ICMSA PRE-BUDGET

SUBMISSION

2018

TO THE

MINISTER FOR FINANCE

MR. PASCHAL DONOHOE

JULY 2017.

Introduction

The Irish economy continues to perform well with strong economic growth and employment levels. This presents the Government with opportunities and challenges and ICMSA believes that it is hugely important that Budget 2018 contains measures to support the productive sectors and in particular those exposed to Brexit risks.

The Agri-food sector played a hugely important part in the recovery and growth of the Irish economy over the last number of years with agri-food exports to the fore of the recovery. Irish Agri-food and drink exports increased by an estimated two percent to approximately €11 billion in 2016. However, the UK was the main destination for Irish agri-food and drink exports in 2016 accounting for 37 percent of all exports presenting the inherent danger of the impending Brexit. Approximately 32 percent of exports went to Continental EU markets while the remaining 31 percent went to international markets. It is essential not only for rural Ireland and farm families but also the national economy that Budget 2018 takes account of the risk to the economic benefit and contribution of Irish agriculture particularly in a post Brexit environment.

The Irish Government and Department of Agriculture, Food and the Marine have ambitious plans for the future of Irish Agriculture as outlined in the Food Wise 2025 Report which sets out a ten year strategy for the Irish agri-food sector which projects exports to increase to €19 billion coupled with the creation of 23,000 new jobs by 2025 and increasing value added in the agri-food sector to in excess of €13 billion.

ICMSA believe Irish agriculture is presented with an excellent opportunity to reach its full potential but with the two key concerns being Brexit and future EU agriculture policy. In this regard, Budget 2018 must provide for the necessary adjustments to current taxation policy including the provision of a suitable income volatility management tool, improved capital investment tax treatment and adequate funding for farm schemes, as outlined in this Submission.

It is essential Budget 2018 provides the necessary supports to ensure the continued growth and development of the most important indigenous sector in the Irish economy.

John Comer,

President.

Table of Contents

Section 1

Income Tax Measures to Support Farm Business Development

1. Income Volatility Management

The extent of the extreme volatility in milk price in recent years has been clearly documented by Teagasc and other commentators such as the European Milk Market Observatory. In addition, recent figures from the Central Statistics Office illustrate clearly the extent of the collapse in milk price in 2016 compared to 2014. The 2017 situation with regard to milk price will be significantly better than 2016 and ICMSA believe the Government must develop a workable and straightforward agri-taxation measure that will help farmers to manage the inherent volatility within the sector, especially during years of low milk prices.

Dairy farm income fluctuates from year to year due to many circumstances outside the control of Irish farmers. External forces such as macroeconomics, weather events, geopolitical matters, commodity markets, feed and oil prices, currency, and disease all combine to cause income volatility. Such external and internal forces compel those involved in the industry to adapt to ever-altering scenarios, however, the Irish Agri-taxation system significantly impedes the ability of the sole trader to seize the opportunity to grow and develop their business due to periods of significant farm income volatility. Budget 2018 should provide for the introduction of an income volatility management tool to address the difficulties associated with the low level of after-tax income available for investment and self-funding of farm development.

In this context, ICMSA welcomes considerations of an “Income Stablisation “ measure in Budget 2018 but we have yet to see any meaningful proposal on same. ICMSA proposes the introduction of an income volatility management tool modelled on the Australian Farm Management Deposits Scheme (FMDS). This would allow a farmer to claim a tax deduction for farm management deposits in the income tax year in which they are made. On the withdrawal of the deposit, the appropriate amount of tax is paid on the deposit in that income year.

The current rules in the Australian model place a maximum threshold for off-farm income of a person availing of this tax measure and there is an overall ceiling on the amount that can be deposited in the Farm Management Deposit Scheme and ICMSA would support such measures being incorporated into an Irish income volatility management tool.

