

Irish Thoroughbred Breeders Association

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Overview

1. How Tax is Applied
2. Current Tax System
3. Current Reliefs
4. Potential Future Developments

1. How Tax is Applied

- Hobby v. Trade
- Sole Trader v. Corporate

Hobby Versus Trade

- Number of factors to consider, including:
 - The frequency of transactions, and
 - The motive of the tax payer
- If considered a trade, liable to income tax or corporation tax depending on the ownership structure
- If hobby, not taxable but also no relief for losses or expenses

Hobby Versus Trade

- Bloodstock breeding considered a farming trade for tax purposes
- Net profits subject to Case I
- Stallion or syndicate owners who do not carry out a farming trade, taxable Case IV
 - Companies liable to 25%
 - Individuals liable at marginal rate
 - Losses restricted for use against same activity

Hobby Versus Trade

Use of Losses:

- Case I losses against total income in year loss incurred
- Excess loss carried forward against same trade
- Loss incurred in 4th year of trading after 3 consecutive years of losses will not be available for offset against total income, instead must be carried forward against profits of same trade
- Loss limitation on "passive" trade

Sole trade vs corporate

	Sole Trader	Corporate
Tax Rate	Income Tax Rates 20% or 40% USC 8%, PRSI 4%	Trading Income 12.5% Passive Income 25%
Liability	Personally Liable	Limited Liability
Pension Contributions	Limits to annual contributions	Company able to make increased contributions
Other	Liable to tax on all net profits, regardless of amount actually extracted	Salary is allowable deduction for CT – liable to PAYE where received

2.Current Tax System

- Bloodstock Breeding / Training
- Capital Allowances
- VAT

Bloodstock Breeding / Training

- Any profits earned while a horse is in training are not liable to tax, including:
 - Prize money, or
 - Proceeds from the sale of a horse in training
- However any costs incurred while in training are not tax deductible



Bloodstock Breeding / Training

- Bloodstock bred and moved to training:
 - Transferred out of trading stock at carrying cost
 - Nil liability
 - If subsequently transferred back to breeding added back to trading stock at same cost it was transferred out for training
 - Horses purchased in training which will be used for breeding brought back in at market value it was purchased



VAT

- Livestock rate of 4.8%
- Horses intended for use in the preparation of foodstuffs or agricultural production/supply to a farmer
- “Flat rate addition” – 5.4%
- Budget 2019 – 9% VAT rate reverts to 13.5%
- May impact the cost of horses for racing, sports or leisure activities



3. Current Reliefs

Current farming reliefs

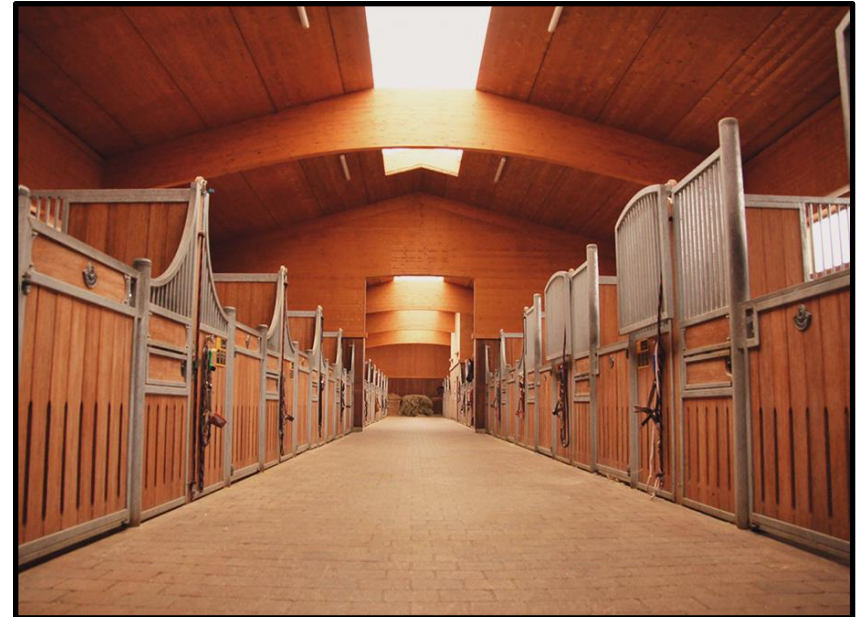
- Stock Relief (individuals)
- Income Averaging
- Farmland (qualifying leases)
- CGT Retirement Relief
- Agricultural Relief
- Stamp Duty – Young Trained Farmers Relief



Current farming reliefs

Capital Allowances:

- Farm Building Allowances
 - Available to farming trades carried on by **individual**.
 - Granted over 7 years, 15% for first 6 years then 10% in year 7
- Plant and Machinery
 - 12.5% over an 8 year period



4. Potential Future Developments

Incentivise Market in Quality Broodmares

- Profit Rollover Relief (from 1 Jan 2020):
 - Re-invest taxable profits from the sale of breeding stock into purchase of a new broodmare
 - Option for the breeder to take full deduction for the expense in the year of re-investment
 - Accelerates the tax deductibility of the cost
 - Limits and conditions will apply

Mare Depreciation

- **Present System:** Cost of stallion can be written off for tax purposes over a 4 year-period
- **Potential proposals:** Introduction of similar deduction for broodmares under the following circumstances:
 - Purchase of a broodmare – purely breeding purposes
 - Home bred stock, raced and returned to breeding
 - Purchase of a Filly in Training and transferred to breeding stock

Other Potential Proposals

- **Relief on investments** for “small rural breeders”:
 - 12.5% relief up to maximum annual limit of €100,000; or
 - Annual income tax credit up to €5,000 depending on investment level



Heat map illustrating the distribution of thoroughbred breeders.

Other Potential Proposals

- **Profit relief** on initial profit for “small rural breeders”
 - Relief on profit from sale of foal up to an annual maximum of €10,000
 - Annual income tax credit up to €3,000 depending on profit level
- Farm building capital allowances
 - Reduce write-off period from 7 to 5 years
- VAT

Important Information

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