




A Guide to Taxation for the Irish Equine Industry

HORSE SPORT IRELAND

IRISH THOROUGHBRED BREEDERS' ASSOCIATION

Grant Thornton

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Foreword from Horse Sport Ireland

The Irish Sport Horse Industry directly contributes over €816m per annum to the Irish Economy and provides over 14,000 jobs in the sport horse breeding, competition and recreational sectors. In addition to this highly significant economic contribution, the sector is vitally important to the social and cultural fabric of rural Ireland.

Ireland enjoys a 'world-class' reputation for the quality of our horses and our horsemanship both of which are recognised as natural parts of Ireland's DNA. Ireland is recognised globally as 'the land of the horse' and has a long and decorated history in breeding, producing and competing with our sport horses at the very highest levels across the world.

In 2019, and for the first time in our history, Irish senior teams have secured Olympic qualification in all three equestrian disciplines (Jumping, Eventing and Dressage) while our young horses continued to excel winning gold and silver medals at the FEI WBFSH young horse world championships in Lanaken.

Last year Horse Sport Ireland launched an ambitious strategic plan for the sector and our united vision is very straightforward: to have the best riders and horses in the world. Central to delivering our strategic objectives is to develop a sustainable funding model and business model which will continue to support the growth and economic value of the Irish Sport Horse Sector (jobs, sustainable enterprise and export growth).

On behalf of Horse Sport Ireland, I would like to sincerely thank Grant Thornton for their expertise and input to the content of this general information booklet on taxation as applicable to the Irish Equine Industry.

Ronan Murphy
CEO, Horse Sport Ireland

Foreword from Irish Thoroughbred Breeders Association

The core thoroughbred breeding and racing industry is estimated to generate approximately €1.05 billion gross expenditure, which results in economic input of €914 million into the Irish economy. Of that figure the breeding industry alone generates gross expenditure of circa €583 million primarily from bloodstock sales and stallion nomination fees.

On the island of Ireland there are circa 14,500 active broodmares between 6,700 breeders producing approximately 9,000 foals.

Internationally Ireland is a world leader with Irish bred horses performing at the highest level in most top races. The international standing of Irish breeding is further highlighted by the substantial presence of many of the world's largest thoroughbred breeders and owners drawn from a wide range of countries, providing significant foreign direct investment to the island.

The Irish Thoroughbred Breeders' Association welcome the Guide to Taxation in the Equine Industry and compliment Grant Thornton on a very comprehensive document which will be of great benefit to breeders. It is very important that you are all very familiar with the tax regulations surrounding the running of your business and the ITBA is here to assist in any way we can.

Shane O'Dwyer
CEO, Irish Thoroughbred Breeders Assoiation

Introduction from Grant Thornton

Welcome to Grant Thornton's, Irish Thoroughbred Breeders Association's and Horse Sport Ireland's guide to taxation for the Irish Equine Industry. This guide provides an overview of the general tax issues arising in this industry under various different tax heads. We are delighted to be involved in the production of this comprehensive guide.

Grant Thornton are one of the leading tax planning and tax transactional advisors in Ireland. We have offices located throughout Ireland in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.

Our tax specialists can assist you in managing relevant taxes and growing your business. We place great emphasis on developing personal relationships with clients. We have a deep knowledge of the equine sector and as a result we understand the challenges facing this sector and are positioned to provide informed advice to clients on such issues.

Running an equine business is a way of life and it is important to be aware of the tax regulations surrounding the treatment of your business in order to maximise your finances and limit your exposure to any avoidable tax liabilities, achieve your business goals and plan for the future succession of your business.

We trust you will find this document informative in guiding you on some of the key principles relevant to the equine industry and if we can be of any assistance please don't hesitate to contact one of the team below.

Sasha Kerins

Sasha Kerins
Grant Thornton Financial and Taxation Consultants Limited

Sasha Kerins
Partner, Tax
T +353 (0)45 448 852
E sasha.kerins@ie.gt.com

Kevin Devenney
Director, VAT Specialist
T +353 (0)1 433 2438
E kevin.devenney@ie.gt.com

