

[23.2.1] Taxation of Farmers

Stock Relief for Young Trained Farmers

1. Introduction

Section 667B Taxes Consolidation Act 1997 provides for a scheme of enhanced stock relief at the rate of 100% for “qualifying farmers” (who are often referred to as young trained farmers). The purpose of this instruction is to give details of:

- the categories of farmers to whom this enhanced relief is available,
- the relief available, and
- the period for which it is available

This scheme constitutes an EU State aid and as such it must comply with EU State aid rules. In particular, it must comply with the provisions of Commission Regulation (EU) No 702/2014¹. These requirements are considered in further in Section 5.

2. Definition of a Qualifying Farmer

A qualifying farmer means an individual who—

- (a) in the tax year 2007 or a subsequent year first qualifies for the scheme of Installation Aid for Young Farmers operated by the Department of Agriculture, Food and the Marine under EU regulations, or
- (b) (i) first becomes chargeable to tax under Case I of Schedule D in respect of income from farming in the tax year 2007 or a subsequent year,
(ii) is under 35 at the start of that tax year, and
(iii) at any time in that tax year satisfies the academic and training standards provided for in **section 667B (2) or (3)**,

¹ Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union. The full text of the Regulation is available on the website of the European Commission.

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and

where the individual first satisfies the requirements of (a) or (b) in the tax year 2012 or a later tax year, submits a business plan to Teagasc for the purpose of **section 667B** or, to Teagasc or the Minister for Agriculture, Food and the Marine for any other purpose, on or before 31 October of the tax year following the tax year in which the requirements are first satisfied.

Section 667B(2) provides that an individual must hold a qualification set out in the Table to the section. The Table is reproduced in Appendix 1 to this chapter. For the purposes of **subsection (2)**, an equivalent qualification, as certified by Teagasc, will be treated as if it were a qualification set out in the Table.

Section 667B(3) provides that an individual must have a letter of confirmation from Teagasc confirming the satisfactory completion of a Teagasc approved training course for individuals, who in the opinion of Teagasc, are restricted in their learning capacity due to physical, sensory, or intellectual disability or mental health.

For the tax year 2012 or any subsequent year, stock relief at the 100% rate will apply only where a young trained farmer falls within the definition of small and medium-sized enterprises in Article 2 of Regulation (EC) No 1857/2006 (as amended by Commission Regulation (EU) No 1114/2013) for the year in question.

An individual who achieved the academic and training standards under either **section 667** or **667A** is deemed to satisfy the corresponding requirements of **section 667B**.

3. The Relief

3.1 Instead of the general rate of 25% stock relief or the rate of 50% for farmers who are partners in registered farm partnerships (as provided for in **section 667C**), the enhanced 100% rate of relief applies for the tax year in which an individual becomes a young trained farmer and for each of the three successive tax years in which there is an increase in stock value.

For example—

Closing stock value:	15,000
Opening stock value	<u>5,000</u>
Increase:	<u>10,000</u>
Stock relief due	10,000
Profit before stock relief (say):	12,000
Stock relief	<u>10,000</u>
Case I profit	2,000

3.2 The cash equivalent amount of stock relief at the 100% rate which a young trained farmer can receive where he or she first qualifies in the tax year 2012 or a subsequent tax year is limited to €40,000 in a single year and €70,000 in aggregate over the four years of the scheme.

3.3 The same rules apply to a claim for 100% stock relief as apply to the standard 25% stock relief in that a claim to stock relief prevents:

- the creation of a loss in the year of claim,
- a carry forward of losses, sustained in a year prior to the year of claim, to a subsequent year,
- a carry forward of an unused capital allowances of a year prior to the year of claim to a subsequent year,
- a carry back of terminal loss relief to a year prior to the year of claim.

3.4 Relief **under section 667B** is not subject to clawback (see Tax Instruction 23.2.6).

4. Period of availability of enhanced relief

The regime applies in computing farming income in the case of an individual who becomes a young trained farmer on or after 1 January 2007 and on or before 31 December 2018.

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5. State aid

In order to comply with Commission Regulation (EU) 702/2014, certain conditions must be satisfied.

The young farmer should:

- be active in the agricultural sector, i.e. primary agricultural production, the processing of agricultural products or the marketing of agricultural products;
- possess adequate occupational skills and competences; and
- exercise effective and long term control of the holding, in terms of decisions relating to managements, benefits and financial risks.

As stated in Section 3.2, the tax relief is granted to the beneficiary in the tax year in which they first become a qualifying farmer and for each of the next three successive years, provided there is a stock increase in the relevant accounting period. However, for State aid purposes, the relief is treated as cumulative, i.e. there is only one aid award per beneficiary. In respect of the first year in which the farmer qualifies for the tax relief, he/she must be setting up for the first time in an agricultural holding as a head of that holding. Implementation of the business plan should take place within nine months from the date on which the relevant tax return is due.

