FDC Farming Newsletter

Autumn, 2005

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IMPROVED GRANT RATES FOR FARMING UNDER THE NITRATES DIRECTIVE.

The recent announcement of increased grant aid under the Farm Waste Management Scheme is encouraging news for all farmers as they prepare for farming under the Nitrates Directive. This EU Regulation, which takes effect on 1st January 2006, will place additional slurry storage requirements on many farms. Storage capacity from 31st December, 2008 must be adequate for the full housing period and must be a minimum of 16 weeks in East Munster (Tipperary, Cork & Waterford) and South Leinster while in West Munster (Kerry, Limerick, Clare) and much of Connacht the requirement will be 18 weeks. A further restriction under the Nitrate Directive is that no slurry may be spread after 15th October and no FYM after 1st November, this rule is applicable from 1st January, 2006. The closed period will extend to mid January in the south of the country and to 31st January further north. No FYM may be stored on land during the closed period for applications, which will further increase storage requirements on many farms. However soiled water may be spread all year round under appropriate soil and weather conditions. These new regulations will place considerable restrictions on many farmers as well as necessitating additional capital expenditure to bring slurry storage in line.

The increased grant aid which will be introduced shortly by the Department of Agriculture, provides for a standard 60% rate for additional slurry storage in the south of the country with top ups of 10% for young farmers in Disadvantaged Areas and 5% in Non- Disadvantaged Areas. The lower and upper income unit limits have been abolished which opens up the Farm Waste Management Scheme to all farmers with a storage requirement. The proposed limit on investment to be grant aided is 120,000, which is a significant improvement on the previous scheme. A very important development is that the Department Of Agriculture has agreed to revise their standard costing from 1st January, 2006 in line with current costs, which will ensure that real value

FDC's team of experienced accountants and agricultural consultants are available to discuss and evaluate any development proposals objectively

Where a decision is taken to proceed with a development the question of planning permission must be dealt with at an early stage to avoid any unnecessary delays before grant approval is obtained and work may commence. Equally the question of finance must be addressed to ensure that competitive interest rates are secured and short term working capital sources are not misused. When fully compliant with the Nitrates Directive the vast majority of farms will also be farming within REPS regulations and should avail of this additional payment. FDC is well qualified to provide a complete service on all of these matters and we invite you to contact your local office without obligation t
individual requirements.

Ted Horgan B.Agr.Sc.
FDC Southern Region

TAXATION IMPLICATIONS OF MARRIAGE BREAKDOWN

The breakdown of a marriage is a stressful time for couples, their children and their extended families.

The breakdown will usually be formalised through agreement. More often than not, the agreement will be the result of a process of negotiation between the parties, with neither getting exactly what they want, and compromise from both sides.

Once the couple have separated, i.e. have begun living apart, the tax treatment of each partner reverts as single persons. Each can get a single parent allowance if not re-married or cohabiting provided the children can and do stay with him or her for at least one night of the tax year.

Maintenance payable in accordance with the terms of a legal separation to the former spouse is tax deductible to the paying spouse, but maintenance payable in respect of children is not. It should be noted that there is no tax deductible allowance for voluntary maintenance

Mortgage/ Borrowing.

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Corporate Finance (BES)

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Income Tax Planning

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Inheritance/Wills

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CGT Planning

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Corporation Tax

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Auditing

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Co. Formation

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Co. Secretarial

Potential pitfall

If the former spouses are living apart under an informal agreement, a disposal from one to the other could be disastrous. This might happen, for example, where a spouse who has long left the family home transfers it from joint names into the name of the occupying spouse. To avoid this, ensure any necessary asset transfers happen either while the couple are still living together or as part of the formal separation agreement. Otherwise, Capital Gains Tax, Stamp Duty and Gift Tax could become liable on the transfer.

Summary

The tax planning involved in a marital breakdown is more about avoiding pitfalls than
actually saving tax. Together with the emotional and legal aspects of a breakdown, great care should also be extended to the taxation implications of such a situation.

David Doyle, M.I.A.T.I.,
Area Manager - Dunga
FDC South Eastern Reg

MULTI-MANAGER INVESTMENT STYLE

A new Investment Concept,which has been prevalent in the US for some years has recently been introduced to Ireland , thus giving Irish investors more choice in finding a home for their hard earned funds. This concept is known as the MULTI-MANAGER (MM) investment style.

The traditional approach to investing involved picking one fund manager, pinning your colours to his mast and take your return –come what may. How likely is it that you will pick the one that is going to be the leading fund for the next 10 or 20 years? Traditionally a portfolio would be constructed based on past performance data. However history shows us that the same funds rarely perform well all of the time. Research shows that 83% of top quartile performers in one 3 year period performed below average in the next 3 years.

The new MULTI –MANAGER approach combines the best fund managers at any one time from across the globe into a single convenient fund. This means:

•Investors enjoy unrivalled access to the world's leading investment managers

Due to the processes involved, the realistic goal of each MM fund is 'out-performance'. This term comes from the lexicon of financial phraseology which is sometimes trotted out and can have very little intrinsic meaning. In normal parlance, the goal is ABOVE AVERAGE returns. Again, the very nature of the approach dictates that for any investment term the MM fund will never be the top performer but can also offer solace that it will never be the worst performer either. A consistent higher return than the average within the peer group is the ultimate goal- and to any experienced investor, this is recognised as a valuable commodity to hold in a portfolio.

Each fund manager within the fund has a particular strength. For example,one manager's strength may be UK small cap stocks, another manager's may be Euro-zone growth. The aim is to harness all these strengths to produce a better overall result. To illustrate this point further, think of the different results achieved by a world champion in an individual athletic event versus the results achieved by a decathlete in that event. While the Decathlon champion is very proficient in each event, the achievement in any event cannot match the achievements of the specialist.