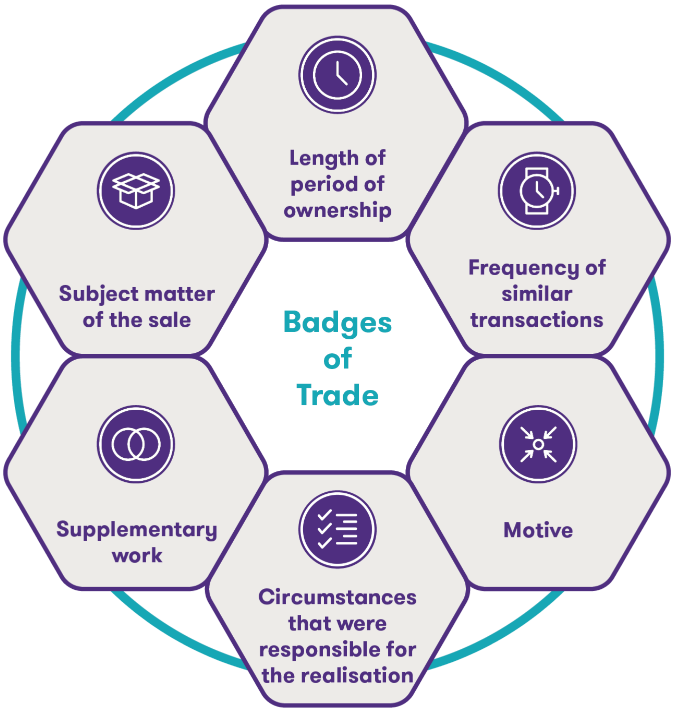
Mary Moran
Associate Director, Tax
T +353 (0)45 448 851
E mary.moran@ie.gt.com

Conor Phelan
Assistant Manager, Tax
T +353 (0)45 491 249
E conor.phelan@ie.gt.com

Horse breeding and training: Are you accounting correctly?

Trading vs. hobby
Horse breeding is considered to be a farming activity for tax purposes. A farming activity can be defined as an activity for which land in the State is being occupied for the purposes of husbandry. The net profits from breeding are liable to tax as a Case I income receipt.

The distinction between a trade and hobby is a vital consideration when deciding the treatment of income for taxation purposes. An individual may be exempt from tax where they are considered to be involved in a hobby activity. Establishing whether an entity is trading or engaging in a hobby is based primarily on the facts of the case. Tax legislation does not set out the difference between trading and non-trading activities and so it is vital to consider the surrounding facts. Case Law is regularly relied upon to assist in determining whether income relates to a trading activity. The 'badges of trade' provide guidance in understanding whether a trade has been undertaken.



The absence (or presence) of any of the above is unlikely to be conclusive in its own right as to whether a trading activity is taking place. An individual engaging in a hobby is not to be mistaken with a hobby farmer for tax purposes which is discussed later when considering losses of a breeding trade.

As horses are wasting assets for tax purposes, i.e. have a life span of less than 50 years, they are never considered to be investments and cannot be liable to capital gains tax on disposal. If trading, an entity will be required to make certain returns to Revenue including Form 1/Form 11/CT1 depending on the structure through which they are trading. The obligation to maintain records in relation to their activities also rests with the taxpayer. Either paper or electronic copies of Income Tax/Corporation Tax returns together with the Self-Assessment and calculation of the final tax liability should be maintained for a period of six years. Supporting documentation of the figures included in the calculation should also be maintained through this period. No adjustment can be made to a return once a period of four years has elapsed. However, where Revenue have reason to believe a return has been prepared in a fraudulent or negligent manner, a compliance intervention can be made into a return even where the four-year period has elapsed.

Stallions

Net profits from stud fees and gains on the disposal of stallions are liable to taxation. Stallion owners, who do not carry out a farming trade, will be considered to be carrying on an investment activity and their net income will be liable as a Case IV receipt.

Allowable costs

- Annual costs of maintaining the stallion can be claimed as a deduction.
- The cost of the stallion will be allowed as a deduction over a four year period.

Valuations

- Stallions bought will be valued at their purchase price.
- Stallions introduced to stud, from training should be valued at their deemed market value at the date of transfer to stud.

If a stallion is sold or dies within the initial four-year period, a full deduction can be taken for the balancing amount unclaimed at date of sale/death.

Example of stallion taxation for the 12 month period to 31 December 2019

	€
Stallion income	30,000
Associated costs	4,000
Acq. value of stallion at 1 January 2019	50,000
Taxable income for the year ended 31 Dec 2019	
Income	30,000
Less expenses	(4,000)
25% stallion write down	(12,500)
Taxable income	**13,500**

Broodmares

Broodmares will form part of the trading stock of the breeding business, with their carrying values depending on the valuation of the mare at the accounts year end.

Broodmares are required to be valued for trading stock purposes in the accounts of the owner at the lower of cost or net realisable value.