ICMSA believe the Farm Management Deposits model has many merits and most definitely should be used as a template for the introduction of a farm income volatility management tool into the Irish income tax code for farmers based on the following criteria;

- ICMSA believes that limits could be placed both on the total amount that could be deposited in a given year and the aggregate amount at any time and suggest a maximum deposit per annum of 30 percent of farm profit and/or a maximum of €10,000. Funds would remain in the Farm Management Deposit account for a maximum period of 5 years. In addition, ICMSA recommends that the 12.5 percent tax rate should apply on a once off basis for the amounts deposited in the farm management account. This would give some of the advantages of incorporation without the necessary cost of compliance and uncertainty associated with farm companies;
- Farmers would then be able to avail of these funds in the farm management deposit account to support the farm business in the event of a downturn in farm income and/or for investment in the farming enterprise;
- Where funds are taken from the farm deposit account in the form of income then the normal rate of tax applicable in the year of withdrawal would apply to these withdrawals less a credit for the 12.5 percent tax which was originally paid on the funds when deposited in the farm deposit account in the first instance;
- This tax relief measure could be confined to farmers whose sole or principal income is from farming. Realistic off-farm income thresholds should be set;
- On-farm investment using funds from the farm management deposit account would qualify for all reliefs currently available for on-farm investment such as capital allowances.

ICMSA Recommendation:

Introduction of an Income Volatility Tool into the Irish Tax Code to address the extreme volatility in farming based on a farm management deposit scheme model as outlined.

2. Income Averaging

Income Averaging has been used for many years as a mechanism whereby farmers can elect to have their tax for a tax year assessed on the average of the aggregate farming profits and losses (before deduction of capital allowances which are not subject to averaging) over 5 years, that is, of the tax year in question and the four tax years immediately preceding that year. The extension of Income Averaging from three to five years in Budget 2015 was a welcome initiative for many farm enterprises. However, income volatility and its management can vary considerably across individual farm sectors and in many instances, farmers would benefit from having the option of choosing between three or five year averaging for their farming enterprise.

The inclusion of an opt out year in Budget 2018 has its practical benefits but as it can only be used once every five years it could increase cash flow pressures if there were more than one bad year in quick succession.

The following Table illustrates the impact of five year averaging on the assessment of average profit for 2015, 2016 and 2017 versus three year averaging. If farmers who avail of Income Averaging had the option of remaining on three year averaging since the introduction of the five year averaging in 2015, there would be a considerable difference in the tax liability in the current year:

Year of Assessment	Profit/Loss in year of assessment	Aggregate of Profit/Losses for Year of Assessment and Previous 4 Years Using 5 Year Averaging	Aggregate of Profit/Losses for Year of Assessment and Previous 2 Years Using 3 Year Averaging	Average Profit for Assessment in Year (a) 5 Year Avg V's (b) 3 Year Avg
2011	20,000			
2012	18,000			
2013	21,000			
2014	24,000			
2015	(10,000)	73,000	35,000	(a) 14,600 V's (b) 11,666
2016	(20,000)	33,000	(6,000)	(a) 6,600 V's (b) No Profit
2017	20,000	35,000	(10,000)	(a) 7,000 V's (b) No Profit

ICMSA Recommendation:

ICMSA propose that Income Averaging be retained within the tax code in Budget 2018, coupled with the introduction of a supplementary measure whereby individual farmers could opt for three or five year averaging in order to allow them to more effectively manage income volatility for their farming enterprise and to take account of individual circumstances.

3. Personal Taxation

Earned Income Credit

ICMSA welcomed and acknowledged the introduction of an Earned Income Credit of €550 in Budget 2016 but believes that Budget 2017 did not go far enough by increasing this level to €950. The Government has committed to equalizing this credit to the PAYE Tax Credit in successive Budgets. Therefore, ICMSA believe Budget 2018 should provide for an immediate equalizing of the Earned Income Credit by increasing it to €1,650 (or to the level for all PAYE workers in Budget 2018) effective from 01 January 2018.

ICMSA Recommendation:

Equalization of Earned Income Credit in Budget 2018 to €1,650 effective from 01 January 2018.

Universal Social Charge

The "Programme for a Partnership Government" has committed to making Ireland's personal taxation system more competitive by continuing to phase out the Universal Social Charge (USC) as part of a wider medium-term income tax reform plan. The USC continues to have a negative impact on low and middle income families including farm families and ICMSA fully supports the elimination or a considerable further reduction of this charge.

