

Energy Efficiency in Agriculture – Tax Aspects

Presented By:

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Who are we?

- Top 10 Accountancy Practice
- Established in 1975
- Head Office is in Bluebell, Dublin.
- 30 Locations Nationwide
- Over 300 Employees





Setting the Scene – Tax Wise

- Low Tax Rate - 28.5%
- High Tax Rate - 52% / 55%
- VAT - 13.5%/23%

- Therefore net expenditure will be the after tax effect



Tax

The tax system for once is ahead or in line with the various initiatives, however, improvements and certainty will be required





VAT

- Majority of farmers NOT VAT registered
- VAT (refund of Tax) Flat Rate Farmer order 2012 allows mechanism to reclaim VAT - VAT 58 on:
 - *Farm Buildings/Structure*
 - *Construction, erection or installation of qualifying equipment for purpose of micro generation of electricity for use solely or mainly for the purposes of a farm business*



VAT

Qualifying Equipment means:

- Wind Turbines
- Photo Voltaic
- Ancillary equipment for storage or grid connection

Subject it to being named on Triple E Product register



Recommendation

Revenue to be asked to update the VAT order to allow VAT reclaim on VSD's etc.





Income Tax/Corporation Tax

- Depreciation not allowed in accounting sense for income or corporation tax
- Instead capital allowances allowed
- Machinery/Plant

*



Standard Rate of Capital Allowance

- 12.5% straight line over 8 years
- Eg. €24,000 investment
- €3,000 PA for 8 years





Tax Saving over 8 years

- Low Rate: €855 pa net cost €17,160
- High Rate: €1,560 pa net cost €11,520





Accelerated Allowances

- Amount of expenditure written off in 1 year
- Benefit
- Treated same as an expense

Accelerated:

- Introduced in 2008
- Extended to sole trader in 2017
- Available to 31 December 2020
- Must be on list of energy efficient equipment as approved



Accelerated Allowances

- Must be incurred for purpose of business
- Must be owned by company/individual
- Must be in use at end of accounting year
- Wholly & exclusively



Accelerated Allowances

- If ceased to be in use with 8 year period
- Potential clawback of allowances
- If scrapped extra claim





Critical for Accelerated Allowance

- On schedule 4a of tax act /SEAI list
- Minimum spend
- Sole trade or company
- Claimed on annual tax return
- Must be new



Example: No VAT reclaimable

Cost	€12,000		
		Low	High
Tax relief			
Accelerated allowances		3,420	6,240
Net Cost		8,580	5,760



If VAT reclaimable - say at 13.5%

Cost	€12,000	€12,000
VAT	<u>1,427</u>	<u>1,427</u>
	€10,573	€10,573
Tax Relief	<u>3,013</u>	<u>5,498</u>
Tax Relief		
Net cost	<u>€ 7,560</u>	<u>€ 5,075</u>



Summary

ACA - Dramatic impact as upfront relief

- Even better if can get approved for VAT

Tax system encourages this investment

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