

Collaborative Arrangements in Succession Planning

Transferring the Family Farm

November 2020

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Online Clinic

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Presentation Outline

- **Different succession pathway scenarios on Irish farms**
- **Where do Collaborative Farming Arrangements fit in?**
- **What are the main Collaborative options?**



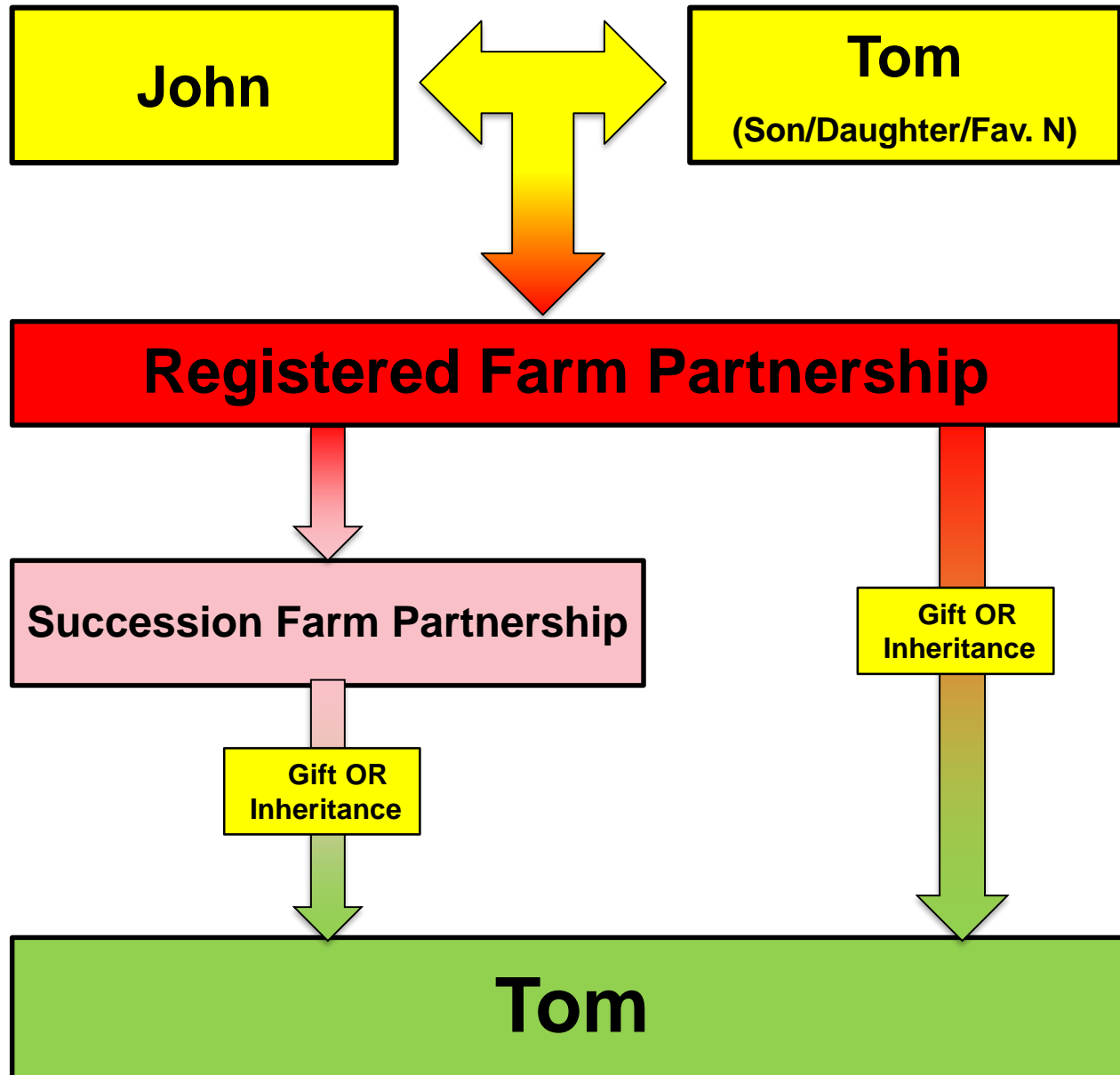
Collaborative Pathways to Succession/Inheritance

Example: Farm Scenario 1

- John (52) - dairy farming on home farm (150 acres)
- Mary (wife) works full time off farm
- 3 children
 - Tom (25) - Young Trained Farmer
 - Mary (22) - Third year, UCD
 - Anne (18) – Leaving Cert
- Tom - very interested in dairy farming
- He has been identified as the successor



Collaborative Pathways to Succession/Inheritance



Example: Farm Scenario 1

- John **NOT** yet ready to step back
- Tom identified successor and wants to become involved in the farm
- Interim arrangement to involve all parties in the farm business

Why join a Registered Farm Partnership ?

- All partners recognised in the business
- Creates a pathway for the transfer of farm from one generation to the next
- Additional ideas/skills available
- Improved efficiency
- Shared workload
- Enhanced work life balance
- Flexibility to work off farm/enjoy time off
- Positive impact on health/safety/isolation
- Taxation Incentives
- Scheme Benefits



Succession Farm Partnership

Incentive to transfer farm to the next generation.

Key Requirements

- Land cannot transfer for three years (year 4 – 10)
 - Caution: where successor is >32 years old
 - (Stamp Duty Relief v Tax Credit)
- €5,000 tax credit to the Succession Farm Partnership (max. 5 years)
- Successor cannot claim tax credit in the year they turn 40 years of age.
- Companies do not qualify.



