

Finance

Farm orgs take note: Dutch protests will achieve little – the horse has already bolted

Irish farmers are being let down by their leaders' squabbling, lack of vision and failure to influence policy change

Angus Woods



Most Irish farmers seem to support the farmer protests in the Netherlands.

Some see the Dutch situation as a turning point in farming's push-back in the emissions reduction debate.

Since the signing of the Paris Agreement in December 2015, there have been many calls to delay its implementation.

But we have accelerated towards those Paris goals in the last couple of years. EU policy-makers were able to focus on their environmental targets as they worked from home during Covid, resulting in the Green Deal, Farm to Fork and CAP reform.

Demanded

Even with the pandemic, the Russian invasion of Ukraine and worldwide inflation, cuts to emissions will be demanded by the EU, as the policies are now in place.

Even if the Dutch government didn't want structural change in farming, environmentalists have cleverly used EU and domestic courts to force them to act within the law.

The Dutch government have proposed a 50pc cut to nitrogen oxide and ammonia emissions by



No way through: Dutch farmers block the arrival and departure halls at Groningen Airport to protest against their government's far-reaching plans to cut nitrogen emissions
PHOTO: ANP/AFP

2030, and in the process a cut to livestock numbers by a third, which could force 30pc of the country's farmers out of business.

A 70pc reduction of nitrogen emissions is required by 2035.

The Netherlands is smaller in area than Munster and Connacht combined, but has over 100 million livestock. The government's €25bn plan to cut emissions has not gone down well with farmers.

This is not the first time that cuts

to agricultural production have been implemented in the Netherlands.

In 2016 a dairy cow cull reduced cow numbers by almost 200,000 (equivalent to over half the dairy cows in Cork) while calves, weanlings and heifers reduced by more than 300,000 (25pc).

This was done to reduce phosphate levels impacting on water quality. While Dutch farmers culled the required stock numbers, they generated extra production from

the remaining cows by increasing the volume of meal fed, which led to phosphate reduction targets not being met.

The environmental lobby is particularly strong and well organised in the Netherlands.

In 2015, after a three-year legal campaign, the court in the Hague ordered the Dutch government to cut emissions by at least 25pc from 1990 levels within five years.

In a follow-up ruling in December

2019, the Supreme Court ordered their government to cut the nation's emissions by 25pc by the end of 2020. Another legal case has ordered oil giant Shell to cut its 2019 emissions level by 45pc by 2030.

All aspects of Dutch society are being targeted to reduce emissions. Major housing and other construction projects have been impacted by the 2019 Supreme Court ruling.

New laws have been introduced

Comment/Animal Health

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Eamon O'Connell



asddf

Eamon O'Connell is a vet with Summerhill Vet Clinic, Nenagh, Co Tipperary

the past here at home.

The problem for Irish farmers is that their lobbying methods have not evolved – they have failed to move with the changing dynamic of both European and national political structures.

More often than not the lobbying is re-active to policy changes, rather than pro-active in policy formation.

The Department of Agriculture has realised this, and rather than wasting time going through the motions of rounds and rounds of meetings with farm organisations, they prefer to put all the farm organisations in one room and watch as they attempt to man-mark each other and avoid committing to any significant changes for fear of losing membership and income.

So, while some of the many Irish farm representatives have been busy trying to give the impression of fighting for farmers' issues, real leadership on key future policies has been light years behind where it needs to be.

Their inability to formulate a plan for the direction of productive Irish farmers' needs ahead of the challenges they face means that any kind of a policy position generally arrives after the policy direction has already been decided.

The bulk of €18m of farmers' money per year is being badly utilised, and future generations will pay the cost, unless the farm organisations can get ahead of the curve when it comes to policy formation.

Tractor protests in the Netherlands won't prevent structural change being implemented – it will merely delay the inevitable for Dutch farmers.

If farm leaders aren't ahead of policy change and constructively influencing it, then no amount of populist photo-opportunity tractor-cades will catch the horse after it has bolted.

Angus Woods is a drystock farmer in Co Wicklow

Is it worth registering for VAT? Probably not, but you need to do

Martin O'Sullivan



Farmers often ask me whether it would be worth their while registering for VAT.

All farmers are entitled to claim back VAT on capital expenditure on land improvement, farm buildings and fixed plant installations, but not on input or overhead costs or on farm machinery or vehicles.

Farmers, including farming companies, are not obliged to register for VAT, irrespective of their turnover, but they can if they want.

