

# THE FOREST OWNERS CO-OP NEWSLETTER

## A Visit from the Minister for Agriculture Food & The Marine

Charlie Mc Conalogue to visit Forest Owners Co-op this Thursday, the 29<sup>th</sup> of July.

What will we be saying to the Minister?

- Stop placing obstacles in our way
- Start issuing felling licenses to the private sector in greater quantity
- Put more financial resources into forestry at grassroots level in terms of nurturing positive afforestation campaign.

Minister of State for Land Use and Biodiversity Pippa Hackett will also be visiting the Forest Owners Co-op at a date to be decided during the next few weeks.

## Ash Dieback Campaign

The Co-op are putting together a complete Inventory of Ash Dieback affected sites if you wish to be on this mailing list for up-to-date information please email:

[forestry@focs.ie](mailto:forestry@focs.ie)

We had a very successful protest in Dublin last week with good coverage in the Irish Times, and Farmers Journal. This will hopefully increase the public awareness of Ash Dieback and push the Ministers to act on this issue.

Next year is the 10<sup>th</sup> anniversary of the detection of Ash Dieback in Ireland. This issue will not be disappearing anytime soon. We need compensation for our forest owners who have been impacted by this air dispersed fungal pathogen. We have repeatedly lost ash plantations to this deadly disease over the years. This is not only having a financial impact, but



it is causing distress and uncertainty in the forestry industry.

*There have been only 265 applications for the failed ash*

*scheme, with only 24 approved, even though an estimated 2,300 forest owners will need compensation. Donal Magner reports.*

The Department of Agriculture are not treating this issue with urgency, and they have let us down immensely. Owners of the infected woodland are under psychological and financial hardship due to their premiums being cancelled and their plantations being overwhelmed by Ash Dieback.

Our Town and Country Ash Dieback Campaign will be taking place during the month of August.

## Knowledge Transfer Course

Applications are presently being taken for the Knowledge Transfer Course. The closing date for applications is August 8<sup>th</sup>.

Requirements for the course:

- You must have a growing forest
- You must have not completed a Knowledge Transfer Group course before

Why should you do the course?

- The Knowledge Transfer Course provides knowledge on forest activities and expertise regarding forest rotation to achieve economic return sustainably.
- Participants get an allowance for attending.

Duration: 7 weeks approximately.

2 hours of an evening field visits possibly 3 during the day. If there is a majority preference for day



Connie Cronin Photography

courses, we will do days. The course tutor will be a Professional Forester with some guest lecturers.

## Woodland Taxation

**This information is based on the Law at 24/10/2020 and is a general summary only. All readers are advised to take independent advice on any tax or associated issues relating to their forestry.**

You do not have to pay Income Tax (IT) or Corporation Tax (CT) on any profits or gains from the commercial use of woodlands in Ireland.



**Income Tax:** Income from the occupation of woodlands in the State, managed on a commercial basis and with a view to the realization of profits, is exempt from Income Taxes for individuals and companies regardless of their residence or domicile.

The High Earners Income Tax restriction which limited the exemption to €80,000 per annum was abolished from 1/1/2016. This change followed various ITGA submissions on the issue.

Woodland Grants are not treated as income but in the preparation of Annual Accounts by an owner, the cost of planting and maintenance should be shown as net of grants received.

You will still have to pay PRSI and USC on your income if you are an individual.

**PRSI:** Income from commercial woodlands, including the forest premium, is reckoned for the purposes of PRSI.

**Universal Social Charge:** Income from commercial woodlands, including the forest premium, is reckoned for the purposes of USC.

Rates of Charge from 1/1/2021:

- 0.5% on income up to €12,012
- 2.0% on income from €12,012 to €20,687
- 4.5% on income from €20,688 to €70,044
- 8.0% on income over €70,044
- 11% on self-employment income over €100,000

**CGT:** Commercial woodlands occupied by individuals are exempt from CGT on the growing timber. The underlying land is not exempt but chargeable gains

are restricted to the surplus over inflation adjusted cost. CGT is not applicable to a disposal on death. The exemption does not apply to companies which occupy woodlands. The current rate of CGT is 33%.

**VAT:** Commercial forestry operation is regarded as agricultural production and exempt from VAT but the exemption may be waived. It may be efficient to waive exemption and thus recover VAT on all the inputs of goods and services supplied to the woodland occupier. Repayments of VAT are made promptly even though the woodland may not produce any taxable supplies for many years. Once registered for VAT, any supply by the woodland owner, including disposal, will attract a charge to VAT.

You must include any profits, gains or losses that you have made from the use of woodlands on your annual tax return. You can declare this amount under the exempt income section on your tax return.

The taxation implications of inheritance will depend on the relationship with the person who is the recipient of the woodland. It is assessed on a case-by-case basis. Contact IFAC for a consultation to discuss any queries you may have regarding inheritance.

**IFAC will be running a webinar in September to run through any taxation questions you may have.**



## FREQUENTLY ASKED TAX QUESTIONS

**By Gearoid Condon, IFAC Accountant**

### **Income Tax what is exempt?**

- Profits/Gains from the occupation of woodlands managed on a commercial basis with a view to realisation of profit.
- Profit from sale of trees standing or felled, cut up or not, by a landowner, who planted the trees, and managed it on a commercial basis.
- Not all tree sales are tax exempt. Evidencing of “commercial basis with a view to realising a profit” required.

