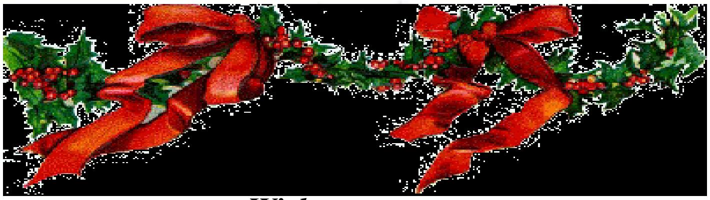
FDC Farming Newsletter

December, 2004



Wishes

Accounting
.
Tax Consulting
.
Management/ Interim Accounts
.
Computer Business Systems
.
Computer Network /Communication
.
Payroll
.
Agricultural Consultancy
.
REPS Planning
.
Early Retirement
.
Investments/ Stockbroking
.
Pensions
.
Saving Plan, L/A

On behalf of my colleagues and myself I would like to extend Seasonal Best Wishes to you and your associates. I would like to avail of the opportunity on their behalf to thank you for your business and to express the hope that we will continue to deliver our services to you in a manner that is entirely supportive of your business aims.

I would like to advise you that we in FDC, companies and staff (in an entirely voluntary manner) are putting together a fund equivalent to 1% of the income of the companies and staff salaries for the purpose of supporting Agri/Rural Development in Third World countries. The conditions of the investment are:

(1)That the funds are directed towards food production and the development of rural enterprise co-operatively based.

(2)All the funds will be expended on front line investment, we require a commitment from the relevant parties that none will be spent on overheads, administration, bureaucracy, etc. We will look to getting periodic reports on the progress of the business, the investment, etc and we will keep you advised accordingly.

If you wish to participate we invite you to complete the enclosed Standard Debit form and return it to us, we want to advise you however that it is entirely at your discretion as to whether you want to participate or not and it is tax deductible.

Implications of SFP

Jack Murphy
General Manager

The decision of the Department Of Agriculture to opt for full decoupling after 1st January 2005 breaks the link between production and direct payments. The Single Farm Payment (SFP) will be based on each farmer's area and payment from 2000 to 2002. For those in dairying the Dairy Premium will be based on the milk quota held on 31st March 2005. Rural Development payments such as REPS, Area Based Compensation and Forestry will continue to be paid separately. Farmers can establish and activate entitlements by submitting an Area Aid Form by 15th May 2005. Each entitlement must be linked to a hectare of land. If an application for the SFP is not made in 2005 the entitlements are returned to the National Reserve. If, having activated entitlements they are not used for 3 years they will be returned to the National Reserve. If only X% of entitlements is claimed the same % will be paid. For livestock farmers the SFP will be based on the average number of animals applied on from 2000-02 at 2002 payment rates. For arable farmers, the

A consolidation or Stacking option is available whereby if a farmer declares less land in 2005 than in the reference years he/she may be able to restructure Entitlements on to the actual area of land declared. If a lease or conacre ends, or if land is lost due to a CPO or if land is afforested then the relevant area may be stacked up to a limit of 50% of the Reference area. Stacking does not apply to land leased out or to a sale of land since the end of the reference period. Entitlements, which are restructured through stacking may not be sold within 5 years and must be used in each of the 5 years.

For the purposes of replenishing the National Reserve, 3% of all entitlements will be deducted. If entitlements are sold with or without land the Department have a clawback option of up to 50% of the entitlements sold without land in the first 3 years and up to 30% thereafter; up to 10% of the entitlements sold with land or up to 5% of the entitlements if the entire holding is sold. However there will be no clawback where entitlements are sold with or without land to a farmer starting up or in inheritance cases. Modulation of the SFP involves clawback of 3% in 2005, 4% in 2006 and 5 % in 2007, excluding the first €5,000 of the SFP which is exempt. The Modulation funds may be used for existing Rural Development Measures or for new

Mortgage/ Borrowing.

•

Corporate Finance (BES)

•

Income Tax Planning

•

Inheritance/Wills

•

CGT Planning

•

Corporation Tax

•

Auditing

•

Co. Formation

•

Co. Secretarial

Under the SFP Scheme, farmers are free to use their land for any agricultural activity provided it is kept in good agricultural and environmental condition. However, only land under forage and arable crops (including sugar beet) can be used to activate entitlements. Eligible land must be available for a minimum period of 10 months commencing at any time between 1st September of the preceding year and 30th April of the year of application.

Entitlements may be transferred by inheritance without any restriction. If land has been sold during the reference period and/or before May 2005, entitlements may be included in the sale if a clause is included that the holding (or part of) is being sold with entitlements. This clause can be added retrospectively in cases where the sale has already been completed by means of an addendum to the Sales Contract. Similarly where a lease of land is in place on the 15th May 2004 it may be considered as a lease of the entitlements with the land where a clause is included indicating that the farmer intends to lease the entitlements with the land. The lessor must apply to establish the entitlements and attach a copy of the lease. The lessee applied for the SFP and also attaches a copy of the lease agreement.

Further information and advice on the implications of the SFP for your farm is available from your local FDC Agricultural Consultant.

Ted Horgan B.Agr.Sc.

