CAAV Review Paper

TAXATION

Agricultural Productivity and Land Occupation

The Irish Republic's Use of Income Tax Relief to Promote the Letting of Farmland: The First Five Years' Experience

Lessons for the United Kingdom

Central Association of Agricultural Valuers

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THE IRISH REPUBLIC'S USE OF INCOME TAX RELIEF TO PROMOTE THE LETTING OF FARMLAND

THE FIRST FIVE YEARS EXPERIENCE

LESSONS FOR THE UNITED KINGDOM

"Access to land and the low level of land mobility is one of the main challenges facing farmers who want to increase their productivity. There is a growing consensus that the actual use of land is becoming more of an issue than ownership."

Irish Government, Agri-Taxation Review, 2017

DEFRA STATEMENTS

"… It is my responsibility to say that, if we want to have the numbers of new entrants, very often younger people, coming into this great and important sector, we have to think about how we can encourage people who own land, who may decide that they do not want to farm it themselves—it may be small parcels of land or large parcels of land—and do everything we can to create an environment in which this is seen as a positive and a route by which people who own land, of whatever size, decide "This is the route," rather than saying, "Oh no, I might never be able to say that this is land I own."

Lord Gardiner, DEFRA Minister
Agriculture Bill, House of Lords Report Stage
Lords Hansard, 17th September 2020, col 1517

"I recognise that the fiscal framework plays an essential role in owners' decisions whether to let land and on the length of tenancy terms offered. However, I think that other factors are important, too, such as the size, quality and location of the land and personal motivations for owning it.

"I am aware of the work that TRIG has done to investigate tax issues, suggesting that tax changes might help to incentivise the letting of agricultural land and encourage longer-term tenancies—for example, through limited income tax relief on farmland rents. The Government are committed to a fair and sustainable tax system and keep all taxes under review as a matter of course—that is the Treasury bit. The impact and potential unintended consequences of tax reform need careful analysis, as I hope everyone would agree."

Lord Gardiner, DEFRA Minister
House of Lords Grand Committee Debate
Lords Hansard, 21st January 2021, col 67GC

KEY POINTS

The Irish Republic substantially increased Income Tax reliefs from 2015 for lettings of farmland on arm's length terms for at least 5 years. The results in the 4 years from 2015 to 2018 (working from Irish Revenue data with its natural time lag in reporting on tax returns) are:

- **The fraction of the Irish Republic's farmed area that is let on arm's length terms for 5 years and more has grown from 2 per cent in 2011 to almost 8 per cent in 2018.**

- **Approximately 560,000 acres have been newly let on such terms in just the four years from 2015 to 2018 since the enhanced reliefs were available, with that land coming from in-hand farmland as well as land that had been let out on seasonal conacre.**

- **By 2018, some 11,000 Irish farmland owners are now the landlords of arm's length tenants for at least five years, over half having started in the four years from 2015 to 2018 and those bringing larger areas of land to the market.**

- **The average area of units let for five years or more in 2018 appears to have been around 107 acres, similar to the equivalent figure for Farm Business Tenancies in England and Wales (117 acres in 2018).**

IN FOUR YEARS IRELAND ACHIEVED
MORE OF ITS FARMLAND ON NEW 5+ YEAR LETS
THAN GREAT BRITAIN

- **Market reports from professional bodies and others show continued expansion and activity with the first letting snow being renewed and signs of the investor activity that is a key part of an active landlord/tenant system.**

Initial modelling for the United Kingdom suggests if this achieved the letting of another 4 per cent of farmland in Great Britain and 15 per cent in Northern Ireland to lettings for 5 years or more, the productivity gain might be more than £100 million.

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This is the Fifth Edition of this paper which has been progressively revised as evidence accumulates and arguments develop.

This text was initially part of Taxation, Agricultural Productivity, Land Occupation and Use after Brexit: A CAAV Discussion Paper (September 2017) before this paper was first issued in May 2018 with further editions in August 2018, September 2019 and September 2020.

1. Summary

1.1 The Irish Republic's significant extension of Income Tax relief on arm's length lettings of farmland for five years or more in 2015 was designed to enable land to move into the hands of the proficient and enable a longer term view for land management and productivity.

1.2 In the four years for which we have evidence from Irish Revenue, this enhanced relief has seen new, accelerated and sustained change in the occupation of farmland so that:

- **Ireland now has 11,000 more landlords.**
- **Ireland has in four years already seen as much of its agricultural land area let on tenancies for five years or longer as Great Britain has achieved with FBTs in England and Wales and LDTs and SLDTs in Scotland. With pre-2015 lettings, it has towards 8 per cent of land on such lettings; England might have 5 per cent under FBTs for five years or more with slightly lower equivalent fractions in Wales and Scotland.**

Market reports in to 2021 show continuing activity and expansion in this sector as well as now re-lettings, tenant investment and investor interest.

1.3 This accumulating evidence, reviewed in this and previous CAAV reports, points to this as a measure to be adopted in the United Kingdom for the same reasons, promoting the voluntary transfer of farmland by smaller and medium sized individual owner-occupier farmers letting to those who will use it proficiently. As well as CAAV analysis, this has been included in recommendations in the June 2019 report by the Agricultural Productivity Working Group to the Food and Drink Sector Council (now with the Agricultural Productivity Task Force) and the 2016 *Sustainable Agricultural Land Management Strategy* report in Northern Ireland.

1.4 The key lessons include:

- **the benefit of a simple policy pitched powerfully enough to influence behaviour, rather than just be a policy gesture. Previous lower levels of relief in Ireland did not achieve this effect and other more complex measures there, both taxation and for retirement, there have had little traction.**
- **the supporting research shows that it is more important to enable land to move to proficient farmers – surely the real goal of policy - than to move it from those over 65. For a variety of reasons, including other family members, the age of farmers is a distraction from the real issue of encouraging land to be made available by wearying farming owners of all ages to others who can use it better while paying a better income through rent.**

1.5 With those lessons from the practical experience of the Irish Republic, this measure is seen as an effective means to respond to the September 2020 recognition by Lord Gardiner, DEFRA Minister and noted above, of the need to create a positive environment for farmers and landowners to let land by stimulating a critical change in mindsets and decision making.

1.6 This paper, drawing out that experience, is a supplement to the review of these issues in the CAAV's September 2017 Discussion Paper, *Taxation: Agricultural Productivity, Land Occupation and Land Use* (see https://www.caav.org.uk/Publications/Categories/Free_Publications.aspx

A SHARED PROBLEM AND THE SOLUTION

2. Access to Land as a Key to Answering the Agricultural Productivity Challenge for Ireland and the United Kingdom

2.1 Both the United Kingdom and Ireland have identified that they have a longstanding poor performance in productivity growth for agriculture. On the simplest measure and for many years, both have averaged slightly less than 1 per cent improvement a year and have been substantially outpaced year-on-year by other nations from France and Germany to Holland and the United States.