Farm investment is critical to the future viability of the farm but also rural areas. The USC rules do not support farm investment and ICMSA believes that the rules must be amended to allow the deduction of capital allowances before the USC is calculated.

In the interim, ICMSA believe Budget 2018 must address the current anomaly with regard to USC and the self-employed whereby self-employed income in excess of €100,000 has an additional 3 percent USC (effective rate of 11 percent USC) relative to equivalent PAYE income (effective rate of 8 percent USC). If entrepreneurship and expansion are to be encouraged in our economy, parity must be restored with respect to the rate of USC for self-employed income.

ICMSA Recommendation:

Elimination or further reduction of the Universal Social Charge in Budget 2018.

Capital allowances should be deductible under the USC rules.

The maximum USC rate applicable to the self-employed must be equalized to the PAYE maximum rate of 8 percent in Budget 2018.

Section 2

Land Policy and Taxation

1. Stamp Duty

An extension of the Young Trained Farmers Stamp Duty Relief beyond the 31st December 2018 in Budget 2018 would provide reassurance regarding future costs for farm families planning for the future transfer of their farm.

Consanguinity Relief (1 percent Stamp Duty) is an important relief from stamp duty frequently availed of in transferring family farms. Consanguinity relief is mostly relevant to transfers of agricultural property where the transferee does not qualify for an alternative relief such as Young Trained Farmer relief. For transfers after January 2015, the land must be farmed or leased for farming for a period of at least 6 years from the date of transfer and the farmer must either have a relevant qualification, such as the Teagasc Green Cert, or spend at least 50 percent of their normal working time farming on a commercial basis. From January 2016, an additional condition was imposed: the person transferring the land must be less than 67 years of age at the date of the transfer. Consanguinity relief is due to expire on 31 December 2017 and ICMSA believes this Relief must be extended in Budget 2018 to encourage farm transfer to the next generation.

Young Trained Farmer Stamp Duty Relief

An anomaly exists for farm families operating a farm company whereby the Young Trained Farmer Stamp Duty Relief does not apply on transfer of the farm and Farm Company to a successor where a farm is personally owned. Budget 2018 must amend this anomaly as it is essential this vital relief is available to all farm families in order to achieve the structural change required within the industry.

ICMSA Recommendation:

Consanguinity Relief which is due to expire on 31 December 2017 must be extended in Budget 2018.

The anomaly with regard to the application of Young Trained Farmer Stamp Duty Relief on transfer of a farm to a farm company where the farm is personally owned must be addressed in Budget 2018.

2. Capital Gains Tax

ICMSA believe that the current 33 percent rate of Capital Gains Tax continues to be a significant deterrent to farm investment and propose that Budget 2018 should provide for a significant reduction in the 33 percent rate currently applicable to all chargeable gains. In addition, the first €1,270 of an individual's chargeable gain is exempt from Capital Gains Tax, however, this exemption has not been increased since its introduction and ICMSA believe it should be increased to €5,000 in Budget 2018 in order to stimulate land transfer, facilitate sale of assets and encourage further re-investment in the farm business.

Indexation was withdrawn in 2002 and ICMSA propose its re-introduction in order to further stimulate the land transfer market and encourage land mobility.

Co-op Patronage Shares

The Co-operative movement has played and continues to play a hugely important role in the Agri-food sector and the wider rural community. The issuing of Patronage shares to active users of Co-operatives is central to the future role and development of all Co-operatives. Thus, the Revenue Commissioners eBrief 94/16 is of significant concern to the operation of Co-operatives in Ireland. ICMSA believes that the Minister for Finance should consider clarifying or amend the legislation to ensure that Co-op members will only be liable to tax on a realisation basis and that the nominal value will continue to be accepted in the absence of realisation.

ICMSA Recommendation:

Budget 2018 must provide for a significant reduction in the 33 percent rate of Capital Gains Tax. In addition, ICMSA propose that the first €5,000 of an individual's chargeable gain be exempt and that Indexation should be reintroduced in order to act as a catalyst to encourage land mobility.