Valuations

- Required to be valued for trading stock purposes in the accounts at the lower of cost or Net Realisable Value (NRV).
- NRV means the market value of the mare at the accounts year end. This depends on a number of factors i.e. physical condition, bloodline, age, fertility and market demand, but is very much a matter of judgement for the taxpayer.
- Generally based on the original price of the mare.
- If the mare was originally bred by the taxpayer, then the cost would include all expenses up to 1 January of the year she became three years old.
- If an expensive mare is revalued downwards on this basis, the decision must be justified and capable of being supported if challenged by the Revenue.

If the mare is in foal, at the accounts year end date, her value plus the carrying value of the foal will be carried forward as trading stock to the next accounting period. The carrying value of the foal includes the stallion fee paid plus the cost of keep from the date of covering to the year-end date.

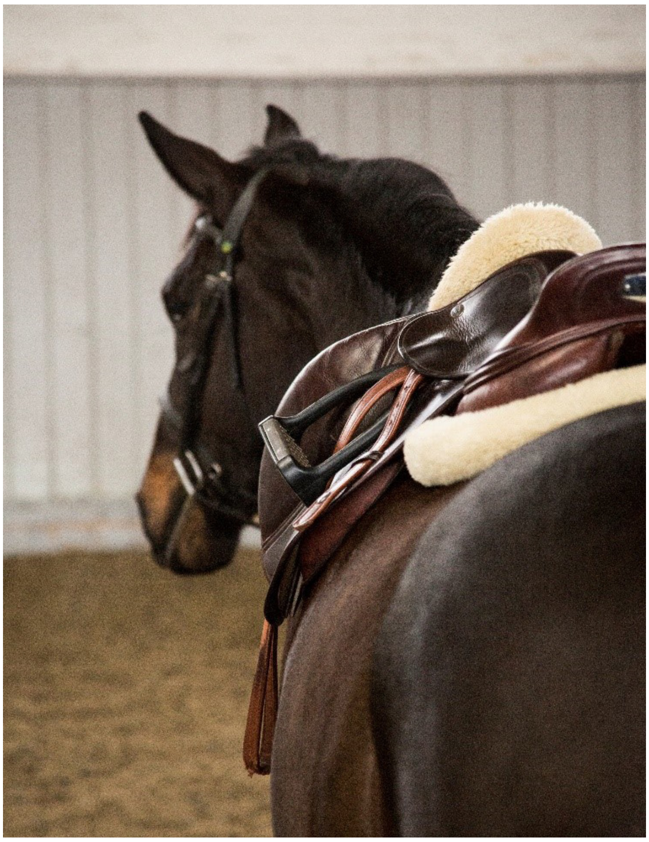
If a mare is bought in foal, the carrying value of the foal will be deemed to be the advertised stallion fee, in the year of covering, plus the costs of keep since covering. The value of the mare in the subsequent year will be reduced by these amounts to determine her cost value.

Foals and young stock
The progeny also forms part of the stock in trade, until they are sold or transferred into training. The cost of a foal will be, the cost carried forward as part of the value of the mare in foal in the prior year, as described above, plus a full years keep for the foal.

The cost of a yearling will be the carrying cost of the foal, in the prior year, plus one years keep. This continues until 1 January in the year the horse attains three years of age, as they are deemed to be mature for tax purposes at this time.

Horse training and breeding
Any profits earned while a horse is in training are not liable to tax on the basis the training is considered to be a hobby, this includes: prize money, or proceeds from the disposal of a horse. However, any costs incurred while in training are not tax deductible. i.e. ring-fenced horses bred at stud farms that are moved to training are transferred out of the trading stock accounts at their carrying cost, resulting in a nil liability.

If the horse (excluding a stallion) is later transferred back to the stud farm for breeding purposes, it will be added back in as trading stock at the same cost as it was transferred out for training. If a horse is purchased in training, and used for breeding purposes, it will be brought into trading stock at the value for which it was purchased.



Syndicates

Breeding and racing syndicates are a very attractive opportunity for individuals to become involved in the Irish Equine Industry. It provides the casual race goer/equestrian enthusiast a means by which to become a horse owner, whilst also reducing the capital investment/annual costs incurred compared to full ownership.

The co-ownership of horses through syndicates could be considered similar to a partnership for tax purposes. It is therefore very important to consider the tax treatment of syndicate owners for the purpose of this document.

