, as well as in subsequent crop rotations.
- The removal of restrictions on planting productive marginal land and increase GPC1 grant and premium rate to cover cost of planting and better reflect the income foregone by planting the land. In 2016, the Council for Forest Research and Development (COFORD) Land Availability for Afforestation report identified 180,000 hectares of

unenclosed land outside of environmental constraints that satisfies the eligibility criteria of the Afforestation and Woodland Creation scheme, which is currently excluded.

While some of the above may not fall within the remit of this Commission, consideration might be afforded to the tax treatment of such products, or areas where additional supports could be directed. Other more direct measures include:

- *CGT / CAT Reliefs – Solar Leases:* The amendment of Section 34 in the 2017 Finance Act extended the definition of assets that can benefit from CGT Retirement Relief and CAT Agricultural Relief to include leased land on which solar panels have been installed. Under the Act land being disposed of, still benefits from the aforementioned reliefs, provided the area of land on which solar panels are installed does not exceed 50% of the total area of land concerned. Unfortunately, ongoing ambiguity surrounding the legislation is deterring many farmers from considering entering into land leases for solar projects. The legislation needs to be amended to give greater clarity and avoid the uncertainty that is impeding solar panel projects on farms. The calculations used to determine the area of land on which solar panels are installed, should only include the footprint of the structures mounting solar panels, ancillary equipment and service roadways (i.e., areas not capable of being grazed) and should exclude any area capable of being grazed by agricultural livestock either under, around or in between panels, ancillary equipment and roadways. The ambiguity particularly impacts smaller holdings, and can/will impact on subsequent inheritance of the farm unless clarified.

- In terms any rental income from a solar farm, if you are on the higher tax band the rent income will be subject to an effective rate of 49% tax to include PRSI etc. The rental income from the solar farm is treated as class 5 income and a farmer cannot offset the usual expenditure that they can for class 1 farm income. For many people this means that the rental income will be cut in half due to tax.

- *Incentives / supports involving wind farm:* Consideration should be afforded as to whether the above CGT/CAT reliefs for solar panels should also extend to also include wind farms, given their increasing role in meeting our renewable energy targets. Currently there are issues of agricultural relief on farm transfer or farm succession, where lands deemed Industrial and highly valued by Revenue Commissioners bring the value of the asset outside CAT thresholds. In many instances, the resultant CAT payable on receipt of the asset may be equal to or in excess of the nett income generated from the project over its lifetime, thus creating a dis-incentive to implementation.

- *Emission Efficient Equipment / Capital Investment Incentive:* Farm equipment, which contributes to increased emission efficiency, such as LESS equipment or capital investment in developing bioeconomy supply chains, should qualify for accelerated capital allowances. This would be provided through an enhanced SEAI Accelerated Capital Allowance Scheme, or through a parallel scheme, which would operate under the same structures – i.e. 100% capital allowances for investment in equipment that is independently certified and listed by a qualifying authority. All farm equipment (incl solar) that contributes to a reduction in emission intensity, should also be exempt from VAT.

- *Carbon Tax Relief:* Carbon Dioxide (CO_2) enrichment is an essential part of the production process for protected crops grown in Ireland. The crops which benefit most from CO_2 enrichment are tomatoes, cucumbers and peppers. CO_2 enrichment of crops is achieved by extracting the exhaust gases from fuels used for heating the crops. This means much of the carbon released is recaptured and used by the growing crop. Glasshouse growers of food crops using CO_2 enrichment, should be granted a Carbon Tax relief/rebate.

Thank you for the opportunity to input, and we in IFA would very much welcome the opportunity to engage and discuss further with the Commission on Taxation & Welfare in the months ahead.

Yours sincerely,

Rose Mary McDonagh

Rose Mary McDonagh
IFA Farm Business Committee Chair