That the nominal value of Co-op shares should continue to be accepted for tax purposes.

3. Capital AcquisitionsTax

Food Harvest 2020 and Food Wise 2025 have set ambitious targets for the Agri-food sector and ICMSA believe Budget 2018 taxation policy must support the achievement of these goals. In this context, the transfer of the family farm to the next generation in a timely manner is essential to ensure the continued growth and viability of the Agri-sector. Budget 2018 provided for an increase in the

Group A tax-free thresholds for transfers from parent to child/favourite niece or nephew to €310,000. However, this still represents a significant reduction compared to previous tax-free thresholds and ICMSA propose that Budget 2018 provides for an immediate increase to the Group A category from €310,000 to €500,000. In addition, as a commitment to the continued growth and development of the economy, the Government must provide for a significant reduction in the 33 percent Capital Acquisitions Tax rate in Budget 2018.

The transfer of the family farm to the next generation would not be possible in the absence of the 90 percent Agricultural Relief for Capital Acquisitions Tax. This cornerstone relief which promotes the transfer of land from one generation to the next must be maintained at its current 90 percent rate in Budget 2018.

There is an anomaly within the application of the Capital Acquisitions Tax Favourite Niece/Nephew Relief with regard to a situation whereby the niece/nephew has opted to lease the farm from the disponer prior to transfer as opposed to a situation whereby the niece/nephew has been working for the disposer. ICMSA believe this relief should also apply where the favourite niece/nephew has farmed the land under a lease agreement.

Benefits from the same Group Threshold are aggregated back to 5th December 1991, this can cause considerable difficulties when transferring assets to family members and ICMSA propose that Budget 2018 should provide for the introduction of a ten year limit to the look-back period for aggregation purposes on gifts and inheritances. In addition, ICMSA propose the reintroduction of the lower rate of Capital Acquisitions Tax applicable to gifts (75 percent of Capital Acquisitions Tax Rate) in order to encourage the lifetime transfer of assets.

ICMSA Recommendation:

Budget 2018 must provide for a significant reduction in the 33 percent rate of Capital Acquisitions Tax and the Group A Tax Free Threshold should be increased to €500,000. Retention of the 90 percent Agricultural Relief.

ICMSA believe CAT favourite niece/nephew relief should apply where the favourite niece/nephew has farmed the land under a lease agreement.

Ten year look back period for Group Thresholds.

A reduced tax rate for assets transferred by gift.

4. Land Leasing Income Tax Relief.

Income Tax Relief on land leases and the ongoing discrimination in the tax code of inter-family leases continues to be an issue for many farm families. There are many personal and family reasons why a parent is unable to transfer the family farm to the next generation prior to the natural retirement age of 65 years of age. ICMSA believe farm families must be provided with an option to lease the farm to a family member for a period in advance of retirement, particularly, in the absence of a suitable Farm Retirement Scheme.

In this context, ICMSA propose the following with regard to the extension of income tax relief to include family members in Budget 2018;

- Lessor must be 55 years or older;
- Suitably qualified leasee (Young Trained Farmer);
- Lease contract for definite term of no more than ten years;
- Lease contract to include provision for transfer of farm to leasee at end of lease period;
- Clawback provision if farm is not transferred to the Young Trained Farmer at the end of the lease contract period;
- Force majeure provisions.

ICMSA Recommendation:

Income tax relief on land leases should be extended to family members in Budget 2018 subject to strict criteria regarding farm transfer.

Section 3

Tax Incentives to Support Farm Investment

1. Stock Relief

Stock Relief measures are a vital tool for farmers increasing stock numbers as they expand their farming enterprise. However, the current 25 percent stock relief means that farmers expanding their enterprise are taxed at 75 percent of the additional investment which in many cases is a substantial amount and is having a negative impact on expansion. ICMSA proposes an extension of the 100 percent stock relief to all additional stock expenditure of up to €100,000. Once a farmer has reached the €100,000 level, he/she would then qualify for 50 percent stock relief on the remainder of their investment in stock. In addition, ICMSA propose that if the qualifying farmer disposes of the herd within a specified timeframe then provisions could be included for a claw back of such relief.