To re-cap, the concept of MM investment can be summarised in 2 words- CONSISTENCY and DIVERSIFICATION. Consistency is achieved by the blending of different fund management styles and philosophies. The mix of financial assets together with the mix of global fund managers leads to additional diversification.

I will delve into the adviser's phrase-book to confidently predict that 'going forward', the MULTI-MANAGER approach will be the preferred mode of investment fund management.

PENSIONS

As you are most probably aware from media etc., the pensions deadline of the 31st October is fast approaching. This means that any contributions paid before this date will reduce your liability to tax for the 2004 tax year.

I feel now is an opportune time to introduce some semblance of simplicity to the Pensions issue. The development of the pensions industry in Ireland has brought with it some less savoury elements which have had a detrimental effect on the ordinary workers attitude to providing for his/her retirement. If it isn't some expert expounding on the need to have 2,000,000 in your fund to ensure you can buy your daily paper in retirement, it's a new 'revolutionary' product to add to the

What is a Pension?
A long term plan that will provide an income in your retirement. It can take the form of property, such as a site,residential etc., it can be a classic car or a piece of antique furniture. It can also be our traditional view of a pension i.e. a regular long term savings commitment from earnings. In most cases the advice is to combine elements of the above to maximise your retirement pot.

Why commence a Traditional Pension?
You receive Tax Relief on your contributions. You are setting aside amounts from the income you receive during your working life to provide a comparable standard of living in retirement. With people living longer and the Old Age Pension barely matching inflation, this is more important than ever.

How much must I pay?
What you contribute is dependent on various factors such as:age,tax liabilities,family commitments,other pension provision etc.

The development of the Pensions industry has brought benefits with it. There is now more choice, greater payment flexibility, better tax relief, lower charges and many more drawdown options once you reach retirement. Stripping away the jargon etc. as outlined above, it is fair to say that the provision of pensions and the legislation underpinning that provision is now heavily weighted in favour of the client.

This is just a quick simple g
provision which may enco
have yet to fund for retirem
additional information on t

Michael McCormack BBS QFA FLIA
Sales Manager
FDC Financial Services

100% MORTGAGES

First Active was the first lender to launch the 100% mortgage product to the market for first time buyers who were struggling to come up with the 10% deposit traditionally required for the purchase of their first property.

100% mortgages were previously offered to professionals such as accountants, doctors, solicitors etc however this has now being extended to all first time buyers.

Even though it is suggested by certain media that now everyone qualifies for a mortgage this is not the case, each lender has certain requirements, a person must qualify for to enable them to secure approval an a 100% mortgage. I would suggest it is more difficult to qualify for a 100% mortgage

One bedroom and studio apartments, site purchase, self builds and investment properties cannot be purchased under this scheme.

Unlike standard mortgages you cannot use guarantors to support your loan you must qualify on your own earnings.

Some of the lenders are offering the usual home-loan rates to customers whilst others offer slightly increased rates and/or may not offer 1 year fixed rates and discounted variable rates.

In some cases the booking deposit and/or 10% deposit are still required to be funded by the client initially or in the short term, while again some of the lenders have term loans/ bridging finance available.

As there are only a number of lenders offering these products, ensure you weigh up the pro's and con's of 92% versus 100%..

Money & Mortgage Matters/FDC offers an independent mortgage advice and can shop around to the various lenders to secure the most suitable loan approval, so ensure you contact Emily Collins at our offices for a comprehensive assessment of your requirements.

Emily Collins MMII
Money & Mortgage Matters

CHANGES IN AGRICULTURAL / STAMP DUTY RELIEF

The recent Finance Act has changed the rules of the claw-back of Agricultural and Stamp Duty Reliefs. These changes are significant and many are unaware of their consequences. The changes apply to any disposal of land affected after 3 February, 2005.

Agricultural Relief on Capital Acquisitions Tax has been in place for many years now and has been invaluable for effective tax planning. This relief is available to a beneficiary of an absolute or limited interest in Agricultural property. The value of the property is reduced by 90% and this value is substituted for the market value for the purpose of arriving at the taxable value. The relief is available to anyone who qualifies as a "farmer". This term can be quite misleading as the individual involved

This claw-back was previously based on the value of the land sold as at the date of the gift or inheritance.
Therefore if land was inherited in 2000 for €5,000 per acre and sold in 2004 for €20,000 per acre the claw-back that arose was on the €5,000 value.

FA2005 has changed the rules applying to Agricultural Relief claw-back. The new system can be quite penal and applies to all disposals post 3 February, 2005. The claw-back is calculated by reference to the following formula:

Original Market Value Of Land at Date of Gift of Sale X <u>Sales Proceeds not reinvested</u> / Market Value of Gift/Inheritance at date

This amount is then assessed to tax in the usual manner. The claw-back is now assessed on the current values of the land at the date of sale and can be more penal when a particularly valuable portion of land is sold.

The claw-back on Stamp Duty was also amended in Finance Act 2005. This amendment applies to a claw-back on the sale of land on which Young Trained Farmer Relief applied. This relief gives a full exemption to Individuals on the gift or purchase of property where certain conditions are met. This Relief was also subject to the condition that the land was not sold for five years. Any such sale would give rise to a claw-back of the relief where the property sold was not replaced. This claw-back was previously calculated on the original value of the property.

The recent Finance Act amended this and the claw-back provisions are similar to those applied for Agricultural Relief claw-back.

Stamp Duty that would have Been chargeable at date of transfer of Sale X <u>Proceeds not Reinvested</u> / Market Value of all Land at date

These changes apply to disposals of land affected on or after 3 February, 2005.

John Butler
B.Comm. AITI
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