2.2 DEFRA has reported that the UK rate of growth has fallen to 0.7 per cent a year since 2000 while its study of total factor productivity by farm type found that total factor productivity for cereals and LFA livestock farms stood still over the period 2010/11 to 2017/18.

2.3 As the AHDB has noted:

> "If our rate of growth had kept pace with the US since 2000, the contribution of UK farming to the rural economy would have been £4.3 billion higher by 2013." (Horizon, *Driving Productivity Growth Together*, January 2018)

Achieving that would have almost doubled the United Kingdom's recorded Total Income From Farming (TIFF) which has been around £5bn in recent years. The effect on real economic performance would be more radical as excluding subsidies from TIFF reduces TIFF to around £1.7bn. Matching the United States' performance in improving productivity would increase that ex-subsidy outcome for the United Kingdom three- or four-fold.

2.4 Both Irish and UK governments are understandably anxious to improve the productivity performance of their agricultures.

2.5 DEFRA has set the new Food and Drink Sector Council (FDSC) the demanding objective to:

> "Accelerate the growth of UK agricultural and horticultural productivity to overtake our major competitors by 2030."

2.6 While important work focuses on improving skills, use of data, innovation and investment among existing businesses, opening up the markets in land occupation and use – "land mobility" – is also as an important component for policy to be effective, particularly with the scale of the target set by DEFRA. As the Agricultural Productivity Working Group reported to the FDSC in June 2019:

> "Facilitating the management of land by those who will adopt new tools, technologies and practices could have a subsequent positive impact on productivity."

and

> "Improving access to land by productive, proficient farmers and growers with experience or specific training could accelerate uptake of new technologies and practices."

That report recommended that the Government "investigate Income Tax relief in relation to land mobility".

2.7 Northern Ireland's *Sustainable Agricultural Land Management Strategy* report of 2016 was concerned to achieve major improvements in the poor land management it identified. Designed to improve both agricultural productivity and environmental outcomes, its recommendation included:

> "a fiscal incentive should be introduced to voluntarily encourage farmers and land owners to move away from our eleven month conacre system and towards long term leases of at least five years".

2.8 The Republic of Ireland has looked long and hard at this, with the major policy statements in the successive Food Harvest 2020 and Food Wise 2025 reports. It sees that enabling and encouraging the movement of land into the hands of the proficient, whether existing or new farmers, has to be an essential part of improving productivity. With the tenancy system in Ireland dismantled over a century ago, owners have only made land available on seasonal arrangements (conacre). That has made land tenure a particular concern in the search for arrangements that will improve productivity, giving a framework to support investment and land management.

2.9 The research underpinning the Irish Agri-Taxation Review of November 2014 (http://www.budget.gov.ie/Budgets/2015/Documents/Agritaxation_%20Review%20_Final_web-pub.pdf) indicated that moving land into the hands of the trained saw an average improvement in production of 12 per cent, perhaps more than twice the gain from moving land out of the hands of those over 65.

2.10 The capacity for that average 12 per cent difference to be realistic is shown by the extreme range of the variation, evident in all sectors and all parts of the UK, between high and low performance farms on both physical and financial criteria.

2.11 On the basic overall measure of total factor productivity, the outputs achieved from inputs, it is clear from recent DEFRA studies using FBS data that this variation is not simply about differing levels of success but between success and significant destruction of value. Indeed, those reports showed that for every £100 of inputs:

- only 53 per cent of grazing livestock businesses in 2017/18 achieved more than £100 of outputs, even including Basic Payment, agri-environment income and other on-farm income with
  - the top quartile achieving £134 of outputs for each £100 of inputs
  - the bottom quartile achieving £73 of output for each £100 of inputs (that figure falling to £47 of farming outputs from £100 of farming inputs, once Basic Payment and the other extra sources of income are disregarded
- for cereals farms in 2016/17, only 55 per cent achieved more than £100 of outputs (including all other those other sources of income than direct farming) from each £100 of inputs.

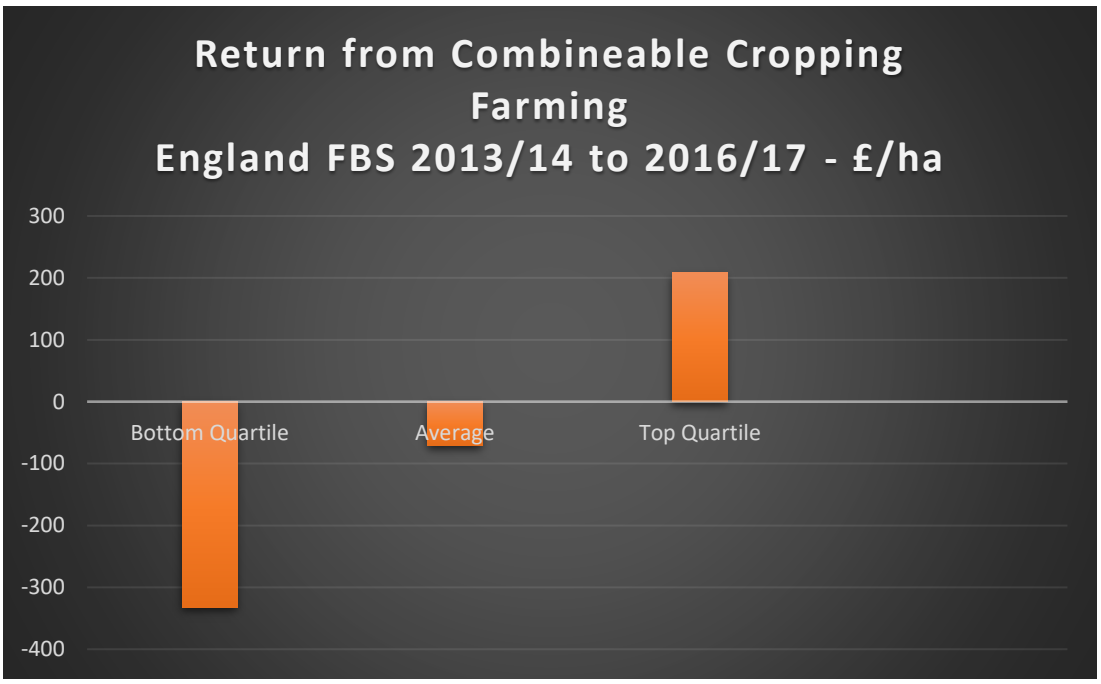
2.12 Taking the range of profitability of farming and, purely for illustration, using the four FBS years from 2013/14 to 2016/17 for the major English farming land use of combineable cropping:

- the top quartile earnt an average surplus of £208/hectare from farming before Basic Payment, agri-environment income and other on-farm income
- the bottom quartile lost an average of £332/hectare before those other sources of income.