The level of TB has been falling over the last number of years. However, the number of reactors in 2016 stood at 16,914 animals compared to 15,317 in 2015 and the number of herds restricted at 3,823 in 2015 compared to 3,682 in 2016. For the individual that has a TB problem, the impact can be very severe depending on the timing, extent and period of the restriction. In this context, ICMSA believe a specific Stock Relief provision should be introduced in Budget 2018 to cover individuals that experience a partial depopulation.

ICMSA Recommendation:

Budget 2018 to provide for the introduction of a new Stock Relief measure whereby farmers would be allowed 100 percent stock relief on additional expenditure of up to €100,000.

In addition, a specific Stock Relief provision should be introduced for individuals that experience partial depopulation.

2. Capital Allowances

Farm building Capital Allowances are deductible over a 7 year period to a farmer who incurs capital expenditure on the construction of farm buildings, fences, roadways, holding yards, drains, land reclamation and other works such as walls, water and electrical installation and sewerage. The rate of the farm machinery and buildings allowance is 15 percent of the capital expenditure for each of the first 6 years of the 7 year period with the balance of 10 percent, allowed in year 7. Capital Allowances on farm machinery can be claimed over 8 years at a rate of 12.5 percent.

Capital Allowances are a necessary tool for farmers investing in the expansion and upgrading of farm facilities to ensure the future viability of their business. However, the current application of capital allowances is very inflexible with farmers unable to utilize the allowance in years where farm profits are low or non-existent. Due to the cyclical nature of farm income, ICMSA believe the Government in Budget 2018 must allow for flexibility in the claiming of Capital Allowances and propose that farmers be allowed to write-off capital expenditure on farm buildings and plant and machinery over a period of between three and eight years with a "floating allowance" of up to 50 percent allowable in any one year in order to facilitate maximum utilization. If implemented, the proposal would also provide a considerable boost to the economy of rural areas.

ICMSA Recommendation:

Budget 2018 must allow for flexibility in the claiming of Capital Allowances and propose that farmers be allowed to write-off capital expenditure on farm buildings and plant and machinery over a period of three and eight years with a "floating allowance" of up to 50 percent allowable in any one year in order to facilitate maximum utilization.

Section 4

Funding Farm Schemes

Under the Rural Development Programme (RDP) 2014-2020, there is an overall allocation of €2.1bn of EU funding and €1.9bn of national funding. Total funding of €4bn will support the introduction of environmental schemes, deliver programmes of support for low-income farmers, encourage and promote on-farm investment coupled with provision of schemes to promote transfer of knowledge to specific farming enterprises. The economic, social and environmental benefits to the Agri-sector and the wider rural economy of the many schemes provided for under the Rural Development Programme cannot be underestimated in the preparation of Budget 2018.

1. GLAS and GLAS+

There are currently 50,000 farmers approved for GLAS under Tranche 1, 2 and 3. GLAS has been allocated €1.46bn in funding over the period of the RDP.

ICMSA believe adequate funding must be provided in Budget 2018 to support maximum participation and full-year payment to 55,000 farmers in 2018 and that the maximum payment of €5,000 per annum should be increased. GLAS has the potential to deliver multiple benefits in terms of climate change mitigation, reduced ammonia emissions and improved bio-diversity and thus, ICMSA is calling for the scheme to be re-opened to accommodate an additional 5,000 farmers in 2018.

In addition, GLAS + must provide adequate funding to support landowners whose farm practices have been severely restricted by designations on their land such as Hen Harrier and other Special Areas of Conservation (SAC) and Special Protection Areas (SPA) designated lands.

ICMSA Recommendation:

An additional 5,000 applicants to be admitted to GLAS in 2018.

An increase in the current maximum payment of €5,000.