Tax Credit claimed to be repaid if farm assets do not transfer as specified in agreement

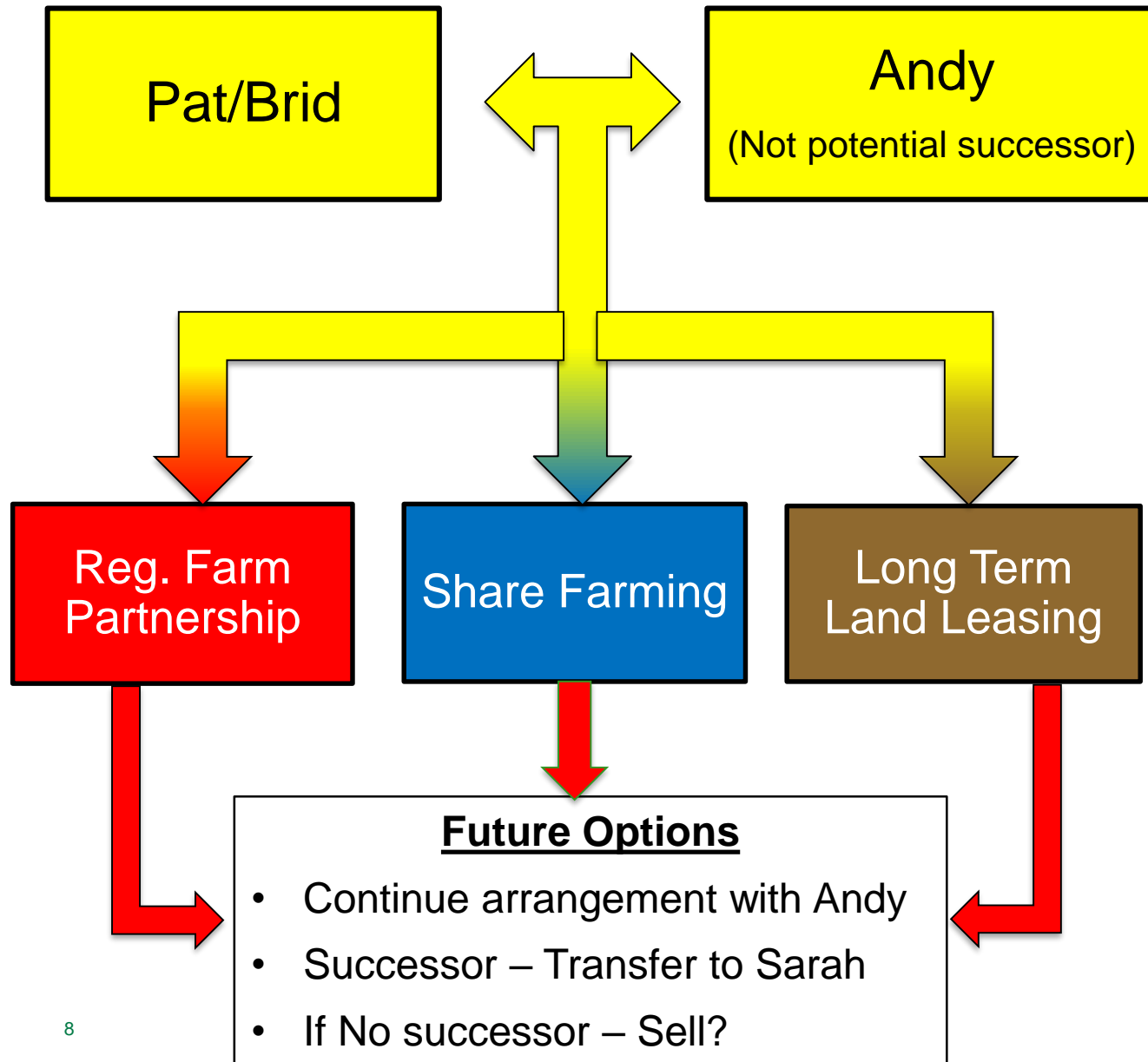
Collaborative Pathways to Succession/Inheritance

Example: Farm Scenario 2

- Pat (78) & Brid (75) - Cattle farming in Wexford (85 acres).
 - Sarah (40) – Engineer in UK
 - Michael (35) – Living/Working in Mayo, no interest in farming
- Sarah - identified as the successor.
 - intends returning to Wexford & farm part time
 - due to work commitments is unable to return for min. 5 years
- Andy (29) -neighbour of Pat/Brid's
 - very interested in farming
 - has worked part time for many years with Pat
 - he has no farm of his own



Collaborative Pathways to Succession/Inheritance



Example: Farm Scenario 2

- Pat/Brid are prepared to step back/retire
- Successor(Sarah) not ready to take over **OR**
- No identified successor/s
- Interim collaborative farming arrangements can be entered into
- Further options at a later stage

Share Farming

- Two separate business operating on one farm
 - Land owner
 - Share farmer
- Agreement established to share the outputs
- Situations where Share Farming may suit:
 - No identified successor (land owner)
 - No access to land (share farmer)
- What is involved?
 - Putting plan together
 - Operation phase
 - Exit plan



Long Term Land Leasing

- Land leased for > 5 years
- Legal agreement stamped by Revenue
- **Benefits to Lessee**
 - Security of tenure
 - Justify financial investment
 - Additional facilities
- **Benefits to Lessor**
 - Opportunity to step back
 - Improvements/Investment into land
 - Income tax incentives



Summary

- Collaborative Arrangements are Business Arrangements
- There are many different options available
- Assess what is best suited to your needs
- Trust, flexibility and good communication for all arrangements are critical to success
- Collaborative Arrangements can be used in many scenarios that lead to farm succession



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