

# Energy in Horticulture

Presented By:

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# Who are we?

- Top 10 Accountancy Practice
- Established in 1975
- Head Office is in Bluebell, Dublin.
- 30 Locations Nationwide
- Over 300 Employees





# Setting the Scene – Tax Wise

<b>Tax</b>	
Low Rate	28.5%
High Rate	52% / 55%
Corporation Tax	12.5%
VAT	13.5% / 23%

Therefore net expenditure will be the after tax effect



# Tax

The tax system for once is ahead or in line with the various initiatives -  
However, improvements and certainty will be required





# VAT

- Majority of farmers NOT VAT registered
- VAT (refund of Tax) Flat Rate Farmer order 2012 allows mechanism to reclaim VAT - VAT 58 on:
  - *Farm Buildings/Structure*
  - *Construction, erection or installation of qualifying equipment for purpose of micro generation of electricity for use solely or mainly for the purposes of a farm business*
  - *If vat registered claim on Vat 3 return as normal.*



# VAT

Qualifying Equipment means:

- Wind Turbines
- Photo Voltaic
- Ancillary equipment for storage or grid connection

Subject it to being named on Triple E Product register



# Recommendation

Revenue to be asked to update the VAT order to allow VAT reclaim on other items etc.





# Income Tax/Corporation Tax

- Depreciation not allowed in accounting sense for income or corporation tax
- Instead capital allowances allowed
- Machinery/Plant





# Standard Rate of Capital Allowance

12.5% straight line over 8 years

Eg. €24,000 investment

€3,000 PA for 8 years





# Tax Saving over 8 years

- Low Rate: €855 pa net cost €17,160
- High Rate: €1,560 pa net cost €11,520
- Company : €375 pa net cost €21,000





# Accelerated Allowances

- Amount of expenditure written off in 1 year
- Benefit
- Treated same as an expense

## **Accelerated:**

- Introduced in 2008
- Extended to sole trader in 2017
- Available to 31 December 2020
- Must be on list of energy efficient equipment as approved



# Accelerated Allowances

- Must be incurred for purpose of business
- Must be owned by company/individual
- Must be in use at end of accounting year
- Wholly & exclusively





# Accelerated Allowances

- If ceased to be in use with 8 year period
- Potential clawback of allowances
- If scrapped no extra claim





# Critical for Accelerated Allowance

- On schedule 4a of tax act /SEAI list
- Minimum spend
- Sole trade or company
- Claimed on annual tax return
- Must be new





## Example: No VAT reclaimable

**Cost**      **€12,000**

<b>Tax Relief</b>	<b>Low</b>	<b>High</b>
Accelerated Allowances	3,420	6,240
Net Cost	8,580	5,760



## If VAT reclaimable - say at 13.5%

Cost	€12,000	€12,000
VAT	<u>€1,427</u>	<u>€1,427</u>
Tax Relief	€10,573	€10,573
Tax Relief	<u>€3,013</u>	<u>€5,498</u>
<b>Net Cost</b>	<b>€ 7,560</b>	<b>€ 5,075</b>





# Summary

- ACA - Dramatic impact as upfront relief
  - Even better if can get approved for VAT

Tax system encourages this investment

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