For the FBS year 2016/17, lowland livestock farming in England saw:

- high performance businesses similarly earn a surplus from farming of £410/hectare
- low performance businesses lose £207/hectare.

Those patterns are repeated for other sectors and other parts of the United Kingdom.



2.13 Work by the AHDB with Andersons ascribes very little of the difference between commodity production farmers to the quality of land (perhaps 3 per cent), finding the real differences to lie in cost control and other management issues. All told, they see only 5 per cent lying outside the farmer's control, making the question of who is farming critical.

2.14 That is echoed in the concern shown in reports on the relatively lower level of formal agricultural training (and, beyond that, business, environmental management and other training) among UK farmers. The AHDB has noted that even among "farm managers" under 35, 48 per cent have formal training compared with 64 per cent in Germany, 77 per cent in France and 84 per cent in Holland, all countries with sustained records of better productivity improvement than the UK. The Scottish Government reports that just 18.5 per cent of farmers have had at least two years on a fulltime agricultural course, a further 9.9 having a more basic course and 1.2 per cent (388 out of 23,267) having had some vocational training in the previous 12 months (*Survey of Farm Structures and Methods*, 2016).

2.15 While proficiency is not limited to those with training, the coming challenges will call on all available skills. The Institute for Agriculture and Horticulture (TIAH) is being created to promote and co-ordinate skills and training provision throughout a farming life while the

remit for the Agricultural Productivity Task Force includes skills and knowledge transfer. Northern Ireland's aim is that all those taking on farming businesses from 2025 have a level of agricultural education. In England and Wales, tenancy succession's suitability test will, perhaps from 2024, require the applicant to show a higher standard of business and environmental management. Ensuring opportunities for those with skills to have access to land and business becomes key to our future success.

2.16 It is evident from the accumulating reports on how farming will need to adapt to mitigate and manage climate change that much can be done by farms becoming more efficient in ways that are consistent with improved profitability and so productivity. For example, the recent Scottish farmer-led *Suckler Beef Climate Group* report set out ways in which a 35 per cent reduction in emissions could, in principle, be achieved before any reduction in suckler numbers would be needed, with an emphasis on proficiency, innovation and good management in making great changes. The challenge implicit is that is why many of the required measures are not already adopted as natural business improvement and, so, what then might be sufficient to prompt those efficiencies to be adopted.

2.17 In brief, getting proficient farmers onto land that suits them offers a powerful aid to meeting the productivity ambition and achieving a significantly more efficient and profitable sector. Achieving that then not only improves performance on that land but raises the benchmarks more widely for farming – the benefit of making markets in access to farmland more contestable to the benefit of both good existing businesses looking for land and new entrants, starting – and then progressing.

2.18 Opening up land occupation markets to enable good businesses to secure land useful to them and entry for new ones would not only open doors to those who can offer greater proficiency and dynamism but also to those who are more likely to adopt innovation and less locked into the circumstances that have led to current patterns. In turn, that both supports the developing infrastructure for the new models and provides the combined stimulus of example, moral support and competition to those already operating. These seem critical to UK agriculture reviving its growth in productivity and so competitiveness in markets.

2.19 While this is important as a response to the current situation, it is even more so when looking at the prospect of constant future change as markets, public tastes, technology, the climate and other factors evolve as reviewed in the CAAV Discussion Paper, Future Rural Land Uses in the United Kingdom: A Review of Pressures and Opportunities (March 2021). We will need the dynamic opportunities of flexibility in structural change to offer the adaptability and resilience to manage this continuing change as well as to improve the present record.

2.20 DEFRA's May 2021 consultation on the lump sum exit scheme and de-linking of Basic Payment in England drew attention to this potential for progressive improvement through dynamic change, saying:

> "There is a large and widely accepted body of evidence that 'firm dynamics' – the process of more productive firms gaining market share over time – play an important role in driving overall productivity growth across all sectors of the economy. This can

be through entry of new firms, exit of old firms, or expansion or contraction of existing firms." (Footnote 4)

One of the economic papers referred to by DEFRA sets matters out thus:

> "… the success of an economy depends critically on the extent to which the market structure, business climate and institutions promote such allocative efficiency … that resources are allocated to the highest valued use. Achieving high allocative efficiency is not just a static one but a dynamic one. The reason is that the economic environment is constantly changing, requiring an ongoing process of restructuring and reallocation … of outputs and inputs across businesses wherein resources are shifted away from less productive to more productive producers … [with the] need for experimentation and trial and error in both developing new products and processes and in adapting to changes in the economic environment." (*Firm Dynamics and Productivity Growth*, John Haltiwanger, European Investment Bank Papers Vol 16 No 1, 2011)

2.21 With those observations, it is again important to be clear that this paper is not considering changes in the ownership of farmland, which may arise for many reasons beyond an intention to farm, but is looking at enlarging markets in land occupation and the economic gains for all that can be achieved from that. Agriculture appears distinct as a business sector in its reliance on owner occupation of its premises.

2.22 The potential for this gain is all the more real as the effect of the CAP's area payments, illustrated in the stasis reported in the CAAV's annual *Agricultural Land Occupation Surveys*, since the introduction of the Single Payment, has been to pay people to occupy land so encouraging existing claimants to stay, muffling opportunities for economic and structural change. Achieving a positive outcome from the withdrawal of Basic Payment Scheme in England and Wales will depend in part on a policy climate that opens these doors. Even on a more static analysis, the difference noted above between good and poor farming businesses are such as to show what could be improved before the wider, dynamic effects of more contestable markets in land occupation.

2.23 Alongside the overall concern here about productivity, the debates about farmland occupation often touch more specifically on the entwined issue of new entrants to farming. As DEFRA minister, Lord Gardiner, said in the Lords Report Stage of the Agriculture Bill:

> "… the Government recognise the importance of attracting skilled talent into farming, which is important for a sustainable and productive agriculture sector over the long term."

and continued:

> "In the *Farming for the Future* policy update, published in February, the Government gave a commitment to offer funding to councils, landowners and organisations to help them invest in creating more opportunities for new-entrant farmers. We are working towards offering this funding early during the agricultural transition period. …. We will encourage the development of innovative and collaborative bids that deliver the outcomes … including facilitating access to land for talented new entrants and providing them with training and business mentoring advice to help them thrive." (House of Lords, 15th September 2020, cols 1174 -78)

2.24 The CAAV's annual Agricultural Land Occupation Surveys show that new entrants consistently take 20 to 30 per cent of lettings where the tenant changes (many lettings being repeat lettings to the same tenants). The limitation on opportunities for new entrants imposed by the limited number of opportunities overall. Increase those opportunities – as happened between the 1995 tenancy reform and the start of the Single Payment regime – and more good new entrants will get their chance and then be able to progress and build the businesses of the future.

