Farming – Tax treatment of payments made under Rural Environment Protection Scheme (REPS)

Part 23-01-02

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Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Executive Summary

This manual sets out the taxation treatment of REPS payments made under Council Regulation (EEC) No. 2978/92 of 30 June 1992.

The Rural Environment Protection Scheme or REPS was delivered through the Rural Development Programme 2007-2013. The scheme has been closed to new entrants since July 2009. However, all of the participants who entered in 2009 were to remain in it for the full 5 years.

The revised Rural Development Programme RDP 2014 – 2020 includes a new agri-environment/climate scheme known as the Green, Low-Carbon, Agri-Environment Scheme or GLAS to replace and build on the progress of this earlier REPS scheme. The tax treatment of GLAS payments is outlined in Tax and Duty Manual Part 23-01-25. Council Regulation (EC) No. 1698/2005 governs the current scheme-REPS 4.

1. Introduction

This Scheme, which is administered by the Department of Agriculture, Food and Forestry, was implemented pursuant to a programme approved under Council Regulation (EEC) No. 2978/92 of 30 June 1992. The Scheme came into operation on 1 June 1994.

2. Objectives

The objectives of the Scheme are to:

- establish farming practices and controlled production methods which reflect the increasing public concern for conservation, landscape protection and wider environmental problems,
- protect wildlife habitats and endangered species of flora and fauna,
- produce quality food in an extensive and environmentally friendly manner.

Farmers who wish to join the Scheme must have an agri-environmental plan drawn up by an approved agency. There are also a wide range of measures in the REPS which have to be complied with.

The Council Regulation mentioned above indicates that the Scheme "must compensate farmers for any income losses caused by reductions in output, for increases in costs and for the part they play in improving the environment".

3. Revenue view

Payments under this Scheme constitute income as they are paid to compensate farmers for income losses caused by reductions in output and for increases in costs of a revenue nature.

The payments should therefore be included by practitioners as trading receipts when preparing annual accounts.

Where a payment has been made specifically to compensate the farmer for identifiable capital expenditure, it will not be treated as part of the farming income. It will, however, fall to be deducted in arriving at qualifying expenditure for capital allowances purposes. From the documentation available on the Scheme, payments of this nature should not occur in many cases. Where such payments are made it appears they will constitute only a very small part of the total amount received by a farmer under REPS.