Syndicate owners of breeding horses
Syndicate owners, who do not carry out a farming trade as defined previously, will be considered to be carrying on an investment activity and their net income will be liable as a Case IV receipt for tax purposes.

Under Case IV rules, the total profits/gains are within the charge to Irish tax. On this basis, breeding income is fully taxable but a deduction is available for the costs incurred in the period which relate to the breeding upkeep i.e. keep fees. Net profits from breeding fees and gains on the disposals of horse will be liable to taxation.

Stallion syndicate owners who make a loss in a period, can carry this loss forward to be offset against profits from future stallion income only.

Losses from breeding income chargeable to tax under Case IV differs from losses of stallion syndicate owners mentioned above. These losses can be offset against income from other Case IV sources. Excess losses can also be carried forward for offset against future Case IV income.

Syndicate owners of breeding horses
On the basis the syndicate is a hobby, the following will apply:

Income

Costs

Future sales proceeds

Taxation in brief

In the previous section we discussed the difference between a trade and a hobby. However, it is important to be aware that the carrying on of a hobby and being considered a hobby farmer are two separate situations for tax purposes.

Hobby farmer and losses

Under Irish tax legislation, land in the State which is occupied mainly or wholly for the purposes of husbandry, will be considered to be used in the carrying on of a farming activity. As such, trades which involve sports horses, thoroughbreds, etc. will be considered to be a farming activity and are subject to the tax reliefs and restrictions applicable to farmers.

There is no clear definition of a hobby farmer however it is widely accepted that an individual or company will be considered a hobby farmer where the trade has three successive years of losses and a loss also arises in Year 4. Horse trades falling within this category will generally find a restriction of losses available for offset against their other taxable income. The circumstances in which loss relief for hobby farmers trading as sole traders is not available are as follows:

- The individual cannot show that the loss was incurred in a year when trading was carried out on a commercial basis in the hope of generating profit; or
- A loss was incurred successively in the prior three years of carrying out the same trade.

These restrictions are applied independently of each other. An individual who can prove that their trade was carried on with a reasonable expectation of profits will not be subject to restriction of losses when calculating their taxable income. As such, the restrictions are not designed to deny loss relief to genuine trading farmers. However, the onus is on the individual to prove that they are carrying on a trade on a commercial basis with a reasonable expectation of profits.

Assuming an individual does not meet the requirements of the above, and incurs a loss in the fourth year of trading, after three consecutive years of losses, they will not be eligible to offset this loss against total income. This loss is carried forward to future years and can be offset against future profits from the same trade (i.e. breeding).

This example illustrates availability and restriction of losses for two separate breeders as discussed previously:

- Current Year losses €20,000 from breeding trade
- Rental Income and Employment Income of €10,000 and €50,000 respectively
- Breeder 1 has no prior year losses from breeding trade
- Breeder 2 has three years of consecutive losses prior to current year loss

Breeder 1: has been profitable in prior years and so can offset losses arising from their breeding trade against current year income from other sources reducing charge to Income Tax.

Breeder 2: Losses are restricted on the basis they have incurred three years of successive losses and has not met the requirements of proof that trade was carried on a commercial basis with an expectation of a profit arising. Their losses of €20,000 are available to carry forward and offset against future profits from their breeding trade.

Example of loss relief for Hobby Farmers

	Breeder 1	Breeder 2
	€	€
Case I Loss - Breeding	(20,000)	(20,000)
Case V - Rental income	10,000	10,000
Schedule E - Employment income	50,000	50,000
Taxable income	**40,000**	**60,000**

The above restrictions apply also in relation to companies partaking in farming activity. The circumstances in which a company may not claim losses in the fourth and subsequent year of losses are as follows;

- If the company cannot show that the loss was incurred in a year when trading was carried out on a commercial basis in the hope of generating profit, or
- Where a loss was incurred in the accounting period, and in the prior three years of carrying out the same trade.

Sole trader vs. company

It is also important to consider the structure which best suits each individual business. The Irish Corporation Tax rate is one of the lowest in the EU (currently at 12.5%). However, the top rate of personal tax is at a significantly higher rate (currently at 55%). As such, more trades are increasingly considering the benefits of trading through a corporate structure. It is not a 'one size fits all' solution – the decision to incorporate should be made on a case by case basis and only after considering all taxes, bank debt, cash flow projections, requirements of individuals/ shareholders.

These tables highlight some of the key focus areas for each structure when deciding whether to operate as a sole trade or to incorporate.

