

Farmers and Income Levy (concession)

In 2009 the Government, as part of correcting the fiscal deficit of the country introduced the Income levy on income earned over a €15,028 threshold. This Levy starts at 2% and increases to a maximum of 6% on all income over €174,980.

The Revenue highlighted that the Levy was a tax on your **gross** income, before deductions, for example, capital allowances or contributions to pensions.

It is these Capital allowances which drew the attention of the Irish Farmers association who lobbied the Government to allow that capital expenditure be allowed in reducing the income attributable to the calculation of the levy due to the high level of infrastructure investment in the sector

The Association argued that the farming community had invested heavily in farm buildings under the Farm yard pollution control scheme, and that the heavy burden in repaying the loans, and the extended period of time in receiving the grant aid promised (extended over 2009/2010/2011) would be adversely punitive on the farming sector.

The finance act 2010 was amended to include a section to acknowledge the above contribution to the environment.

The following example may help clarify the position (please note the capital allowances are only those relevant to section 531D TCA)

Pre amendment			Post amendment		
Farm income	2010	€22,000	Farm income	2010	€22,000
Capital allowance		<u>€16,000</u> (not allowed)	Capital allowance		<u>€16,000</u>
Income levy			Income Levy		
Assessable income		€22,000	Assessable income		€ 6,000
2010 income levy due 2%		€ 440	2010 income levy due 2%		€120
2011 preliminary levy 2%		€440	2011 preliminary levy 2%		€120

As can be seen there is a net saving of €640.00 on the basis of this amendment to the finance act.

This amendment is available for inclusion in the 2010 tax year and would provide savings in the 2010 tax liability and the preliminary tax requirements 2011 if applied correctly.

If you have any further queries on the above information or want to discuss your current financial situation we will be happy to schedule an appointment to discuss individual cases and advise on the best course of action.

Disclaimer:

The object of this article is to provide useful tips in relation to Irish Tax Regulations, accordingly it cannot be regarded as a definitive guide and no liability can be accepted in respect of decisions taken in reliance on the information herein contained.