2. Areas of Natural Constraint

The Programme for a Partnership Government has given a commitment to increase funding for this vital scheme by €25m in 2018. Substantial cuts were made to ANC payments in 2009 and this had a considerable negative impact on rural areas. The ANC is a vital financial support for farmers that are maintaining this marginal land and ICMSA is proposing that the cuts made during the recession are now reversed in full.

ICMSA Recommendation:
The ANC cuts during the recession should be reversed in full.

3. Beef Data and Genomics Programme 2015 – 2020

The Beef Data and Genomics Programme will run until 2020 to provide financial support to suckler farmers who undertake actions aimed at improving the genetic merit of their suckler herd. This is a necessary support for committed suckler beef farmers and it is essential it remains fully funded for the full period of the RDP.

ICMSA Recommendation:
The scheme should be re-opened for new applicants in 2018.

4. Targeted Agricultural Modernisation Schemes II (TAMSII)

Food Harvest 2020 and Food Wise 2025 have set-out ambitious targets for the agri-food sector and it is essential Budget 2018 supports the ongoing implementation of a strong on-farm investment scheme across all sectors to improve efficiency and meet better environmental and animal welfare standards and thereby ensure the ongoing growth and viability of the sector. Improvements are required in relation to the TAMS scheme to reflect the level of investments required at farm level.

ICMSA Recommendation:
The maximum investment ceiling should be increased to €100,000.

A specific farm safety ceiling of €20,000 should be introduced.

Section 5

Indirect Taxation

1. Value Added Tax

ICMSA propose that the 23 percent VAT rate which was introduced in 2011 should be reviewed downwards to 20 percent in Budget 2018. ICMSA believe this would encourage further on-farm and rural investment and would have a positive impact on purchasing activity in the rural economy.

ICMSA Recommendation:
A reduction in VAT from 23 percent to 20 percent in Budget 2018.

2. Farm Safety Initiatives

Farm fatalities and serious injuries continue to be a serious concern in the agricultural sector. There is a responsibility on us all to take greater ownership of what are personal tragedies for many farm families. The taxation system can play an important role in addressing this major issue. ICMSA is seeking that farm safety expenditure should be treated as an expense in the year in which the expenditure is incurred.

Financial constraints on farmers often result in a lack of investment in the upgrading of safety equipment and clothing. In this context, ICMSA propose that farmers should be allowed to claim back VAT on farm safety equipment and clothing.

In addition, in order to alleviate the cost burden on farmers, ICMSA propose the introduction of a Scrappage Scheme for PTO shafts as was recommended in the Seanad Public Consultation Committee Report on Farm Safety.

ICMSA Recommendation:
Farm safety expenditure should be treated as an expense in the year in which the expenditure is incurred.

ICMSA propose that farmers should be allowed to claim back VAT on farm safety equipment and clothing.

ICMSA propose the introduction of a Scrappage Scheme for PTO shafts as was recommended in the Seanad Public Consultation Committee Report on Farm Safety.

Section 6

Social Welfare Issues

1. Farm Assist

Farm Assist has been utilized for many years by low income farm families as an essential income support during periods of low income. The improvements announced as part of Budget 2017 were welcome and have recognised many of the challenges faced by low income farm families.

ICMSA believe that in order to take full account of an income crisis in a given year, it is essential that the Department of Social Protection takes the current years' income into account when assessing means on family farms. With price and weather volatility, there can be serious income swings on farms from year to year. Thus, the current practice of means assessment on the basis of previous years' income does not fully reflect the current year income situation on family farms.

ICMSA Recommendation:

ICMSA believe that in order to properly take full account of income crisis in a given year, it is essential the Department of Social Protection takes the current years' income into account when assessing means on family farms

2. Rural Social Scheme

The Rural Social Scheme plays a key role in the development of local communities and ICMSA believe that funding for this vital scheme should be increased further in Budget 2018 to ensure the maintenance and development of local and vibrant communities.

ICMSA is also proposing that the six year overall participate
on time limit should be reviewed and extended where a particular programme is under resourced.

ICMSA Recommendation:
Additional funding should be allocated to the Rural Social Scheme.

The six year participation time limit should be reviewed and extended where a particular programme is under resourced.

