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Minister's Online Newsletter



December 2011



Picture taken by Aiden O'Brien

At the outset, may I wish you and your families a very happy Christmas and best wishes for the New Year. I am looking forward to 2012.

These are challenging times but I remain firmly convinced that the agri-food and sea-food sectors will play a key role in Ireland's economic recovery. I will continue to use all of my energy and the resources available to me to further develop these sectors. This I will do in collaboration with the stakeholders at national, EU and international levels.

Budget 2012

As I am sure you are only too aware that the main development since the last newsletter has been the Budget. My main priorities during the Budget negotiations were as follows:

- To **protect farm incomes** targeting existing resources at active farmers, especially those in vulnerable sectors
- To **support productivity** and the up-skilling of farmers and the food sector
- To ensure the **development of the agri-food sector** incorporating investment in R+D, food safety, animal welfare and enterprise development in line with Food Harvest 2020
- **Reform and continued drive for efficiency** and better service delivery within the Department and associated agencies.

I worked hard to get a Budget that will deliver positive momentum for agriculture. I think it again shows the Government's commitment to the agriculture sector. It was no coincidence that the first sector that Minister Noonan talked about in his Budget speech was agri-food. What follows here is a summary of the main issues.

FUNDING OF THE DEPARTMENT FOR 2012

A total funding of **€1,312m** is being provided in the Department's Vote in 2012, €1,144m in current and €168m for capital expenditure. On the capital side, the 2012 capital allocation represents an increase of €18m on the National Recovery Plan expenditure ceiling and that this will be boosted by a further €27m by way of carry-over of savings from 2011 to provide total capital funding next year of €195m.

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This is a very substantial increase on the original NRP allocation of €150m and will allow a very worthwhile capital programme to be implemented next year.

The funding announced in the 2012 Estimates does not include the €1.3bn in payments under EU funded schemes which are administered by the Department.

DETAILS OF NEW MEASURES - TAXATION

STOCK RELIEF / FARM PARTNERSHIPS: Stock relief can be claimed against taxable farm income where the person's closing trading stock value is greater than the opening stock value. A new stock relief incentive has been introduced in this year's Budget to encourage farm partnerships. An enhanced 50% stock relief will be available for all registered farm partnerships, and a 100% stock relief will be available for certain young trained farmers forming such partnerships. Subject to EU State Aid approval, this new incentive will be available until December 2015.

STAMP DUTY: Reduction in the stamp duty rate on agricultural land from 6% to 2%, **effective immediately**. A half rate (1%) will be applicable to transfers to close relatives until the end of 2014. This change will substantially reduce the stamp duty payable on transfers of farm land by gift or by sale. It should stimulate a stagnant land market and will also promote inter-generational transfer, with the cost of lifetime transfer to transferees who do not qualify for the young trained farmer stamp duty relief reduced considerably.

CAPITAL GAINS TAX: CGT arises where there is a disposal of an asset, through a sale, gift or other transfer. This year's Budget introduces a restructuring of the retirement relief on Capital Gains Tax to incentivise the earlier transfer of farm assets to the next generation, and to encourage the sale of land by those farmers with no successors. An upper limit of €3m will be introduced on family transfers where the individual transferring is aged over 66, compared to an unlimited amount currently. On non-family transfers, the current upper limit of €750,000 will be reduced to €500,000. These changes will apply from **1 January 2014 onwards**, thereby allowing time for older farmers to plan for transfer. These changes will aid land mobility and improve the age profile of Irish farmers.

CGT retirement relief asset valuation limits from 1 Jan 2014

Type of disposals	Age band and asset limits for individuals claiming retirement relief	
	55-66 years	Over 66
Unrelated disposals	€750,000	€500,000
Related disposals	Unlimited	€3,000,000

A property bought during this period and held for at least seven years will be relieved from Capital Gains Tax. It is important to remember that these new measures do not mean that a farmer is forced to cease farming altogether beyond the age of 66. For example, a farmer with a farm worth in excess of €3,000,000 could under the new rules transfer a part of his farm to the next generation before reaching the cut off point of 66 and could continue to farm on the remaining part while in receipt of retirement relief, thereby adopting a phased transfer of his land.