However, where a farmer operates a contracting business or other type of service, they are obliged to register if the turnover from that activity exceeds €37,500 per annum.

To compensate unregistered farmers for VAT incurred on farm input and overhead costs, they automatically receive the 'flat-rate

refund' of VAT amounting to 5.4pc of the sale value of farm produce such as cattle, sheep, corn and milk.

Where a farmer opts to register for VAT, they are no longer entitled to the flat rate refund. They are obliged to notify all the people they sell produce to – or through in the case of marts – that they will no longer receive the 5.4pc refund.

Sales of hay and silage are VAT-exempt and do not fall under this requirement.

Doing the maths

To determine if registering for VAT is going to prove worthwhile, farmers need to establish how much VAT they pay out annually on average, and how much their flat-rate refund is worth.

This may mean taking a look back over a number of years.

Table 1 sets out an example of a 100-cow dairy farmer (Farmer A) who gets his silage harvesting and slurry spreading done by contractor, and a 250ac tillage farmer (Farmer B) who has all his own machinery. Farmer A would lose €4,699 by

being registered and that Farmer B would gain €3,978.

Generally, registration will only benefit those farmers who are heavily mechanised and have a hefty capital replacement annual spend.

Despite farmer B spending €35,000 on average, the benefit

of registration is not significant and will be even less after taking account of compliance cost and income tax.

So do the sums very carefully as there are not too many cases where VAT registration will bring a significant financial benefit.

CASE STUDIES – THE MATHS OF REGISTERING FOR VAT				
Sales (incl. VAT)	Farmer A		Farmer B	
	Gross	VAT	Gross	VAT
Grain	0	0	360,000	18,444
Milk	260,000	13,321	0	0
Cull cows/calves	17,000	871	0	0
Total	277,000	14,192	360,000	18,444
Relevant outgoings				
Veterinary	12,600	2,142	0	0
Sprays	1,200	224	40,000	7,480
Contractor charges	18,000	2,141	2,500	297
Repairs & maintenance (gen)	5,300	700	6,500	1,040
Machinery running costs	5,200	832	36,000	5,760
ESB & Tel	8,600	1,023	1,500	178
Professional fees	3,000	561	3,000	561
Machinery replacement	7,000	1,309	35,000	6,545
Sundry costs	3,000	561	3,000	561
Total	63,900	9,493	127,500	22,422
Benefit of VAT registration		-4,699		3,978

Clawbacks or exposure to vat

Claiming back VAT, whether as a registered or unregistered farmer, can have consequences if you sell your farm or if you simply cease farming or indeed cease being registered.

There are a number of situations where VAT can be clawed back or where a disposal may be liable to VAT.

Where a non-registered farmer claims a VAT refund through the VAT 58 process, a clawback arises if the farmer ceases to farm or ceases to use the buildings or land in respect of which the claim was made for farming purposes within 12 months of the VAT having been incurred.

This is an unusual scenario, but it can happen, particularly where a farmer decides to sell his farmyard to his limited company.

It is something to bear in mind where a farm is being disposed of or where a farmer ceases to farm.

A disposal of land could become liable to VAT where farm buildings were erected or land improvement

the sums for your farm

took place that resulted in a VAT refund claim within five years prior to the sale.

VAT may be due on the sale even though the farmer may or may not be VAT-registered. This may cause a difficulty with the sale as the buyer, more than likely, will not be able to recover the VAT paid.

Where a VAT-registered farmer sells after Year 5, but within 20 years of a new development (or 10 years of a refurbishment), he/she will face a clawback of VAT recovered on the development unless he/she can agree with the purchaser to apply VAT on the sale.

Where a registered farmer decides to de-register, they will be liable to repay the cumulative net benefit, if any, as compared to if they had not been registered in the three years prior to ceasing.

Vat claims by unregistered farmers

All claims by non-registered farmers for VAT refunds on expenditure incurred on the erection of farm buildings, land drainage

and reclamation, hedgerows, underpasses and fixed plant items are made by way of a Form VAT58, which is now required to be filed online through eRepayments.

You will need the details of your claim, including the invoice number, the supplier details and the amount of VAT being claimed.

You do not have to include supporting documentation for your claim, unless requested to do so, but all invoices should be kept for six years as these may be required by Revenue for inspection.

Each claim must be greater than €125 and a separate claim must be made for each calendar year.

Claims can be lodged up to four tax years subsequent to the expenditure being incurred.

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