

Agri-taxation Working Group Report presented to Minister

The Agri-taxation Working Group Report was presented to the Minister for Finance and the Minister for Agriculture, Food and the Marine last October 2014 to fulfil its mandate to examine agri-taxation measures and to make recommendations to ensure resources are directed towards activities of maximum benefit to this sector of the economy.

The Agri-taxation Working Group in its Report acknowledged under '***Forestry issues;***' that '*Profits from Occupation of Woodlands are tax exempt (and are seen as vital if targets in this area are to be met) but Income from forestry is subject to the 'High Earners Restriction'. This issue came up in a number of submissions as it is influencing harvesting behaviour. Also those who engage in forestry cannot avail of income averaging.*'

The Agri-taxation Working Group Report then made the following recommendations in relation to Forestry;

Recommendation 18: Retain as tax exempt, profits or gains from the commercial occupation of woodlands. Forestry plays a key role as a carbon sink, helping to mitigate the increase in greenhouse gas emissions from other sectors of the economy. Forestry is capital-intensive investment with costs front-loaded. Compared with other industrial sectors it has a relatively long period before returns are realised. The Department of Finance 2006 Review of Tax Schemes recommended that the tax treatment of forestry should remain and this was echoed by the Commission on Taxation in 2009. **The Working Group agrees with the concerns of forestry stakeholders expressed during the consultation process that the non-retention of this measure would act as a major disincentive to new investment in forestry.**

Recommendation 23: Examine the scope for extending income averaging to forestry clearfelling profits. Clear-felling forestry profits are subject to the upper tax exemption limits of the High Earners Restrictions rules. This has had a disproportionate effect on forest owners as the majority of income comes at a single point in time, i.e. clear-felling. The forestry sector is a unique investment in agriculture terms as the majority of the revenue is realised at the end of an extended growing cycle of 30 to 100 years. The current restriction is impacting long-term decision making and afforestation planting targets. The restriction is also currently influencing behaviour in that harvests are being split into two/three years in order to avoid the current annual relief threshold of €80,000. This is clearly inefficient and influencing behaviour in an unintended way. **In order to offset the impact of the high earner restriction rules on the forestry sector it is recommended to allow income averaging for the trade of farming to be extended to include clear-felling profits earned from the forestry sector. The Working Group will examine the feasibility of extending income averaging to forestry clear-felling profits.** Safeguards to ensure that only fulltime farmers and foresters benefit from this measure will be examined.

The above forestry related recommendations have the following indicative timescales for implementation in the Agri-taxation Report;

Recommendation 18: Retain as tax exempt profits or gains from the commercial occupation of woodlands

- Timeframe for implementation in Report – Ongoing

Recommendation 23: Examine the scope for extending income averaging to forestry clear-felling profits

- Timeframe for implementation in Report - Budget 2016

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