The circumstances of each case needs to be considered as incorporation may suit one individual but may not suit another when considering how they can access cash, hold assets, etc.

It is critical to consider the timing around incorporation to ensure that any losses that may exist in the current business are fully utilised and not lost on the cessation of the existing trade, and also consider the available succession reliefs in the future.

Sole trade

Benefits	Negatives
Reduced annual compliance costs compared to a corporate structure (i.e. no filings with Companies Registration Office required).	Income tax is at up to 55% on trading profits/income.
Drawings/cash extracted from the trade not taxable.	Personally liable to all debts of the business.
No statutory requirement to prepare annual accounts: • accounts prepared solely for the purposes of calculating tax, providing to banking institutions, etc.	Limits on amount of annual pension contributions for which relief can be claimed for income tax purposes by the taxpayer.
Utilisation of tax losses: • once trading requirements are met, losses of a trade can be offset against other income in the current year, and spouse's income where jointly assessed; and • unused losses can be carried forward to be offset against same trade income.	Liable to income tax on net profits: • no deduction available for drawings extracted from the business.

Company

Benefits	Negatives
Corporation Tax at up to 12.5% on trading profits. Stallion/syndicate horse breeder companies who are not carrying out a trade taxable at 25%.	Increased annual compliance i.e. annual accounts required for filing with Companies Registration Office.
Limited liability i.e. protects personal assets of the shareholder.	Money earned by the company is company's money and as such cannot be used to meet personal needs of the shareholder without tax considerations.
Corporate contributions to pension plans not limited for tax relief.	Distributions/dividends taken from the company are not tax deductible and taxable at the marginal rate of tax for the recipient .
Cash withdrawn from the business as salaries are tax deductible.	Assets transferred to the company on incorporation are now the company's property.
Investors attracted to a corporate structure and succession planning for future disposal of business can be facilitated by certain reliefs.	Income, including Department of Agriculture grants, must be paid directly to the company

Other trading reliefs

Capital Allowances

Capital allowances are available as a deduction against the trading income of the equine trade. These are effectively a tax depreciation which can be used to reduce the taxable income of the trade. Specific capital allowances are available for horse/farming trades. The cost of farm buildings including, fences, roadways, holding yard, drains, land reclamation, are available as a deduction in the first seven years following acquisition/construction. The deduction is available at 15% of the cost in the first six years and 10% in year seven. Based on current tax legislation, this relief is available to sole trades only.

Plant and machinery are available for offset over an eight-year period or 12.5% per annum on the cost of acquisition of the asset. Motor vehicles used in the trade are also available at a rate of 12.5% per annum when these vehicles form part of the assets of the trade. However, these allowances on vehicles are restricted to a cost price of a current maximum of €24,000 subject to CO2 levels. Any amount in excess of this will not be eligible for claims to capital allowances. These restrictions do not apply to commercial jeep, vans, etc. which are used as part of the trade.

In order to be eligible for any of the above, the asset must be in use at the year-end. Otherwise allowances carry forward to the period to which the asset first comes into use. Allowances may also need to be restricted where they are not used exclusively as part of the trade i.e. motor vehicles which are used for private purposes also. For a company, where a vehicle is provided, Benefit in Kind requirements should be considered.

Averaging of Profits

Individual breeders or individuals whose trade is considered to be a farming activity for the purposes of tax, may elect for their profits to be assessed on an average basis over five years. The individual will be assessable to tax based on one fifth of their total profits up to the year of assessment.

