Woodlands

Part 19-02-20

This document should be read in conjunction with section 564 of the Taxes Consolidation Act 1997

Document last reviewed April 2019

20.1 **Section 564** provides that in the case of an individual, profits from the sale of standing timber are exempt from Capital Gains Tax. The provisions do not apply to companies or other bodies of persons.

20.2 On a disposal of woodlands that part of the consideration which relates to the value of the trees is to be excluded from the Capital Gains Tax computation. This rule also applies to capital sums received under a policy of insurance in respect of the destruction of or damage or injury to trees by fire or other hazard.

20.3 The cost of growing timber on the land is to be excluded from the cost of acquisition of woodlands.

Example

On 1 January 2000 an individual buys an area of woodland for €100,000, €30,000 of which is attributable to the value of timber then growing on the land. In December 2006, he sells the woodland for €240,000, and €100,000 of the sale price is attributable to the value of timber growing on the land at the date of sale.

Subject to expenses, the computation of the chargeable gain is as follows:-

			€
Sale price of land			240,000
Less attributable to growing timber			100,000
			140,000
Cost of land		100,000	
Less attributable to growing timber		30,000	
		70,000	
	x 1.193 (indexation)	=	83,510
Chargeable gain			56,490

20.4 Where standing timber is disposed of by the grant of a right, on such terms (e.g., a grant over a long period) that the grantee enjoys the benefit of the future growth of the timber, then the grant is a disposal of a right over land, i.e., a part disposal of land. Such a grant will accordingly give rise to a chargeable gain or allowable loss computed under the general rules for part disposals (see Tax and Duty Manual Part 19-01-04 **Par. 1**)

20.5 A disposal of saleable underwood should be dealt with on the same principles as disposals of timber.