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OPEN FARMS: The VAT rate applied to open farms (such as pet farms) will be 9% rather than the new standard rate of 23%. This will be of significant benefit to such farms, which offer an important opportunity for farm diversification.

UNIVERSAL SOCIAL CHARGE: The exemption rate for the Universal Social Charge has been raised from €4,004 to €10,036. This will be of particular benefit to low-paid seasonal workers in the farming sector.

CARBON TAX: Farmers will be allowed a double income tax deduction in respect of the increased costs arising from the change in carbon tax (the carbon tax is to increase from €15 per tonne to €20 per tonne, **from 1 May 2012 for agricultural diesel**). Full details will be presented in the Finance Bill.

WIND TURBINES: An amendment to the VAT refund order for farm construction will allow farmers to claim a refund on wind turbines purchased from 1st January 2012.

R&D TAX CREDIT AND FOREIGN EARNINGS DEDUCTION: Additional supports which will benefit the food industry including improvements to the R&D tax credit and a Foreign Earnings Deduction to apply where an individual spends 60 days a year developing markets for Ireland in the BRICS countries (Brazil, Russia, India, China and South Africa).

CAPITAL ACQUISITIONS TAX (CAT): The CAT rate has increased from 25% to 30% and the tax free threshold for Group A has been reduced from €332,084 to €250,000. It is worth noting that farms worth up to €2.5m will continue to be fully exempt from Capital Acquisitions Tax with regard to transfers to a son/daughter or qualifying favourite nephew/niece. In addition, the impact of the changed measure on a farm worth €3m would amount to €15,000 CAT.

CAT EXAMPLES:Threshold A (Son/daughter & can include favourite niece/nephew)

- **Agricultural assets up to the value of €2,500,000 will not be liable for CAT,**
- Agricultural assets of €3,000,000 will be **liable for €15,000 in CAT (nil prior to this),**
- Agricultural assets of €3,500,000 will be liable for €30,000 in CAT, representing **an increase of €25,521,** and
- Agricultural assets of €4,000,000 will be liable for €45,000 in CAT, representing **an increase of €28,021.**

Threshold B (Parent**/Bro/Sis/Niece/Nephew/Grandchild)

- Agricultural assets up to the value of €2,500,000 will be liable for €65,038 in CAT, representing **an increase of €10,840.**

Threshold C (Relationship other than A or B)

- Agricultural assets up to the value of €2,500,000 will be liable for €70,019 in CAT, representing **an increase of €11,670.**

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DETAILS OF NEW MEASURES - CHANGES TO SCHEMES AND REFORMS

Suckler Cow Welfare Scheme: The continuation of the Suckler Cow Welfare Scheme at the current rates.

Beef discussion groups: Allocation of €5m towards the establishment of a Beef Technology Adoption Programme which will build on the work done to date under the Better Farm Programme. This will give beef farmers additional skills to increase productivity.

The Targeted Agricultural Modernisation Schemes: Funding of €20m in 2012 will enable all of the schemes to re-open - Poultry and Pig Welfare, Dairy Equipment, Sheep Handling and Rainwater Harvesting Schemes, as well as the Bio-energy scheme (the Bio - energy scheme is now opened, closing date of January 18th 2012).

Forestry: Expenditure for Forestry will amount to €111.76m. This increased forestry funding of €112 million will allow afforestation to continue at roughly 7,000ha per annum as well as providing for the building of forest roads. There is no change in relation to the rate of payment of forestry premia, which continue at current levels

Seafood sector: In addition to funding for investment schemes in the processing sector, aquaculture development and fishery harbours, there has been an increase in the grant-in-aid for BIM in recognition of the on-going valuable role which it plays in the development of the fishing sector but also in view of the added responsibility which it will have in relation to the deep sea aquaculture.

