Farm buildings allowances

Part 23-01-07

This document should be read in conjunction with section 658 of the Taxes Consolidation Act 1997

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Introduction

Section 658 of the Taxes Consolidation Act 1997 makes provision for allowances, referred to as "farm buildings allowances", for capital expenditure on the construction of farm buildings and other works. This document sets out an overview of how section 658 operates.

1. Eligibility

Farm buildings allowances are available to any person carrying on the trade of farming. Farming means farming farm land, that is, land in the State wholly or mainly occupied for the purposes of husbandry, other than market garden land.

2. Rate of allowances

Farm buildings allowances are made over a 7-year period to a farmer who incurs capital expenditure on the construction of farm buildings (excluding buildings or parts of buildings used as dwellings), fences, roadways, holding yards, drains, land reclamation and other works such as walls, water and electrical installation and sewerage. The expenditure must be incurred by the farmer for the trade of farming land occupied by the farmer.

The 7-year writing-down period begins with the chargeable period related to the expenditure.

The rate of the allowance is 15 per cent of the capital expenditure for each of the first six years of the 7-year period with the 10 per cent balance allowed in the final year.

Only net expenditure qualifies for farm buildings allowances – any State or other subsidy is excluded.

3. Deemed allowances

A farm buildings allowance is deemed to have been made for any year of assessment for which an individual is not chargeable to tax on farming profits and in which, if the person had been chargeable, the person could have claimed a farm buildings allowance. A deemed allowance may not be carried forward and set off against profits or gains for any subsequent year of assessment.

4. Pre-trading expenditure

Capital expenditure on farm buildings which was incurred by a person about to start farming but before farming begins is regarded as being incurred when the farming actually begins.

5. Claims

An allowance is claimed by being included in the person's annual tax return. The balance of the allowance not granted in any year of assessment (due to insufficient profits) may be carried forward to later years.

6. Transfers of farm land

If a person who is entitled to farm buildings allowances transfers the farm land to another person, the transferee becomes entitled to whatever allowances are due for chargeable periods after the transfer.

If only part of the farm land is transferred, the transferee may claim so much of the allowances as relate to that part of the land.

Where a transferor does not dispose of their entire interest in the farm land (or part of the farm land), the transferee will not be entitled to the allowances. For example, if Person X, who holds the freehold title to farm land, leases the land to Person Y, Person Y will not be entitled to Person X's allowances.

7. Apportionment of expenditure and prevention of double relief

Capital expenditure that relates only partly to farming purposes is to be apportioned.

A farm buildings allowance is not granted if the expenditure qualifies for an industrial building initial or writing-down allowance under Chapter 1 of Part 9.

8. Racehorse trainers

In general, Revenue takes the view that once a racehorse trainer has the use of land or the right by virtue of any easement (within the meaning of Section 96) to graze livestock on land, the trainer will be regarded as farming (within the meaning of Section 654). Such trainers are entitled to farm buildings allowances.