

Teagasc Notes for the week ending Friday December 1st 2017

Succession Farm Partnerships €5,000 Tax Credit

Some people are unsure about whether the new €5,000 tax credit for succession farm partnerships applies to their partnership. There are two situations that arise:

1. Existing DAFM Registered Farm Partnerships

The income tax credit is not available to existing registered farm partnerships unless they register as a Succession Farm Partnership. To claim the tax credit for the 2017 tax year they must register as a succession farm partnership before the 31st of December (for a calendar tax year) or before the 31st of March 2018 (for an April to April tax year). All existing Registered Farm Partnerships must complete the three extra criteria below.

- Complete short Application Form
- The Teagasc My Farm My Plan Business plan, (must be certified as completed by Teagasc)
- A legally binding Succession Agreement

2. New DAFM Registered Farm Partnership Applications

New DAFM Registered Farm Partnership applicants must complete a registered farm partnership application as heretofore. If they wish to avail of the €5,000 income tax credit, they must also register as a Succession Farm Partnership by completing the requirements at 1 (above) as part of the application.

NOTE: Farmers can form a DAFM Registered Farm Partnership without having to form a Succession Farm Partnership. Because of the requirement in Succession Farm Partnerships to sign a legally binding Succession Agreement to transfer at least 80% of farm assets within 3 to 10 years, it may not be appropriate for some farmers to form a Succession Farm Partnership at this point in time. They can form a normal DAFM Registered Farm Partnership now to avail of the various financial and other benefits. They can then change over to a Succession Farm Partnership at a future date when it is appropriate to make such a commitment.

Succession Farm Partnership explained

The objective is to encourage the transfer of farm assets to the next generation of Irish farmers while providing a level of protection for the transferors by allowing them to retain 20% of farm assets. The tax credit will apply to the 2017 income tax year. Registration applications are being accepted since the 1st of June 2017.

Tax Credit: An annual tax credit of €5,000 for a maximum of 5 years from the date of receipt of a valid application to the DAFM registration office is available. The credit is split between the partners on the same ratio as the profit sharing ratio in the partnership. The farm partnership shall have at least 2 members, each of whom is a natural person. That means it does not apply to Ltd. Companies.

Key Criteria: There are four key criteria that must be met:

1. At least one member of the farm partnership must have been engaged in the trade of farming on farm land owned or leased by that person, consisting of at least 3 hectares of useable farm land, for at least 2 years immediately preceding the date of formation of the partnership. This person is defined as the "Farmer".
2. At least one other member of the succession farm partnership must have an appropriate qualification in agriculture as specified in the Regulations. They must hold an entitlement to at least 20 % of the profits of the partnership and have not reached 40 years of age. This person is defined as the "Successor".
3. The business plan (Teagasc My Farm My Plan Booklet) must be completed and submitted to Teagasc for certification. The partnership registration office will require a copy of the Teagasc certificate for registration purposes.
4. The "Farmer" and the "Successor(s)" must enter a legally binding Succession Agreement to sell or transfer at least 80% of the farm assets to which the partnership applies to the "Successor(s)". At a time during the period beginning 3 years after and ending 10 years after the date that the application is made to register the succession partnership. The Succession Agreement will;
 - a. Identify the Farmer and the Successor(s).
 - b. Identify the Year of transfer
 - c. List the farm assets to be transferred. This must include the land, farm buildings, BPS entitlements, livestock and machinery.
 - d. Include details of burdens, right of residence, input of banks where securities, guarantees, charges exist. etc.

Registration Procedure:

The succession farm partnership must apply for entry on to the Succession Farm Partnership Register by completing the appropriate application form. The application form must be accompanied by the following documents:

- Teagasc certificate for the My Farm My Plan Booklet
- Legally binding Succession Agreement
- Birth Certificates as evidence that "Successor" is under 40 year of age at time of application

Clawback

A clawback of the amount of tax credits claimed will apply where the farm assets do not transfer as specified in the Succession Agreement (A clawback of €25,000 will apply where the full tax credit has been previously claimed). The Succession Agreement must also be legally binding to afford a level of protection to the Successor.

Health and Safety

Check now

Now is the time to make some vital safety checks.

1. Check all farmyard and building light fittings; take care when working at height if replacing bulbs.
2. Check that fire/smoke alarms in the home are in working order.
3. Check all portable electrical tools, especially their leads and plugs, for any defects.

Important event

Teagasc Beef Seminar - Dungarvan

A Teagasc Beef Seminar will be held in the Park Hotel, Dungarvan on Thursday, November 30th at 7.30pm. We are very lucky to have been able to engage Sean Kelly MEP to address Waterford beef farmers on Renewal of the CAP and the Future of BPS Payments. Phelim O'Neill, Farmers Journal will speak on Irish Beef Prices and Market Outlook and Brian Garry, Teagasc Nutritionist will discuss Feeding Strategies for Cattle this Winter. All are welcome.