MAIN AGRICULTURE CHANGES IN BUDGET 2005

- The write-off period for capital expenditure on pollution control facilities reduced from seven to three years.
- Flat rate VAT refund increased from 4.4% to 4.8%
- The general 35% rate of stock relief and the 100% rate for young, trained farmers renewed until 31st December, 2006
- One-third reduction in disease levies paid by farmers which will save them €5 million.
- Stamp duty relief worth one million in a full year will be provided for farmers who swap land for the purpose of consolidating farm holdings. This one-off concession will apply for two years.
- Farmers will be allowed to use income averaging next year. Many will receive payments from 2004 and the 2005 Single Payment in the same year

Budget 2005
Tax Facts and Figures

	€ Existing	€ Increase	€ Proposed
Personal Tax Credits			
Single Person	1,520	60	1,580
Married Couples	3,040	120	3,160
Additional one/widowed parent	1,520	60	1,580
PAYE	800	230	1,270
Rent Relief			
Under age 55 single person	254	46	300
Under age 55 married persons	508	92	6
Over age 55 single person	508	92	600
Over age 55 married persons	1,016	184	1,200
Incapacitated child	500	500	1,000
lind persons: Single	800	200	1,000
Married (both blind)		1,600	400
2,000 Widowed/additional Credit		30	100
400			
Widowed parent:			
1st year after year of bereavement	2,600	200	2,800
2nd year after year of bereavement	2,100	200	2,300
3rd year after year of bereavement	1,600	200	1,800
4th year after year of bereavement	1,100	200	1,300
5th year after year of bereavement		600	200

.	€ Existing	€ Increase	€ Proposed
Standard rate bands			
Single/widowed	28,000	1,400	29,400
Married couple, one income	37,000	1,400	38,400
Married couple, two income	56,000	2,800	58,800
One parent families	32,000	1,400	33,400
Tax Rates			
Standard rate	20%	-	20%
Top rate	42%	-	42%
PRSI			
Employee ceiling	42,160	2,020	44,180
Health Levies			
Threshold	18,512	2,288	20,800

Benefits in kind – increase in small benefit exemption threshold
Where an employer provides an employee with a small benefit not exceeding an amount of 250 from 1st January, 2005 (100 to 31st December, 2004), PAYE and PRSI need not be applied to that benefit. No more tan on such benefit given to an employee in a tax year will quality for such treatment. Where a benefit exceeds 250 in value, the full value of the benefit is to be subjected to PAYE/PRSI

Tax relief for fees paid for third level education
Tax relief at the standard rate is available in respect of certain third level education fees paid to approved colleges. The maximum amount of qualifying fees allowable under this scheme is increased from 3,175 per annum to 5,000 per annum with effect from academic year 2005/2006.

STAMP DUTY
First-time buyers of second-hand residential property
The stamp duty rates for first-time buyers who are owner-occupiers of second-hand residential property are being changed. The existing and new stamp duty rates structures are as follows:

Threshold	Existing	New
Up to 127,000	Exempt	Exempt
127,001 to 190,500	Exempt	Exempt
190,501 to 254,000	3%	Exempt
254,001 to 317,500	3.75%	Exempt
317,501 to 381,000	4.5%	3%
381,001 to 635,000	7.5%	6%
Over 635,000	9%	9%

The new rate structure will apply to legal instruments relating to these properties executed on or after 2nd December, 2004.

First-time buyers who are owner-occupiers will continue to be exempt from stamp duty on new residential property up to 125 square metres. Partial relief will continue to apply where such property exceeds 125 square metres.

All other rates of stamp duty remain unchanged.

Companies capital duty
The 1% duty that is charged on the issue of shares in limited companies is being reduced to 0.5% for transactions effected on or after 2nd December, 2004.

Stamp duty exemption for switching of financial cards
There will be stamp duty exemption from the double charge arising form the switching of financial cards such as credit cards, charge cards, ATM cards and Laser cards. The timing and scope of the provisions is yet to be decided.

CAPITAL GAINS TAX
The capital gains tax rate of 20% remains unchanged.

RESIDENTIAL DEVELOPMENT LAND
The 20% rate of income tax applicable to residential land remains unchanged.

CAPITAL ACQUISITION TAX
No changes were announced

VALUE ADDED TAX
From 1st January 2005, the VAT rate applicable to the supply of livestock, live greyhounds and the hire of horses has been increased from 4.4% to 4.8%. The flat rate addition paid to farmers will also be increased from 4.4% to 4.8% from the same date.

BES/SEED CAPITAL SCHEME (SCS)
The extension of these reliefs, as provided in the Financial Act 2004, has obtained European Commission approval. A summary of the qualifying conditions are:
•qualifying companies must be Small and Medium Sized Enterprises (SMEs) within the European Commission definition in force for the relevant period;
•tax relief under the BES/SCS will be available for individual investments in companies registered in the European Economic Area but with an establishment in Ireland carrying out qualifying activities;
while a company may raise equity capital up to general maximum of 1 million in the lifetime of the company, in all cases, the schemes will respect the aid ceilings as set out in the European Commission's Guidelines on State Aid and Risk Capital. This will mean that from 5th February, 2004 a company may not raise more than 750,000 in any six period;
•the following sectors will be formally excluded from the scheme: shipbuilding, European Coal and Steel Community Sectors and non viable companies within the European Community Guidelines on State Aid for rescuing and restructuring firms in difficulty.

Increases in Monthly Take-Home Pay in Tax Year 2004

Gross Annual Income	Married Both Working		Married One Earner		Married Home Earner		Single	
	A	B	A	B	A	B	A	B
	€	€	€	€	€	€	€	€
17,500	24	24	0	0	0	0	0	0
20,000	57	58	0	0	0	0	33	34
22,500	24	24	0	0	0	0	0	0
25,000	24	24	0	0	0	0	12	13
30,000	50	50	48	49	48	49	29	29
40,000	50	50	115	115	115	115	55	55
50,000	44	49	48	49	48	49	49	53
60,000	44	48	100	100	100	100	49	53
70,000	44	49	99	99	99	99	49	54
80,000	44	48	100	99	100	99	49	53
90,000	43	48	88	97	88	97	48	54
100,000	44	48	88	97	88	97	48	53
150,000	44	49	87	97	87	97	49	54

A = Employee paying full rate of PRSI
B = Employee paying reduced rate of PRSI