

Forestry Show – Stradbally 2013

ITGA Yearbook Conference

Forest Owners – Taxes, Charges and Duties

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and

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Taxation definition

- **Charge** against a person, business, property or activity for the support of Government.
- **Imposed** contribution to Government - no matter what it's called.
- **Enforced** burden - a payment exacted by legislative authority.

Forest Owners - Relevant Taxes

- Income Tax IT
 - Universal Social Charge USC
 - Pay Related Social Insurance PRSI
 - Value Added Tax VAT
 - Domicile levy
-
- Relevant Contracts Tax RCT
 - Capital Gains Tax CGT
 - Capital Acquisitions Tax CAT
 - Corporation Tax CT
 - Stamp Duty

Forest Owners - Relevant Taxes

Income tax – individuals / partners

- **Income from occupation of woodlands exempt *.. but...**
- ... High Income Earners pay some tax
- Who are High Income Earners? Annual test
- €125,000 + p.a. including specified reliefs / exempted income of €80,000+
- So any forestry income, combined with other income / reliefs, could be taxable
- All annual forestry income over €125,000 would be taxable
- **Big sales need careful planning and tax guidance**

* Except where otherwise provided by [section 75](#), the profits or gains arising from the occupation of woodlands managed on a commercial basis and with a view to the realisation of profits shall not be taken into account for any purpose of the Tax Acts (S.232 Taxes Consolidation Act, 1997)

Forest Owners - Relevant Taxes

Universal Social Charge – USC

- Payable on **gross** income
 - 2% on first €10,036; 4% on next €5,980
 - 7% on balance (4% aged 70+ (or medical card) if total income, excluding from Social Protection is \leq €60,000
 - Surcharge 3% where total income $>$ €100,000
 - **Exempt** - if total income \leq €10,036*; income subject to DIRT
- * but.....

Forest Owners - Relevant Taxes

PRSI

- Assume Self Assessment – Class S
- Nil if total income < €5,000 or Age <16 or >66
- Some other exemptions
- Rate 4% - minimum €500 p.a.

Forest Owners - Relevant Taxes

Value Added Tax - VAT

Owner can be **Consumer** and / or **Supplier**

Consumer

- Inputs at 0% to 23%
- Services liable at 13.5% to 23% from registered entities
- Grant aidable? Fixed grants –; Cost based - No.
- Unregistered Farmer? Reclaim VAT on “fencing, drainage or reclamation of any land for use for the purposes of a farming business”
- Register for VAT? Should be reviewed from time to time.

Forest Owners - Relevant Taxes

Value Added Tax - VAT

Supplier

- Register if:
- Supplying €75,000 + p.a. goods (or if non-established) p.a.
- But.... Farmer doesn't need to (Flat rate add-on) ... unless..

Rates for registered suppliers

- Standing timber (sale of right to come onto land and cut timber for removal) – 23%
- Felled timber – 23%
- Firewood (including kindling) - 13.5%
- **Rate for Flat Rate farmer – 4.8%**

Forest Owners - Relevant Taxes

Domicile levy

- Individual who is Irish-domiciled
- Whose world-wide income exceeds €1m
- Whose Irish property exceeds €5m value
- Whose liability to Irish income tax in a relevant tax year was less than €200,000.

Amount of levy

- €200,000 payable annually.

This might not be your problem today but it could be some day.....

ITGA – Stradbally 2013

Forestry works with Woodland



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Forest Owners – Relevant Taxes

Dermot Byrne, AITI

Farmer and Tax Consultant

Relevant Contract Tax

- > **Special tax regime** for construction and forestry operations to ensure subcontractors pay correct taxes
- > Not applicable to **sale of timber** but will apply to harvesting and haulage
- > Farmers engaging contractors to harvest the crop must **deduct 35% from payments** and send to Revenue (unless otherwise advised by Revenue)
- > Failure to deduct leaves **farmer liable** to Revenue for the tax
- > Farmer can contact Revenue, register for RCT and will be advised via ROS (Revenue Online Services) of the **amount of tax to deduct** – 35%, 20% or 0%



Capital Gains Tax

- > Individual is **exempt from CGT** on sale of crop but liable on land
- > Retirement Relief **does not apply to forestry**
- > Proceeds of **insurance claims** treated as a CGT event
- > Tax rate: **33%** of gain



Capital Acquisitions Tax



- > Parent to child **threshold now €225,000**
- > Tax rate: **33%** of taxable value
- > Taxable value usually **10% of market value** due to Agricultural Relief
- > Forestry very **suitable for CAT planning**
 - Once crop established, forest can be passed to a child who will benefit from any growth in the value of the crop



Corporation Tax

- > Companies are generally **liable** to this tax on their profits but profits from forestry are **exempt**
- > Forest owning companies are not affected by the **High Earners €80,000 restriction** unless a dividend is payable when the restriction will fall on the shareholders
- > Treatment of **grants and subsidies** is similar to that of individuals for Income Tax - neither are liable to Corporation Tax
- > A company is not liable to **PRSI or USC** on forestry profits



Stamp Duty

- > Forest crop is **exempt from Duty** but the land is liable at 2% of market value
- > Exemption applies to both **sales and gifts**
- > Transfers require an **independent valuation** of the crop and land elements
- > Connected **transfers need a further opinion** as the current market value of the entire

Forest Owners - Relevant taxes

Other issues

- Tax clearance certificates – needed for grants / premiums
- Joint Management Arrangements - issues
- Capital vs Income
- Record keeping – vital
- Changes in Finance Acts – stay informed
- Plan well ahead for any major decision or transaction

Forest Owners – Plan ahead

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- **Transaction planning**
- **Mergers and acquisitions**
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