2.25 The analysis in the next sections shows that the Irish tax relief is a measure that can do just that, opening up opportunities across the board. Council farms, now much diminished, and equivalent opportunities can be a part – but only a part – of the picture and, perhaps more importantly, only really achieve the larger aim if there are opportunities to move on so they are not simply a dead end. The 1966 Wise Report of smallholdings estates saw that, even then, there was no "farming ladder" while it is too narrow to conceive of opportunities only coming from traditional estates. The Irish tax relief shows how to tap the large market of small and medium farmers, especially where they are wearying, retiring, losing money or have other things to do.

2.26 The Irish Republic has tackled this part of its answer to the same productivity question positively with an Income Tax relief on the arm's length letting of farmland for five years or more at a current annual cost there of less than £25m. Its sustained progress in developing a tenanted sector offers a means and an exemplar to the United Kingdom.

2.27 This paper now looks first in Chapter 3 at the measures taken by the Irish Republic to promote the letting of farmland and then at the evidence of what resulted with:

- Chapter 4 reviewing the data from the Irish Revenue administering the reliefs
- Chapter 5 and 6 reviewing reports on land market developments from the annual Teagasc/SCSI surveys and the Institute of Professional Auctioneers and Valuers (IPAV)
- Chapter 7 supplementing that with press reports on market developments in early 2021.

2.28 Chapter 8 then reviews the first reported study on the productivity benefits for dairy farms that had been in place both before and after the enhanced relief.

2.29 Chapters 9 and 10 then consider the potential relevance of this to the United Kingdom and its transferability with a review of possible costs and benefits.

WHAT WAS DONE IN IRELAND

3. The Irish Tax Policies to Promote Letting Farmland

3.1 With the tenanted agricultural sector dismantled in Ireland over a century ago, land has only been made available between farmers on seasonal arrangements, known as conacre. Covering perhaps 30 per cent of the agricultural land area, there is concern that this arrangement often gives little confidence to either owners or takers to invest in land management, productivity or environmental care. That has been a theme not only in the Republic but also in Northern Ireland, raised in both the Agri-Food Growth Strategy and the Sustainable Agricultural Land Management report.

3.2 With concerns very similar to those in the United Kingdom over agricultural productivity, the Irish Government instructed a large piece of econometric research to underpin its Agri-Taxation Review of 2014. Key findings from the research included:

- investment in capital and stock was reflected in output
- overall, a trained farmer had 12 per cent higher levels of output than untrained ones
- farmers over 65 typically had output between 4 per cent and 7.1 per cent lower than farmers under 65.

Indecon's research report assessed the benefits of the overall package of recommended tax change as 1.16 times their combined direct and indirect costs and concluded:

> "… the ownership and age profile of the Irish agricultural sector is preventing it from realising its potential … In particular, there should be a new focus on facilitating land access and enhancing the relative incentives for leasing. … failure to introduce radical effective measures to increase long term leasing and to facilitate younger age farmers would represent a lost opportunity for the Irish economy."

3.3 That research by Indecon was considered by the Irish Government's inter-departmental Working Group which made twenty five recommendations for tax changes to the Minister of Finance and the Minister for Agriculture, Fisheries and the Marine. The overall policy objectives continue to be:

- increase mobility and the productive use of land
- assist succession
- complement wider agricultural policies and schemes, including investment, environmental sustainability, alternative farming models and responses to income volatility.

As summarised in a later review,

> "… an overarching principle of policy in this area is to ensure existing resources, especially land, are focussed on active, productive farmers." (*Budget 2019: Report on Tax Expenditures*)

3.4 Developing that policy objective, the *Budget 2019: Report on Tax Expenditures* advised:

> "Long-term leasing has a number of advantages over the short-term conacre system, it allows progressive farmers to enlarge their farm holdings and increase productivity and also:

- allows young farmers and new entrants to the sector cheaper access to land through long-term leasing, as opposed to the relatively high cost of land purchase;
- provides security of tenure and the certainty required to encourage lessees to maintain and make investments in improving land;
- is especially important in accessing bank credit (financial institutions generally match loan terms to lease duration and longer duration allows for phased repayment on capital investment); and
- provides a route to retirement for older farmers, assisting in generational renewal.

3.5 Income Tax Relief on the Arm's Letting of Farmland for 5 or More Years – Almost immediately following the publication of that review and the resulting recommendations, the Irish Government introduced for 2015 substantial increases in the previously minor Income Tax relief on rents from arm's length lettings by written agreement of farmland for more than five years (s.664 of the Taxes Consolidation Act 1997 as amended). "Farmland" is defined to mean:

> "land in the State wholly or mainly occupied for the purposes of husbandry and includes a building (other than a building or part of a building used as a dwelling) situated on the land and used for the purposes of farming that land;".

This relief operates in a way similar to the United Kingdom's £7,500 Rent a Room relief of income from lodgings and claimed by some 23,000 UK taxpayers.

3.6 The Irish Republic had first introduced a relief from Income Tax on farmland rents in 1985 on up to £2,000 of rent. That was progressively developed so that by 2014 it was available where farmland was let by a taxpayer over 40 (the lessor, not the tenant) for more than 5 years (but not to a connected party or a company) with relief increasing with the length of the lease, exempting rental income from Income Tax:

- on 5 to 7 year leases on up to €12,000 pa
- on 7 to 10 year leases on up to €15,000 pa
- over 10 years on up to €20,000 pa.

However, the uptake had been low by 2014 (a tax cost of some €5m) and it is anecdotally understood that lease lengths appeared driven by the thresholds.

3.7 Following the 2014 Agri-Taxation Review, the November 2014 Budget sharply increased this relief for January 2015 (Ireland uses the calendar year as its fiscal year) for leases granted on or after 1st January 2015 to be:

- up to €18,000 pa for leases of 5 to 7 years
- up to €22,500 pa for leases of 7 to 10 years
- up to €30,000 pa for leases of 10 to 15 years

with a new category for leases over 15 years with relief of up to €40,000 pa on rent, intended to align with periods for farm credit.

3.8 The scope of this enhanced relief was broadened with:

- the removal of the previous lower age limit of 40 for a qualifying landlord
- leasing to non-connected companies allowed.

3.9 Other Supporting Tax Measures – This was the key part of package of measures resulting from the 2014 Agri-Taxation Review which also included measures removing potential obstacles to the letting of land stimulated by the Income Tax relief:

- the extension of the 90 per cent agricultural relief from Capital Acquisitions Tax (Ireland's donee-based equivalent to Inheritance Tax, charged at 33 per cent rate) to land leased out for not less than six years at the time of the gift or inheritance to the holder of an agricultural qualification to someone farming the land for at least half their normal working time on a commercial basis for profit. Other non-farming owners than such landlords were excluded. In a more constrained way and within the context of the Irish tax system, this is akin to the full extension of APR in the UK in 1995 to all farmland let after September 1995
- extending Capital Gains Tax retirement relief to:
    - allow individuals who have farmed the land to 10 years and then leased out their land for up to 25 years prior to disposal (a minimum 5 year lease is required for non-family disposals of the land)
    - as a short term measure, land let under conacre, which was disposed of, or converted to long term leasing before the end of 2016
- then (subject to EU State Aid rules) removing stamp duty on agricultural leases in excess of five years though this relief has since been limited to leases of between 6 and 35 years to a tenant who either has an agricultural qualification or farms the land for at least half the normal working time.