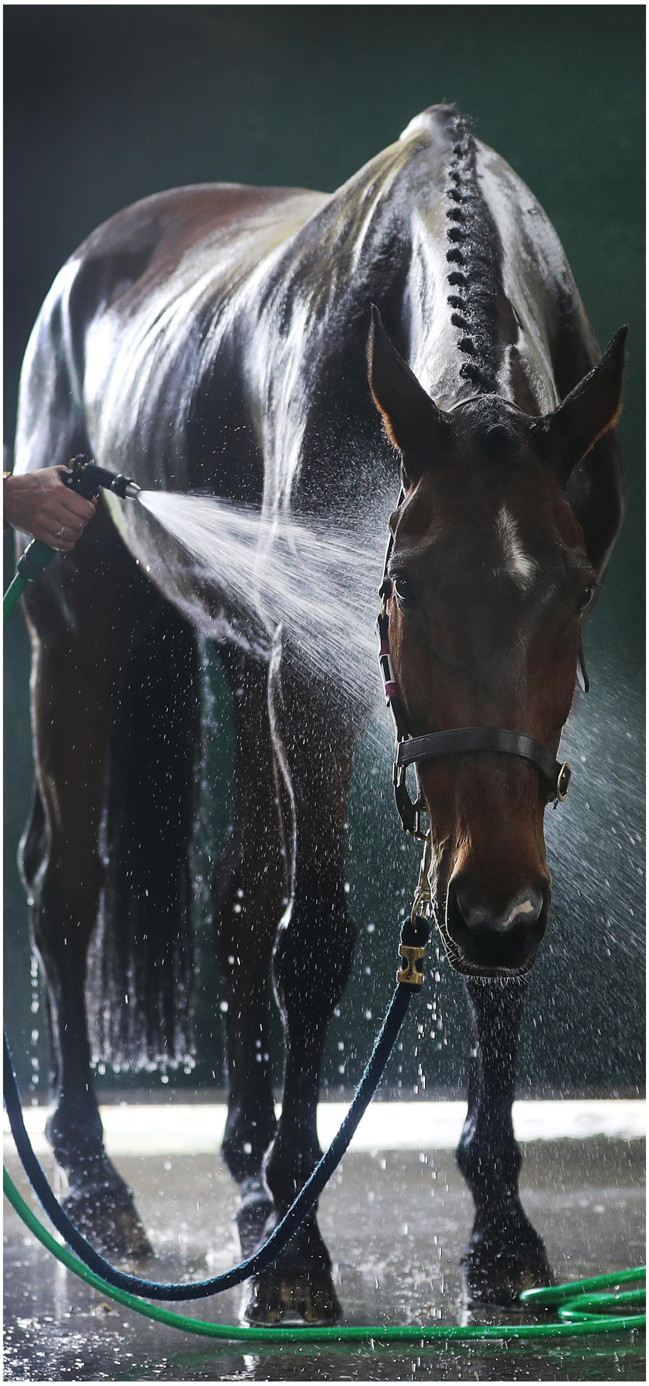
Once the individual opts to tax their profits on an average basis they must continue to do so for a minimum of 5 years. Should they decide to revert to a normal basis of assessment within this period, the 4 years of assessment immediately before the final year of averaging are reviewed. This ensures that the amounts taxed during this period are not less than the amount taxed in the final year of averaging. A farm may opt to revert to a normal basis of assessment for a single year, without opting out of income averaging.

Increase in Stock Values

Where the value of trading stock increases from the prior period, a deduction representing 25% of the increase in value can be used to reduce the trading income of the business. However, this increase cannot be used to create or increase a loss. Based on current tax legislation this relief shall not be allowed for any accounting period/year of assessment later than 31 December 2021.

The relief can also be increased to 50% where a partnership is a qualifying farm partnership for the purposes for Irish tax legislation. However, the maximum amount of stock relief which can be claimed for a three-year period is €15,000 for a qualifying farm partner. This relief can potentially extend to 100% where an individual qualifies for the Scheme of Installation Aid for Young Farmers or where:

- They first become chargeable to Trading Income in 2007 or subsequently,
- Have not reached 35 years at date of commencement of the year of assessment mentioned above,
- Is the holder of a recognised qualification for the purposes of farming as set out under tax legislation, or
- Is the holder of a letter of confirmation from Teagasc, confirming satisfactory completion of a course of training as approved by Teagasc.



Value Added Tax (VAT)

Farmers, as defined in the VAT Acts, are generally not required to register for VAT. For VAT purposes, a farmer is someone involved in the supply of certain agricultural produce and services.

One such qualifying produce includes stock farming, i.e. breeding horses. Therefore, breeders or stud farmers involved exclusively in this activity will qualify as a farmer. It is important to note that if other vatable activities are being carried out by the same person, then they may not qualify as a farmer for VAT purposes and be required to register and account for VAT on all their activities.

Flat rate farmers

Farmers not required to register for VAT are also restricted in regard to reclaiming VAT incurred on the related purchases. To compensate these farmers, a flat-rate addition, currently 5.4%, is added to the price at which the produce is sold to a VAT registered person. Hence these farmers are referred to as flat-rate farmers. For example, if Joe is a flat rate farmer and sells his horse at auction for €10,000, he is entitled to receive an additional €540 from the sales company, in respect of the flat rate addition. A once-off declaration is required to be completed and signed by the flat-rate farmer with each buyer, confirming their flat-rate status, prior to the flat-rate addition being paid.