### **What about Christmas Trees?**

Christmas Trees implies “Nursery”. Nursery is not woodlands. However the Irish position to date is that the exemption applies and there is a Revenue precedent.

## **The profits completely tax free?**

This is not strictly correct. Profits are liable to PRSI and to Universal Social Charge but not income tax.

## **What about replanting costs?**

Replanting of trees is a revenue expense. Any loss created cannot be offset against other income. Replanting cost will be a deduction in arriving at the profit liable to PRSI and USC which can result in a saving where incurred in the same year as the income from felling is received.

## **Does RCT apply to Forestry Operations?**

Yes. There is an obligation on the principal contractor to deduct tax from sub-contractors -0%, 20%, 35%. However a farmer is not usually a principal contractor.

## **What is the Capital Gains Tax (CGT) position?**

The sale of trees is exempt for individuals. Where there is a sale of land and trees the value of the trees is exempt while any gain on the underlying land is taxable. Companies are not entitled to the CGT exemption.

## **What is the Stamp Duty position?**

The underlying land is liable to Stamp Duty-7.5% rate. Trees are not liable to Stamp Duty. Therefore, it is necessary to apportion the cost. The exemption only applies where trees are growing on a substantial part of the land the subject of the transfer (at least 75%). In some cases on transfers of farm land and woodlands separate deeds of transfer may be advisable to meet this criteria.

## **What Capital Acquisition Tax reliefs are available?**

Woodlands qualifies as “agricultural property”. Agricultural Relief allows a 90% write-down in value subject to the 80% agricultural asset test. However, the trees and the underlying land are treated separately:

- The trees qualify for “Agricultural Relief” without the need to meet this asset test. There is no clawback of relief on subsequent tree sales even if this takes place within 6 years.
- Land is subject to the “Agricultural Relief” asset test.

## **Does VAT apply?**

Forestry is deemed to be a “farming activity” for VAT purposes. “Farming Activity” of a vat unregistered farmer qualifies for the 5.6% flat rate refund. It is vitally important to speak with the merchant prior to the deal being struck. For vat unregistered farmer the difference is €5,600 on each €100,000 sale.

Flat rate farmers can obtain a Vat refund on fixed capital costs on fencing and roadways.

If VAT registered, then VAT on timber sales is 23% for both cut and standing timber (including Christmas trees) while firewood is liable at 13.5%.

## **Criteria for Roads**

Little relevant information is available to private owners on the design and construction of forest roads. What is available is usually highly technical in nature and has not been written with forest owners in mind.

Main points to be aware of:

- All Forest Road Construction Projects (whether availing of grant aid or not) must obtain prior written approval from the Department of Agriculture, Food and the Marine.
- The road should be given adequate time (1-2 years) to settle prior to any harvesting operations commence.
- Standard tree clearance width for the construction of a forest road is 15 metres.



Please refer to the COFORD Forest Road Manual (PDF online) for more information. The Forest Road Manual covers all aspects in the planning, design, construction, and maintenance of forest roads.

## New Members of the Forestry Team

Edward Jermyn and Tadgh Dooley are two new members to the forestry team. Edward is the person you will be meeting on your site for any forestry works being undertaken.

Edward will be taking over the following work from David Hobbs:

- All application procedures for Roads, Thinning's, and Felling Licenses
- Management Plans
- Site Assessments
- Harvesting Plans
- Afforestation

Edward can be contacted at [forestry@focs.ie](mailto:forestry@focs.ie)

Tadgh Dooley will be under contract with us for Forest Valuations

Welcome to Sarah Walsh our Environmental Student with us for the Summer!

## EPA Reports High Levels of Nitrogen in Irish Rivers and Lakes



The alarmingly high nitrogen levels within Irish rivers have been highlighted in the recent EPA report. The EPA has called for “urgent and targeted action” to reduce the amount of nitrogen entering our rivers. This information was gathered throughout 2020. The main cause of high nitrogen levels is understood to be caused by agricultural activities.

Water Quality is under serious threat as the nitrogen levels continue to rise. The south, southeast and east of the country seem to be most affected by this type of pollution. One of those rivers in question, is the Bandon River.

High nitrate concentration is detrimental to the health of our marine environments. We may lose our coastal water quality as a result.

Currently half of Irish rivers and lakes are of satisfactory condition. That means a large number of these are in unsatisfactory condition and are unable to sustain marine life and provide a healthy habitat for our insects, animals and plants.



Preventing further deterioration of water quality will be outlined in the next River Basin Management Plan and Nitrates Action Programme. This will include full implementation of the existing regulations by the Department of Agriculture and local authorities.



## Events

- IFAC Q&A WEBINAR

There will be an open questions and answers session with IFAC's Declan McEvoy and Gearoid Condon on Wednesday the 22nd of September through a Zoom call. Time to be confirmed shortly- will be taking place in the evening.

If you would prefer to confidentially send in questions prior to the zoom event, this can be done so anonymously. If you want a private clinic consultation, that can be arranged with us in following with the current covid restrictions.

- KNOWLEDGE TRANSFER COURSE commencing at the end of August.
- CHAINSAW COURSE commencing at the end of August.  
**Please get bookings in immediately!**

### Contact:

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