Beat the rush

Now is the time to start working on the formation of your Family Farm Partnership

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There are already close to 1,500 partnerships on the Department of Agriculture, Food and the Marine register. The scheme incentives are driving this growth. Three-quarters are family farm partnerships involving parents and a son or daughter. This is very positive from a family farm succession perspective.

A registered farm partnership can be created at any time of year. Getting started on the formation of your family farm partnership now, however, will ensure that you are ahead of the rush before the Basic Payment deadline in 2017. There are four areas that must be addressed during the formation of a partnership:

- The on-farm agreement.
- Revenue requirements and accounting procedures.
- The Partnership Agreement.
- Interaction with EU/DAFM schemes and procedures.

This article outlines the steps required during the formation of your farm partnership.

Setting up the partnership herd number

The existing herd number must be changed into the same name as the partnership. This generally means adding a name, or two names, to the existing herd number (e.g. David Browne is changed to David, Mary and John Browne).

Changes to a herd number must be made through the local District Veterinary Office (DVO) by completing an ER1.1 form or and ER1 form as appropriate. These forms are available from the local DVO office and copies of all ER1 and ER1.1 forms submitted to the DVO should be kept on file along with a date stamp or receipt from the DVO as proof that it was submitted.

Amalgamating two herd numbers

In a case where two herd numbers are amalgamated into one, a separate ER1.1 form must be completed for each herd number to change the name on each respective herd number into the partnership name.

Where one of these two herd numbers is being made dormant (will no longer contain livestock), it is vital to instruct the DVO in writing not to "End Date" this herd number. It is still required for payment purposes under the Basic Payment Scheme, Areas of Natural Constraint scheme, Organic scheme and GLAS.

When is best to change a herd number?

The key window for making changes to a herd number is after basic payments have been received for the current year but well in advance of the Basic Payment Scheme application period for the following year. Generally, this means changes should be made between December and the end of February the following year to allow ample time for successful processing of the ER1 and ER1.1 forms by the District Veterinary Office.

Basic Payment Scheme entitlements

Any changes to the names on a herd

The accountant can provide advice and help in the setting up of your partnership and in making tax returns annually.

AVOID DELAYS

Getting started on the formation of your partnership now will help to avoid delays in processing of forms and the registration of your partnership early in 2017. Further information is available at www.teagasc.ie and www.agriculture.gov.ie.

number will require a "Transfer of Entitlements" form. If the changes occur before the Basic Payment Scheme deadline, then the transfer form must be submitted before the Basic Payment Scheme deadline. Where the change occurs after the deadline, a transfer form will have to be submitted before the BPS closing date in the following year.

Partnership bank account
A new partnership bank account must be set up in the same name as the partnership. This becomes the trading account for the partnership through which all partnership income and expenditure is channelled. It is vital to take ownership of the process of moving bank accounts to ensure that any direct debits or standing orders for utilities or loan repayments are re-established in the new partnership bank account.

Completing the on-farm agreement
The on-farm agreement should be completed by the partners and their families as part of setting up the partnership. Some professional help can be used in this document but the day-to-day operation of the partnership is very much the responsibility of the partners. If this aspect is not taken seriously, many of the benefits from partnership formation such as improved lifestyle, may not become a reality.

Completing the registration process
The formation of the farm partnership and the registration process is typically completed with the help of one of the following professionals or a combination of all three:
• The accountant.
• The solicitor.
• The agricultural consultant.

Tip one: Pay particular attention to the DAFM checklist to ensure all necessary documents are included in your application.

Role of your Teagasc advisor /agricultural consultant
The Teagasc advisor or agricultural consultant is best placed to help to plan the future direction of the farm business and to advise on technical issues associated with setting up the partnership. This involves;
• A look at the current viability and financial situation on the farm. The ability of the farm to generate more than one income and how this might be structured.
• A look at the technical performance on the farm and how this might be improved.
• Teach new skills that impact directly on your profit such as: grassland management, financial management, animal breeding and crop husbandry.
• Help to complete the on-farm agreement.
• Explain the financial benefits available from EU schemes and enable you to maximise those benefits.
• In the case of an agricultural consultant, help you to complete the registration process with the DAFM.

The role of your tax accountant
The accountant can provide advice and help in the setting up of your partnership and in making tax returns annually. During the formation of the partnership, your accountant must carry out the following:
• Register the partnership with Revenue using a TR1 form.
• Create a capital account for each partner to record the value of livestock, machinery and working capital contributed by each partner.
• Apply cessation and commencement rules where necessary.
• Advise you on establishing a profit-sharing ratio and also on setting appropriate levels of salaries and / or personal drawings in the on-farm agreement.
• Liaise with your solicitor and/or agricultural consultant in the preparation of documents relating to the formation of the partnership.
• Calculate the profit for the partnership each year and apply the profit sharing ratio based on the written partnership agreement.
• Make separate tax returns for each partner based on their share of the partnership profits.
• Complete a FIRMS 1 form and submit to Revenue.
• Annually update the capital account for each partner in line with any capital invested or retained in the business during the accounting year.

Tip two: Always consider the implications of capital investment on the dissolution of the partnership.

The role of your solicitor
A written partnership agreement is the foundation of the partnership. It is the key document where farmers entering a partnership can shape the arrangement to suit their own needs. While template agreements are available, it is not sufficient to take a template and complete it without legal advice. Before entering into a partnership, consult your solicitor. The role of the solicitor is to:
• Explain the legal structure of a partnership and highlight key aspects of operating a partnership.
• Review the template agreement.
• Tailor the agreement to meet your particular circumstances. This may involve the inclusion of additional clauses to protect all partners.
• Liaise with the accountant and/or agricultural consultant in the preparation of documents relating to the formation of the partnership.