

## AGRI TAX REVIEW BUDGET 2015

**VAT:** flat rate increase from 5% to 5.2% from 1/1/2015

**STAMP DUTY:** Agri leases to **ACTIVE FARMERS** are **exempt**.

From 1/1/2015 Transfers to a related party will only qualify for the reduced rate if the transferee is an **ACTIVE FARMER**

**INCOME TAX:** Income averaging extended from 3 to 5 years.

"Assisting Spouses" on the family farm can now make **PRSI contributions** towards their **welfare entitlements** as a **self employed worker**.

**Leased land income exemption** limits have increased to **€18k for 5 year leases** and increasing to **€40K for 15 year leases**

**CAPITAL GAINS TAX:** Retirement relief extended to **conacre arrangements**

From 1/1/2015 windfall tax of **80%** is **abolished**

**7 year CGT holiday** will no longer apply to purchases of **land and property after 31 Dec 2014**

**GIFT AND INHERITANCE TAX** Currently **Agricultural relief** which reduces the market value of agricultural property by 90% is based solely on an **asset test**. See e.g.

From 1/1/2015 you must now also be an **ACTIVE FARMER or lease it (6 years or more)** to an **ACTIVE FARMER** to avail of this relief

**ACTIVE FARMER** "an individual who spends not less than **50%** of their **normal working time** farming on a commercial basis with a view to **making profits**"

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**Farmers** are you aware of the **31 December 2014** deadline. The new measures introduced in the recent budget are aimed at making the "agricultural sector more efficient and productive". However this will have **major implications** for the **part-time** farmer. Set out below is a case study to show the implications of the new changes:

Farmer X age 75 has 70 acres. His son age 40 is a full time electrician and farms the land with dry stock. The son is married with two children the family home is worth €175K and the mortgage is €125K. His car is worth €10K and he has €5k in savings. What happens if he inherits the land before 31/12/2014? Answer **no Tax liability** as **Agricultural relief applies** (80% of his assets are agricultural)

Non- Agri Assets Home joint ownership (175-125)/2	€25,000
Savings and Car	€15,000
<b>Total Non Agri Property</b>	<b>€40,000</b>

Say Land valued at €10,000 per acre

<b>Asset Test</b>	700,000/740000	94%
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**Agricultural relief** reduces his inheritance to €70,000 and as the threshold from parent to child is €225,000 no liability arises

What happens if he inherits the land **after 1/1/2015**? He will not qualify for agricultural relief as he will not be an **ACTIVE FARMER** his liability may then be €157K

Inheritance	€700,000
Threshold	€225,000
Taxable value	€475,000
<b>Tax @ 33%</b>	<b>€156,750</b>

The only way to avoid this liability is to lease the land for 6 years to an **ACTIVE FARMER** remember entitlements or the new basic payments will go with the land. Unless the legislation is changed at committee stage it is crucial to review your succession plans **NOW**. If you take this scenario and the current beef prices the son may be financially better off leasing the land but be aware of the **changes** ahead for **part time farmers**.

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