For State aid awards granted under this scheme after 1 July 2016 that exceed €60,000, certain details in respect of each award will be published on a central website. This information includes the identity of the beneficiary and the amount of aid granted. For further information, please refer to Annex III of Commission Regulation (EU) 702/2014.

6. Partnerships

In the case of a partnership, the practice has been to deduct the stock relief due in arriving at the partnership profit. This practice will continue where all the partners come within the same stock relief regime. However, where, for example, some partners in a partnership are entitled to 100% stock relief while others are entitled to the general 25% relief, it may be accepted that the partnership profit to be allocated in accordance with the profit sharing

ratios is the profit before stock relief but after making all other adjustments. The stock increase will be allocated in accordance with the profit sharing ratios in the basis period and stock relief will be allowed accordingly, to arrive at the Case I profit of each partner.

The following example illustrates how this applies in practice

A (a non-qualifying farmer) and B (a qualifying farmer) farm in partnership, sharing profits and losses equally.

The profit, adjusted for tax purposes, but before stock relief is

20,000. Closing Stock is valued at:	75,000
Opening stock is valued at:	<u>51,000</u>
Stock increase:	<u>24,000</u>
Allocated to A - 50%	12,000
Allocated to B - 50%	<u>12,000</u>
Partner A's share	10,000
Stock relief - 25%: (Stock increase of 12,000 x 25%)	<u>3,000</u>
Case I profit - A	<u>7,000</u>
Partner B's share	10,000
Stock relief - 100%: (Stock increase of 12,000 x 100%)	<u>12,000</u>
Case I profit - B (stock relief cannot create a loss)	<u>nil</u>

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Appendix 1

TABLE to Section 667B

1. Qualifications awarded by the Qualifications and Quality Assurance Authority of Ireland:

- (a) Level 6 Advanced Certificate in Farming;
- (b) Level 6 Advanced Certificate in Agriculture;
- (c) Level 6 Advanced Certificate in Dairy Herd Management;
- (d) Level 6 Advanced Certificate in Drystock Management;
- (e) Level 6 Advanced Certificate in Agricultural Mechanisation;
- (f) Level 6 Advanced Certificate in Farm Management;
- (g) Level 6 Advanced Certificate in Machinery and Crop Management;
- (h) Level 6 Advanced Certificate in Horticulture;
- (i) Level 6 Advanced Certificate in Forestry;
- (j) Level 6 Advanced Certificate in Stud Management;
- (k) Level 6 Advanced Certificate in Horsemanship;
- (l) Level 6 Specific Purpose Certificate in Farm Administration.

2. Qualifications awarded by the Qualifications and Quality Assurance Authority of Ireland:

- (a) Higher Certificate in Agriculture;
- (b) Bachelor of Science in Agriculture;
- (c) Higher Certificate in Agricultural Science;
- (d) Bachelor of Science in Agricultural Science;
- (e) Bachelor of Science (Honours) in Land Management, Agriculture;
- (f) Bachelor of Science (Honours) in Land Management, Horticulture;
- (g) Bachelor of Science (Honours) in Land Management, Forestry;
- (h) Higher Certificate in Engineering in Agricultural Mechanisation;
- (i) Bachelor of Science in Rural Enterprise and Agri-Business;
- (j) Bachelor of Science in Agriculture and Environmental Management;
- (k) Bachelor of Science in Horticulture;
- (l) Bachelor of Arts (Honours) in Horticultural Management;
- (m) Bachelor of Science in Forestry;

- (n) Higher Certificate in Business in Equine studies;
- (o) Bachelor of Science in Equine Studies;
- (p) Higher Certificate in Science Applied Agriculture;
- (q) Bachelor of Science (Honours) in Sustainable Agriculture;
- (r) Bachelor of Science (Honours) in Agriculture.

3. Qualifications awarded by other third level institutions:

- (a) Bachelor of Agricultural Science — Animal Crop Production awarded by University College Dublin;
- (aa) Bachelor of Agricultural Science - Agri-Environmental Science awarded by University College Dublin;
- (b) Bachelor of Agricultural Science — Animal Science awarded by University College Dublin;
- (ba) Bachelor of Agricultural Science — Animal Science Equine awarded by University College Dublin;
- (bb) Bachelor of Agricultural Science — Dairy Business awarded by University College Dublin;
- (c) Bachelor of Agricultural Science — Food and Agribusiness Management awarded by University College Dublin;
- (d) Bachelor of Agricultural Science — Forestry awarded by University College Dublin;
- (e) Bachelor of Agricultural Science — Horticulture Landscape and Sportsturf Management awarded by University College Dublin;
- (f) Bachelor of Veterinary Medicine awarded by University College Dublin;
- (g) Bachelor of Science in Equine Science awarded by the University of Limerick;
- (h) Diploma in Equine Science awarded by the University of Limerick.