Despite flat-rate farmers not being entitled to recover VAT on their purchases, there is an exception in regard to the construction of farm buildings, land drainage and equipment for the purpose of micro-generation of electricity for use solely or mainly for the purposes of a farming business, being tax incurred on or after 1 January 2012. There are detailed guidelines laid down as to the exact expenditure on which VAT can be reclaimed.

A flat-rate farmer may be required to register for VAT in regard to intra-EU acquisitions that exceed a certain limit, currently €41,000. They would also be required to register if they are in receipt of certain professional services, regardless of the limit. If registered in regard to the latter only, they are still required to account for VAT on intra-EU acquisitions despite the limit of €41,000 not being breached. In these cases, the registration is ring-fenced only to intra-EU acquisitions and certain professional services, it does not bring other non-vatable activities into the VAT net, nor does it impact on the flat-rate farm addition.

A flat rate farmer who makes sales to other EU member states may be required to register and account for VAT in that other member state if they exceed the distance selling threshold in that state. The sale of stallion nominations is treated as the sale of a live animal. In the case of stallion syndicates each member of the syndicate will account for VAT depending on their own individual VAT status.

VAT registered farmers

A farmer, who qualifies as a flat-rate farmer, has the option to elect to register for VAT. This farmer can then reclaim VAT on their related farming purchases but is also required to charge VAT at the appropriate rate on all sales. The VAT rate for the sale of livestock is currently 4.8% and applies to sales of livestock and to horses normally intended for use in the preparation of foodstuffs or for use in agricultural production. The farmer will not be entitled to the flat - rate addition on sales in this case. It is therefore, important to compare the economic implications of both options. If the election is subsequently cancelled by the farmer, in writing to the Revenue Commissioners, there may be a clawback of VAT to the extent that the VAT reclaimed exceeds the VAT paid in a specified period.

Those who do not qualify as a farmer for VAT purposes, due to the nature of the farming activity, or as a result of carrying on other vatable activities, will automatically be required to register for VAT, once they breach the thresholds. The current registration threshold is €75,000 for goods supplied in a twelve-month period. Registered farmers are required to account for VAT on all sales but can also reclaim a VAT deduction for any related purchases subject to general VAT deduction rules. Where a VAT registered farmer transfers horses to show jumping, eventing etc., they will be deemed to have made a vatable supply. They will be required to self-account for VAT on the original VAT exclusive cost of the horse and repay this to the Revenue Commissioners, at the date of transfer out of the farm accounts. If the horse was purchased VAT will be charged on the original purchase price but if bred, VAT is chargeable on the cost of producing the animal.

While the horse is in training, VAT cannot be claimed on any related purchases and if the horse is sold while in training no VAT is chargeable on the sale. If the horse is subsequently transferred back into breeding, then a partial reclaim can be made for the VAT repaid when transferred into training. This credit is based on a twelve-year cycle. For example, if the horse was transferred back to stud after 6 years, and €5,000 VAT was originally repaid when it was transferred to training, then €2,500 can be reclaimed on transfer back to stud.

Succession:
Is your future tax proof?

Succession planning must always be given consideration especially the benefits of dealing with asset transfers during a lifetime rather than leaving all assets through a will. It is important in managing the transfer and minimising the associated tax costs, to carefully consider some of the available tax reliefs.

Dwelling house relief

Farm partnership

Gifts to children and retain control over the assets both in relation to investment and distribution

Business transfers

(during lifetime or post-death)
Various reliefs from CGT/CAT and stamp duty

Wills

Choose what assets are allocated to who. A will can make it possible to minimise the taxes payable by your estate and your beneficiaries through timely tax planning and the use of various tax reliefs and provisions. Your will should be reviewed periodically to assess the implications of any changes in tax laws on your objectives and/or changes in your personal circumstances.

Cash gifts

Small gift exemption of €3,000 per annum from any person to be utilised and maximised i.e. Grandparents can each gift €3,000 to their each of their grandchildren per annum. Total gift over 10 years without affecting CAT thresholds of €60,000 to each grandchild.

Agricultural relief

Reduces the market value of agricultural property, including land, by 90% for the purposes of CAT.
The relief is subject to conditions. If the agricultural property comprised in your gift or inheritance does not qualify for Agricultural Relief, it may qualify for Business Asset Relief.

Business asset relief

Reduces the taxable value of assets by 90% for the purposes of CAT.
There are a number of conditions to be satisfied to avail of the relief and it is important to note that the assets must be considered "relevant business property".