3.10 These changes are essentially permissive, bring a substantial degree of financial neutrality to choices about land occupation (as with the 1995 increase in APR in the UK which removed an obstacle to the opportunities given by the 1995 FBT legislation). Of themselves, these changes did not encourage letting or change behaviour over land occupation but they removed obstacles to it when the Income Tax relief positively changed mindsets.

3.11 The market reports reviewed below in Chapter 5, 6 and 7 all report in terms of the Income Tax relief as the driver of change with little comment on these buttressing reliefs with their greater complexities but broad reassurance. The evidence from the market reports is also that the market has paid more interest to the five year threshold for the Income Tax relief than to the six year one tending to apply for capital taxes.

3.12 **Succession Farm Partnership Credit** was also made available where a farmer enters into a partnership, registered with the Government, with a successor under 40 with an agreement to transfer at least 80 per cent of the farm assets to that successor within a specified period. The relief is provided as an annual tax credit worth up to €5,000 per annum for a five year period to be split between the partners in proportion to their profit shares so long as the successor is under 40, so far as each party has assessable profits.

3.13 2017 saw the first claims for this Income Tax relief in 2017 which totalled just €400,000 with 175 claimants, an average relief of €2,286 per claimant. In 2018, 290 claimants received €600,000 in relief, €2,069 per claimant. While helpful in individual cases, this effect is small, even negligible, in comparison to that of the Income Tax relief and its 11,000 claimants in 2018 in changing who is farming what land.

3.14 Outcomes – As analysed in the remainder of this paper, the enhanced Income Tax relief for letting farmland has stimulated a major change in behaviour with the creation and expansion of a noticeable let sector in Irish agriculture. It has proved to be a policy intervention that has been effective in creating a let farmland sector.

3.15 On the basis of the underlying research, the value of the relief is proportionate to its use and so to the amount of land that is let on the required terms with the economic benefits that should flow from that. That relief is on income that would not otherwise have arisen. Where it is claimed, that is because the land has now been let on the required arm's length terms by owners who see benefit in doing that; the rent or other practical benefit to them from having someone else farm the land and pay rent to them for it persuades them to let it. The true tax cost is the loss of such tax as would have been due on the income that would otherwise have arisen from continuing to farm in hand. That taxable income is likely to have been significantly less than the value of the rent now arising. Equally, the logic of the relief is that the new tenant of the land is more likely to be generating taxable income.

3.16 This paper reviews the accumulating evidence of the markedly positive impact of this policy in a country which is very similar to the United Kingdom but which, for historical reasons, has seen agricultural tenancies as culturally alien, a strong attitudinal hurdle to be overcome.

3.17 The first opinion on the early outcome came from the Department for Agriculture, Fisheries and the Marine in the *Annual Review and Outlook for Agriculture Fisheries and the Marine 2015-2016* which gave an early report:

> "There has been anecdotal evidence of an increase in long term leasing but there is no official data as there is a significant time lag for Revenue information in this regard. In order to gauge the effectiveness of the rent changes, the Department carried out its own survey in 2015. This indicated that a significant behavioural shift from renting on a conacre basis to longer term leasing has occurred.
>
> - 27% of respondents commencing a new long term lease in 2015
> - Almost two thirds of these indicating that it was the first time they had entered a long term lease."

3.18 That has since been much developed and expanded with the continuing growth of the Irish let farmland sector with evidence coming from:

- the official data released by the Irish Revenue which, with the natural time lags in reporting on tax returns, saw the most recent data released in August 2020 covering the fourth year of the operation of this relief (2018). Chapter 4 reviews and uses this data on the use of the tax relief in the four years, 2015, 2016, 2017 and 2018
- surveys of the Irish farmland market up to 2020 and reports from early 2021. Chapters 5, 6 and 7 use reports by professional bodies, from those active in the markets and in the press, collectively summarised here as market reports running into early 2021 and so with later evidence and reports of what happened as the first agreements expired.

WHAT WAS THE RESULT?

4. The Evidence from the Irish Revenue

Notes:

- *The Irish Revenue data is necessarily delayed by the lags in first receiving and then processing the Income Tax returns for each calendar year. Thus, the Revenue's data for 2015 was published in August 2017, that for 2016 in August 2018, that for 2017 in August 2019 and that for 2018 in 2020.*
- *Jointly assessed couples are treated as one person in the Revenue data. Thus, where a jointly owned farm is let out by a husband and wife that is reported as a single landlord.*
- *This data only captures the claims for relief on rental income, not on the actual area let or the full rent for it. Where, for example, an owner lets 150 acres but the ceilings only allow a claim for relief on the rent from 100 acres, only that rent would appear in the figures. Yet the relief could have been relevant to the decision on the larger letting.*

4.1 The Use of the Increased Reliefs from Income Tax on Farmland Rents

4.1.1 The Irish Revenue's data for 2015 (issued in August 2017), the first year of the increased relief, showed that this increased the number of landlords claiming the relief by 30 per cent and the land area let by 50 per cent. As land management decisions frequently take time to make and then implement, that was a striking initial response with:

- a 51 per cent increase in the value of the relief
- a 33 per cent increase in the number of taxpayers claiming the relief, to twice the number claiming in 2011.

That trend has since continued in the data released for the years to 2018, creating an agricultural tenanted sector in the Republic for the first time in a century. It is reported at https://www.revenue.ie/en/corporate/information-about-revenue/statistics/other-datasets/farming-sector.aspx

4.1.2 The evolution of the practical effects of this policy with its substantial and sustained acceleration following the 2015 changes is shown in this table.

Year	Cost	Number	Average Relief
2009	€4.4m	2,960	€1,486
2010	€5.0m	3,230	€1,548
2011	€6.3m	3,590	€1,755
2012	€7.3m	3,980	€1,834
2013	€7.3m	4,370	€1,670
2014	€9.2m	5,130	€1,793
2015	€13.9m	6,830	€2,035
2016	€19.4m	8,490	€2,285
2017	€23.7m	9,790	€2,421
2018	€27.5m	10,820	€2,514

4.1.3 As an initial summary, the first four years of the new policy have seen:

- a 111 per cent increase, more than doubling, in the number of farmland owners letting land out, becoming landlords of arm's length tenants paying rent.
- a 296 per cent increase in the scale of the relief revealing that this is releasing larger areas of land into the let sector and giving some indication of the extra area of land that has been let and so also of its potential benefit to the Irish agricultural economy.
- that more than proportionate effect is revealed by the steadily increasing average size of the relief for each claimant from €1,681 over the years from 2009 to 2014 to:
    - €2,035 in 2015, 13 per cent up on 2014
    - €2,285 in 2016, 27 per cent up on 2014 and 12 per cent up on 2015
    - €2,421 in 2017, 35 per cent up on 2014 and 6 per cent up on 2016
    - €2,514 in 2018, 40 per cent up on 2014 and 4 per cent up on 2017

  indicating that each year the average area let by each claimant is growing (or possibly that it is land with an increasingly higher rental value that is being released).

