

Tax Update

By way of follow up to our Budget newsletter which we sent on the eve of the Budget on 14 October 2014, we would like to bring to the attention of our readers some key changes made to farmer taxation that may require attention before the end of 2014.

Agricultural Relief

Currently, Agricultural Relief is available where a beneficiary is regarded as a "farmer" on the date of the receipt of a gift/inheritance of agricultural assets. A "farmer" for this purpose is an individual whose assets comprise 80% or more of agricultural assets, after receiving the gift or inheritance. The effect of Agricultural Relief is to reduce the value of agricultural assets by 90%, thereby significantly minimising the CAT for the beneficiary.

The definition of "farmer" will change significantly from 1 January 2015. From 1 January 2015, Agricultural Relief will only be available where a "farmer" is "active" or where he/she leases out the property on a long term basis for agricultural use to "active" farmers. In the Finance Bill it has been confirmed that in order to be considered an "active" farmer, the farmer must:

- a) Spend **not less than 50%** of his/her normal working time farming the lands

- b) Farm the lands on a commercial basis with a view to the realisation of profits for 6 years from the valuation date.

The emphasis has therefore moved to the use of the lands rather than ownership. This may mean that individuals in employment, who also carry on a farming business may not qualify for Agricultural Relief from 2015 onwards. While the farmer may obtain Business Property Relief on the gift/inheritance of the lands, this relief would similarly require the beneficiary to actively farm the lands.



Stamp Duty

Stamp Duty would also need to be considered on a transfer of lands to the next generation. Currently, Consanguinity Relief provides a 50% reduction on the normal rate of stamp duty where there is a disposal within the family. This relief therefore reduces the stamp duty payable by a beneficiary on the receipt of farmlands from 2% to 1%.

Consanguinity Relief was due to expire at the end of 2014. However, Finance Bill 2014 provides that this relief will be extended for a further three years up to 31 December 2017 on farmlands provided:

- a) The transferor is under 66 years of age; and
- b) The transferee will spend **not less than 50%** of their normal working time farming the lands on a commercial basis with a view to the realisation of profits from the land for 5 years from the date of transfer.

Another stamp duty change announced in Finance Bill 2014 is an

exemption from stamp duty for leases of agricultural lands for periods of between 5 and 35 years, which are used exclusively for farming carried on by the lessees on a commercial basis with a view to the realisation of profits. This is on condition the lessees, from the date of the lease, will farm the lands for not less than 50% of his/her normal working time.

Action Required

We would recommend that land owners assess their personal situation in light of the above and consider whether it is in the family's best interests to transfer lands before the end of 2014.

Disclaimer

This information is designed to remind/inform readers of important issues and deadlines, and to provide information of recent developments in the taxation sector in general. Please note that this leaflet is intended to be a brief outline of the issues involved and should not be regarded as a comprehensive guide. In all cases only a summary of the main points are included and you should contact us if you wish to discuss any of these matters in more detail. The emphasis is on clarity so some items may be over-simplified. While every effort has been made to ensure that the information contained therein is correct, Cahill Taxation Services do not accept any responsibility for loss or damage occasioned by any person acting, or refraining from acting, as a result of this information. Should you have any queries regarding any of the issues raised above, please do not hesitate to contact us at 065 6840630 or at info@cahilltaxation.ie