Entrepreneur relief

Gains on the disposal of qualifying business assets, may be eligible to claim Entrepreneur Relief for the purposes of CGT. The relief is subject to a current €1 million lifetime limit on qualifying transactions. **Where qualifying conditions are met, the normal CGT rate of 33% rate is reduced to 10% subject to the €1million limit.**

CAT thresholds

	Group A	Group B	Group C
Relationship to disponer	Son/daughter	Parent/brother/sister/ nephew/niece/grandchild	Relationship other than A or B
Group threshold on or after 9 October 2019	€335,000	€32,500	€16,250

The tax reliefs available on transfers of business assets are generous, but the qualifying conditions do need to be understood and steps taken to ensure they are met at the appropriate time and for the appropriate period. As the availability of reliefs is "fact" specific, it is important that you seek professional advice that is tailored to your circumstances.

Other

Stamp Duty and Young Trained Farmer

Stamp Duty is a tax levied on instruments. As of the most recent budget, Stamp Duty rates in Ireland have increased at up to a rate of 7.5% on non-residential properties. It is therefore critical to ensure all reliefs available are claimed when undertaking a transaction which may potentially give rise to a Stamp Duty liability.

Consanguinity Relief is applied in relation to farmlands between certain lineal descendants. This has the effect of reducing the rate of Stamp Duty from 7.5% to 1%. Qualifying individuals who meet the requirements for the relief include:

- Children, step-children, grandchildren,
- Parents, step-parent and grandparent,
- Husband, wife and civil partners,
- Brother, sister, step-brother and step-sister,
- Aunt and uncle,
- Niece and nephew.

It is important to note that cousins or in-laws do not qualify for Consanguinity Relief. The individual to whom the land is transferred must farm the land or lease it to someone who will farm it, for six years. The individual/individual leasing the land must:

- Hold a specified farm qualification or attain one within 4 years of date they receive the land i.e. Teagasc Green Cert, or
- Spend at least 50% of their time farming land (i.e. Active Farmer).

A further relief is available for those who are considered to be qualifying **Young Trained Farmers**. Where the qualifying conditions are met, an exemption from the charge to Stamp Duty arises. However, unlike Consanguinity Relief, Young Trained Farmer Relief extends to farm houses also. In order to claim this relief, the individual must:

- Be under 35 years of age,
- Hold an agricultural qualification,
- Have submitted a business plan to Teagasc, and
- Be the head of the farm holding.

The individual must spend at least 50% of their working time farming the transferred land and, retain ownership of that land for at least 5 years from the date of transfer. There is a requirement to consider State Aid requirements when claiming Young Trained Farmer Relief.

Revenue risks: Importance of timely and accurate filings

Late submission of returns	• Income tax and corporation tax: – up to 10% surcharge on final liability capped at €63,485. • Interest on late payment of 0.0219% per day.
Preliminary tax payments	• Interest rate of 0.0219% per day on any late or underpayment of tax; • Income tax is deemed due and payable on 31 October in the tax year where individual has not met their preliminary tax obligations. • Corporation tax is deemed due and payable on due date for company's preliminary where company has not met their preliminary tax obligations.
PAYE	• Payroll now calculated on a real time basis as of 1 January 2019. • Employers liable to PRSI at up to 11.05%. • Benefit in kind to be included correctly in the payroll. • Expense claims required to be in line with Revenue guidelines.

Did you know?

Revenue revised the fixed penalty regime for a number of offences including:

Fixed penalty regime

Offence	Penalty
	€
Deliberately assisting or inducing of income or corporation tax of any incorrect return, account, statement or declaration	4,000
Failing to keep proper records (including PAYE and VAT records)	4,000
Failing to comply with PAYE regulations	4,000
Failure to deliver a correct stamp duty returns	4,000

These penalties have been substantially increased and are in addition to the tax geared penalties (max. 100%) that apply to underpayments of tax.

Contact

Grant Thornton
Suites 3 & 4 Courtyard House
The Courtyard Shopping Centre
Newbridge
Co. Kildare
W12 DT89

T +353 (0)45 449 322
www.grantthornton.ie

Horse Sport Ireland
First Floor, Beech House
Millenium Park
Osberstown
Naas
Co. Kildare
W91 TK7N

T +353 (0)45 850 800
E info@horsesportireland.ie
www.horsesportireland.ie

Irish Thoroughbred Breeders Association
ITBA HQ
Greenhills
Co. Kildare
W91 FY62

T +353 (0)45 877 543
E info@itba.ie
www.itba.ie