As at the end of 2018, Ireland was on the edge of having 11,000 agricultural landlords; indeed, it probably already had more than that when allowing for those outside the scope of this relief. The market reports reviewed in Section 5 below suggest that this figure will have continued to grow.

4.1.4 As the number of claimants has increased sharply and the average value of the relief has risen by less than the increase in the ceilings on the reliefs, that shows that the changes for 2015 have succeeded in attracting many more farmland owners (at least 5,500) to become landlords, not simply giving more relief to the same people. In short, this appears to be rewarding new decisions affecting larger areas of farmland rather than just giving more relief to old ones. On that basis, it seems reasonable to suppose that the newly let area is a substantial and real increase in the let area. The simple conversion of previous arrangements into longer formal lettings was more likely to have been in 2015 than in subsequent years.

4.1.5 As an attempt, ahead of further information, to put some order of magnitude on these figures:

- if it is assumed that the relief is typically at the Irish basic tax rate of 20 per cent
- with income otherwise relieved or exempt outside this relief, the value of rents relieved would then have been
    - €69.5 million in 2015
    - €97 million in 2016
    - €118.5 million in 2017
    - €136 million in 2018.

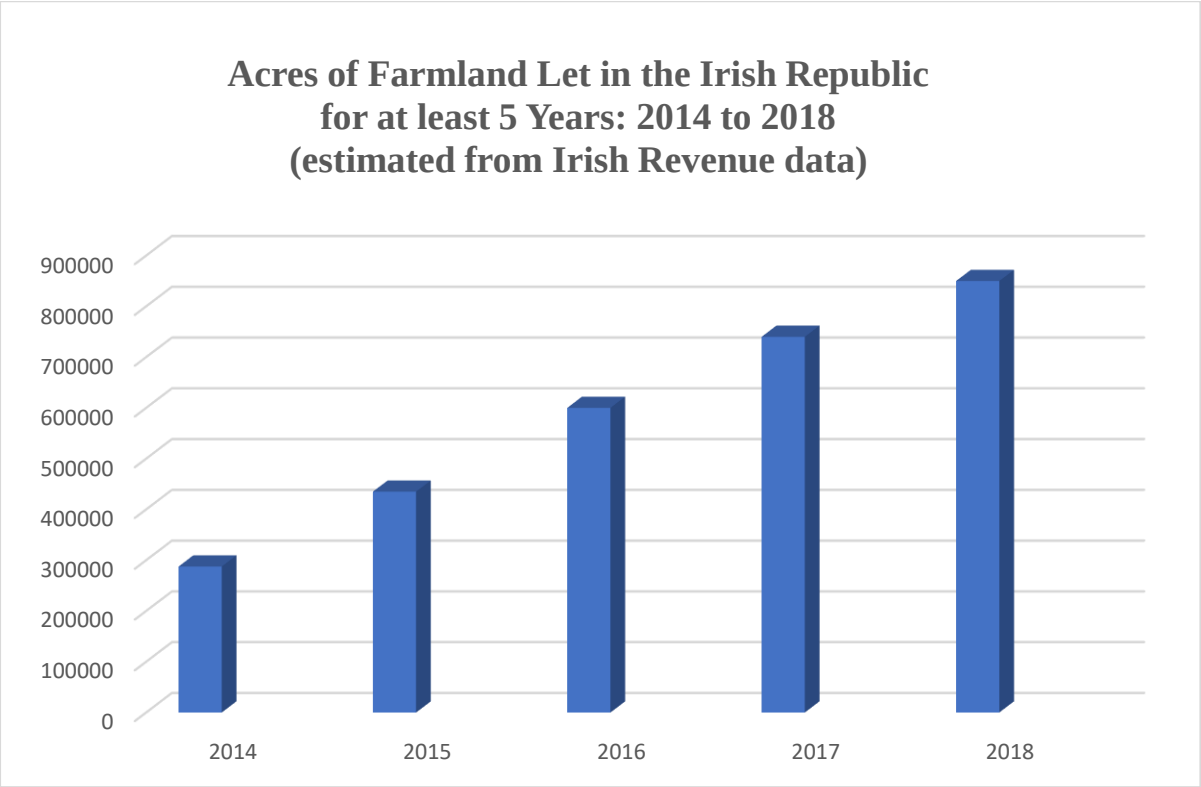
  Again, it is noted that on some units there might be a part of the rent that is above the applicable ceiling on the relief and so that actual total of rents would be higher. For comparison, the 2019 TIFF figures for the much larger United Kingdom deduct rents of £556 million, a total that just four and a half times larger what appears to have been achieved in the Republic.
- moderating the average rents suggested by remarks below of €160/acre to allow for the typical spread of actual rents and potentially lower figures in the Republic's areas of

Munster and Connaught/Ulster that gives a very rough estimate of the area of farmland let on terms of at least 5 years and giving rise to the relief of:

- a total of 435,000 acres in 2015, up from a figure for 2014 on the same assumptions of 287,500 acres – an increase of about 150,000 acres in the first year
- a total of around 600,000 acres in 2016, so some 300,000 acres above 2014
- a total figure of around 740,000 acres in 2017, so some 450,000 acres above 2014
- a total of 850,000 acres in 2018, so some 560,000 acres above 2014.

These totals cannot include any additional area of land let as part of tenancies qualifying for the relief but with rent in excess of its ceilings.

Those figures should not be treated as anything other than a speculative illustration, though the relationships between the figures for the five years is likely to be broadly accurate.