Harbours: The Fishery Harbour and Coastal Infrastructure Development Capital Programme provides funding for works at the six State-owned Fishery Harbour Centres, (Howth, Dunmore East, Castletownbere, Dingle, Ros a Mhíl and Killybegs) as well as other Local Authority owned harbours and landing places around the coast.

Milk levy: I have begun the consultation process for the introduction of a milk levy in the New Year. The funding will be ring fenced for dairy products promotion through Bord Bia, including identifying new markets and opportunities to cater for the expanded output from 2015.

Animal Health Initiatives: New initiatives in relation to animal health including:

- A voluntary BVD eradication programme
- A new initiative to tackle Johnes Disease
- Changes to the brucellosis testing for dairy herds

Disadvantaged Areas Scheme: There are no changes in either the rates or the eligible areas qualifying for a disadvantaged area payment. Savings will be achieved by the introduction of targeted reforms in the Disadvantaged Areas Payments, which will be achieved through reform of the stocking density, retentions period and other elements of the scheme. The changes being introduced will favour active farmers and are subject to clearance by the European Commission.

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Changes to Disadvantaged Areas Scheme

- The minimum stocking density has been increased from 0.15lu/ha to 0.30lu/ha.
- The minimum retention period has been increased from 3 months to 6 months and will be calculated over 12 months.
- Exclusion of horses from the stocking density calculation (not including breeding horses)
- There is an exclusion for land more than 80 kilometres from a farmer's main holding.

REPS 4: Due to financial pressures, I will have to reduce payments by 10% in future years. This change is subject to approval by the EU Commission.

Reform: Between the Department and State bodies there will be a saving of €18m.

Department Review of Expenditure: The Department is engaged in a major and ongoing programme of significant re-organisation at all levels which will result in further significant reduction in the Administrative Budget in 2012. The results of this are:

- Reduction of €12m in administration costs for 2012
- Reduction of €6m in States agencies admin costs
- Reduction in Department staffing levels; from 4,800 in 2005 to less than 3,600 today, a reduction of over 25%.
- Reduction in the cost of running the Department; by some €60million, or approximately 20%, since 2008.
- Reduction in the number of local offices; when fully completed in 2012, the Local Office Re-organisation Programme will reduce the number of offices from 58 to 16.
- Commenced a shared services programme for its agencies and other Government Departments.

Semi State Bodies

- A €10m dividend payment by Coillte
- €18m reform and savings programme in Teagasc within a 5 year programme
- Bord Bia and BIM - €2.2m savings within a 5 year programme

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Above: The Minister with HM Queen Elizabeth II in the English Market, Cork, during her visit to Ireland



Left: The Minister launching Food Harvest 2020– Milestones for Success



Right: Minister Coveney meeting the Chinese Vice Minister for Agriculture, Mr Niu Dun in May, which culminated in an Action plan on Mutual Cooperation Mechanisms between Ireland and China in the Agri-Food and Fisheries Sectors

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Left: Pictured on a visit to the Teagasc Agricultural Catchment in Timoleague are landowner Kevin Collins, Ger Shortle, Teagasc, Simon Coveney TD, Minister for Agriculture, Food & the Marine, Prof Gerry Boyle, Director Teagasc & landowner, Collin Bateman, Timoleague.

Photo: O'Gorman Photography



Right: Minister Coveney with the Taoiseach in Haulbowline, Cork



Minister Coveney with the Taoiseach at the Maritime College in Ringaskiddy, Cork

Minister Coveney with members of the Chinese delegation at the Bloom Festival



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Pictured above: Mr Tom Arnold, CEO of Concern, Minister Simon Coveney and Mr Stan McCarthy, CEO of Kerry Group

Important Dates

- 23rd & 24th January 2012 - European Council of Agriculture Ministers

Register for Newsletter

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- Name
- Email address
- Whether you want to be contacted by email or text (If you would prefer to be contacted by text please add your mobile number)