3. Fair Deal Scheme

The Nursing Homes Support Scheme is a scheme of financial support for people who need long-term nursing home care. Under the Nursing Homes Support Scheme, individuals make a contribution towards the cost of their care and the State pays the balance. This applies whether the nursing home is public, private or voluntary. However, there are significant difficulties regarding the costs of care and the implementation of the Fair Deal Scheme for farm families.

ICMSA fully supports a policy of lifetime transfer of family farms thereby giving the next generation the opportunity to grow and develop the business. However, there is a considerable discrimination against farm families where the farm has not been transferred, or where the transfer has taken place within the previous five years. The potential uncapped liability which applies to the family farm asset (excluding the primary residence) and the resultant risk to the ongoing viability of the farm business associated with meeting the costs of care is a significant concern for farm families. ICMSA believe that the five-year look-back rule which applies to the financial assessment for the Fair Deal Scheme must be reassessed and suggest a reduction of this look-back period to one year. Coupled with this, ICMSA believe farm families and other business owners must be treated equitably and a cap on the percentage charge that can be applied to the non-residential farming asset must be introduced in Budget 2018 which is equivalent to the 3 year cap of 22.5 percent for the primary residence.

In addition, it is essential that there is no further increase to the 7.5 percent of the value of any assets which can be taken into account in any one year (5 percent of assets if the application was made prior to the 25th July 2013) in the financial assessment of ones contribution to care.

ICMSA Recommendation:

Five-year look-back period should be reduced to one year.

Farm families and other business owners must be treated equitably and a cap on the percentage charge that can be applied to the non-residential farming asset must be introduced in Budget 2018.

4. Employer PRSI

Budget 2016 increased the threshold at which employers pay the 8.5 percent employers PRSI for employees on earnings up to €376/week. However, ICMSA believe if the Government wants to promote job creation within the primary agricultural sector and ensure targets set out in Food Wise 2025 are achieved, it is essential the lower rate of employers 8.5 percent PRSI on jobs that pay less than €376 per week and the 10.75 percent higher rate of employers' PRSI on earnings greater than €376/week is reduced in Budget 2018.

ICMSA Recommendation:

The employer PRSI rate should be reduced in particular for lower incomes.

5. Pension Contributions

Farmers need to ensure their financial needs are adequately provided for post-retirement. Therefore, continued saving in the form of a private pension needs to be incentivised and the current marginal rate of income tax relief for pension contributions must be maintained in Budget 2018.

ICMSA Recommendation:

The current marginal rate of income tax relief for pension contributions must be maintained.

6. Occupational Benefit

The self-employed including farmers pay Class S PRSI which is currently 4 percent. However, the self- employed are not covered for the same level of Occupational PRSI Risk Benefit as is currently available to PAYE workers despite the particularly high occupational risk faced by farmers. The improvements announced as part of Budget 2017 in particular in relation to the Invalidity Pension were welcome. However, ICMSA believes that further additional supports related to occupational injury available to employees should be extended to the self-employed.

ICMSA Recommendation:

The supports related to occupational injury available to employees should be extended in full to the self-employed.

Section 7

Higher Education Grants

The "Cassells Report" from the Expert Group on Future Funding of Higher Education made a number of recommendations with regard to future funding options for Higher Education in Ireland. Recommendation 5 of the Cassells Report stated that "the current model of student support maintenance grants should continue and should be enhanced to better reflect the real costs of participation, and better targeted by taking account of capital assets and accumulated wealth".

Equal access to higher education grants has always been a key concern for farm families and ICMSA will not accept the inclusion of farm assets in any assessment for Higher Education Grants as it would result in a specific bias against farm families and ICMSA believes that any new system of assessment introduced by the Government must be based on fairness, equity and transparency.

ICMSA have always contended that farm assets are a productive business asset to be considered "tools of the trade", and any capital value must not be attributed to them other than income derived from their use.

ICMSA Recommendation:

ICMSA reject proposals contained in the Cassells Report with regard to treatment of capital assets and contend that farm assets are productive assets and any capital value must not be attributed to them other than income derived from their use.