4.1.6 The average size of holdings in the Irish Republic reported in the last census in 2010 was 81 acres. Multiplying that by the number of claimants produces a figure of 553,230 acres for 2015, 687,690 acres in 2016, 792,990 acres in 2017 and 876,420 in 2018. That suggests either that €160/acre overstates the average rent or perhaps, as may be at least as likely and with reports of rising dairy rents, it has typically been smaller units that are let. The rough estimates of:

- 435,000 acres in 2015 would yield an average let area of 64 acres
- 600,000 acres in 2016 would yield a slightly higher average let area of 71 acres.
- 740,000 acres in 2017 would yield a slightly higher average again of 76 acres, now closer to the reported overall average

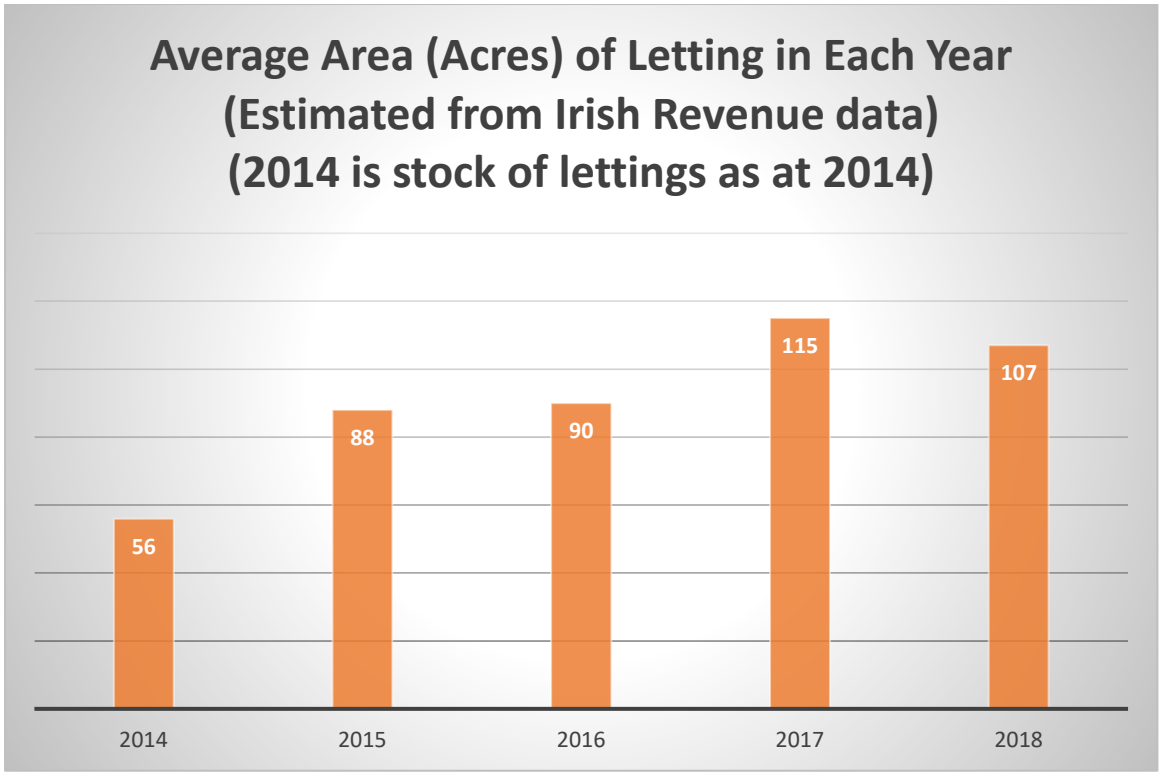
- 850,000 acres in 2018 would yield a slightly higher average still of 79 acres, close to that reported average.

These figures are consistent with seeing both established farmers taking more land to strengthen their businesses and new entrants securing land (whether as offshoots of existing farming businesses or absolutely fresh starts).

4.1.7 Those average areas are all reduced by the smaller areas let from before 2015; the average letting gaining relief in 2014 for 5,130 landowners on the assumed 287,500 acres would have been 56 acres. The analysis here suggests that the lettings from 2015 involve progressively larger average sizes of unit:

- if the 1,700 new landlords in 2015 let around 150,000 acres, the average area of a letting area was about 88 acres
- if the 1,660 new landlords in 2016 let around 150,000 acres, the average area of a letting area was about 90 acres
- if the 1,300 new landlords in 2017 let around 150,000 acres, the average area of a letting area was about 115 acres
- if the 1,030 new landlords in 2018 let around 110,000 acres, the average area of letting would be about 107 acres, the second year that this figure would have been above 100 acres.

That means that relief is unlocking more substantial units with each year that passes with larger opportunities for the businesses that benefit.



4.1.8 At its most basic, that analysis suggests that the increased relief has seen the new arm's length letting on terms of five years or more of at least 560,000 acres in just the four years from

2015 to 2018. On the face of it, that is a marked revolution in agricultural land tenure for the Republic of Ireland.

4.1.9 With a total agricultural area in the Republic of some 11.1 million acres (excluding common land), the area of land let on a term of at least 5 years and benefitting from the tax relief would by the end of 2018 have reached towards 8 per cent of the available agricultural land area, possibly having been about 2 per cent in 2011. While that may look a small fraction, it is the creation of a previously non-existent sector that had been resisted by traditional practice.

4.1.10 While it might be thought that this would largely come from land on seasonal conacre agreements (an area in the Republic thought to be similar to the nearly 30 per cent of land area seen in Northern Ireland), comments reported below indicate that, while let land is coming from conacre, some has also been moving directly from in-hand farming where the owner (not necessarily just elderly owners) is withdrawing from using the land in question but retaining ownership.

4.1.11 Overall, it would appear from the Irish Revenue data that the 2015 Budget measures have had not only an immediate impact but a sustained one in:

- more than doubling the number of landlords of tenancies for 5 years in its first four years
- drawing increasingly larger units into the let sector
- achieving towards a six-fold increase in the area of land let.

That is, in itself, significant as such land management decisions commonly take some time to make and work through, especially with the conventionally cautious attitudes to land of small farming landowners for whom it is a commonly a substantial and patrimonial asset, linked to family identity. Taking and implementing the decision to let it out, not for just a few months under conacre, but for bound terms of at least five years to an arm's length tenant is a major step and change in culture.

4.1.12 Some of this effect will not only come from the substantial level of relief (now set high enough to change behaviour rather than just make a policy gesture) but also the simple design of the scheme. It will come in addition from the sense of political approval for letting so that it is taken as a stable part of the taxation framework.

4.1.13 The evidence from the Irish Revenue reports on tax returns continues to point to the enhanced relief being effective in achieving a significant change in land occupation – as intended. That is then given more detail and support by farmland market reports which show that trend continuing in 2019.

5. Irish Land Market Reports: The SCSI/Teagasc Surveys to 2020

5.1 Introduction

5.1.1 The overall statistical and necessarily retrospective evidence from the Irish Revenue is supplemented and given some practical detail and perspective by the evidence of reports from surveys and professionals on market activity.

5.1.2 Those reviewed in this Chapter come from both the annual *Land Market Review and Outlook*, published by the SCSI (Society of Chartered Surveyors in Ireland) and Teagasc (the Irish Government's official agricultural research, advice and education agency), reviewing trends in the previous year and offering a market outlook for the current year.

5.1.3 As well as reviewing the Republic as a whole, the SCSI/Teagasc reports comment on experience in each province of Ireland, here combining the counties of Ulster that are in the Republic with Connaught.

5.2 The 2017 SCSI/Teagasc Land Market Review and Survey

5.2.1 This Survey, effectively covering 2016, reported on SCSI members' opinions of the market place in a way that allowed some measure of sentiment and comparison. The Department's view (see 3.14 above) was affirmed but now with some more detail:

> "The majority (64%) of chartered surveyors reported that the tax relief for long term leasing of land introduced in Budget 2015 impacted (either moderately or significantly) on the volume of transactions. Respondents in Leinster (excl. Dublin) reported the highest level of impact (72%) of all regions, while over a quarter (26%) of respondents in Connaught/Ulster reported little or no impact."
>
> "Most SCSI members continue to be of the view that the measures introduced in Budget 2015 have led to an increase in long term leasing. In Leinster [the eastern province], it appears that the increase in long term leasing activity is associated with a decline in the land rented under the conacre system (i.e. short lets of less than 12 months). In Leinster, 38% of survey respondents reported a decline in the area allocated to conacre, while 66% of survey respondents, in the same region, reported an increase in the demand for long term leases.
>
> "The rise in long term leasing is also evident in the other two regions but is not concurrent with large declines in the conacre area. In Munster [southwest], 52% of survey respondents reported an increase in the demand for long term leasing while 58% of survey respondents in Connaught/Ulster reported the same trend. However, only 19% of respondents in Munster and just 16% of respondents in Connaught/Ulster reported the same pattern.

"The overall finding in relation to the land market suggests that rise in long term leasing is leading to a tightening in the land rental market in Leinster as land is transferred from conacre to long-term leasing. In Munster and Connaught/Ulster, this pattern is less apparent. In both of these regions, there has been little change in the price for the majority of rented land and the rise in long term leasing does not appear, as of yet, to be driving a decline in the conacre area."

5.2.2 Reviewing those remarks in 2017, that appeared to suggest that:

- in Leinster, with a larger area of better land, longer leasing had both replaced some conacre and brought new land in the market. In particular, it appeared that the dairy sector was driving demand for the more suitable land in the east and south of Ireland.
- in Munster and Connaught/Ulster it had less effect on conacre but had brought some new land into the let sector.

5.2.3 Even so, the conacre market then appeared to remain robust:

"Nationally 56% of chartered surveyors report no change in land let under conacre in 2016, a result which is almost identical to that reported in 2015. However, there was a marked decrease (8%) in the proportion of respondents reporting an increase in the in the area let on conacre over the same period."

5.2.4 Looking ahead, the report then commented:

"With regard to the land rental market, the data shows that 26% of survey respondents have expectations of an increase in the volume of agricultural farmland for leasing. 51% expect no change and 13% expect that the volume of agricultural farmland for leasing will decline in 2017."

5.2.5 Again, that varied between regions:

"In relation to the land rental market, the expectations for 2017 vary between regions. Relative to respondents in the other two regions, the survey respondents in the Leinster region expressed greater optimism regarding the volume of land leasing agreements in 2017. For instance, 34% of survey respondents in Leinster expect an increase in the volume of leasing. This compares to only 19% of respondents in Munster and 26% in Connaught/Ulster."

5.2.6 The types of owners most active in leasing were reported as:

- farmers who were no longer interested in or who have retired from farming
- landowners who had inherited but had no desire to farm.

5.2.7 There could have been hints in the Survey that following a marked increase in letting following the 2015 Budget's increases in relief on rents the pace of that growth might (perhaps perfectly naturally) have been easing:

"In terms of the volume of agricultural land leased in 2016, 45% of chartered surveyors nationally reported no change, while 24% reported an increase in volumes, representing a marginal decrease on 2015 levels. There is an evident regional disparity, with 33%

of chartered surveyors in Leinster reporting an increase in the volume of farm land leased compared to 10% in Connaught/Ulster."

"Nationally, 60% of chartered surveyors reported that the demand for long term leases (tenures in excess of 5 years) increased in 2016, a decline of 9% on 2015 levels. Similarly, there was a decrease in the proportion of respondents who reported that the average duration of lease agreements had increased with 39% reporting an increase compared with 55% in 2015."

5.2.8 That appeared to describe a possible levelling in the growth of longer leasing, but not a decline. On its introduction, the Income Tax relief would naturally attract the accumulated number of people most susceptible to it with perhaps only smaller additional numbers accruing in each subsequent year. The Basic Payment offered a countervailing pressure against letting, perhaps especially as its payment values (generally reflecting historic patterns of subsidy distribution between farmers from before 2005) were being phased to standard rates over a longer 10 year period in the Republic.

5.2.9 However and as reviewed below in these chapters, the new let sector instead continued to grow.

5.3 The 2018 SCSI/Teagasc Survey

https://www.teagasc.ie/media/website/publications/2018/Land-Review-and-Outlook-Report-2018.pdf

5.3.1 The SCSI/Teagasc *Land Market Review and Outlook 2018*, published in May 2018, summarised the returns made by agents across the Republic as to agricultural land sales, lettings and valuations.

5.3.2 Its core conclusion was the sense of accelerating activity in the lettings market:

- 28.8 per cent of those surveyed were seeing more letting activity compared with 17 per cent seeing less (the equivalent figures for sales were exactly 28.8 per cent each way)
- **that net positive balance of 12 per cent for lettings activity was higher than the net positive balance for 2016 of 9 per cent, in turn higher than the figure of 6 per cent for 2015** (the only year for which there are Irish Revenue data) – see the chart at 5.3.5 below. Over the same period, the balance of activity in the sales market had fallen from a positive of 9 per cent to nil.
- as previously, the volume of activity was principally in the more productive provinces of Leinster (41 per cent of those surveyed here saw increased letting activity) and then Munster
- as to types of landlord:
    - 77 per cent of respondents saw landowners who inherited but did not wish to farm as active in this market
    - 79 per cent saw farmers no longer interested in farming or who had retired as active
    - there was much less letting activity among farmers continuing to farm but leasing part and other owners more generally

- the area reported by those surveyed as let on conacre (typically an arrangement for only a season) having grown by 3 per cent in 2014, fell by 3 per cent in 2015, and has then fallen further by 15 per cent in 2016 and 28 per cent in 2017, suggesting a progressive shift to longer term lettings as desired by the Irish government as well as drawing more previously in-hand land into the let market
- 46 per cent of those surveyed were seeing the demand for longer leases (five years and more) increasing, up from 39 per cent in 2016. Just 7 per cent were seeing less demand with such lettings.

5.3.3 The Report also showed that, at the same time as the let land market was expanding, rental values were generally increasing. That would suggest that a market equilibrium had not yet been reached as the point when increasing supply might bear down on price.

5.3.4 The Report recorded two respondents summarising the position:

- Dillon Murtagh of Murtagh Bros in Mullingar:
  "Leasing farmland is an increasingly widespread practice for farmers as it allows the property to stay within their family and on their bank balance. It provides a flexible and tax-free alternative to selling."
- Miah McGrath of McCarthy McGrath in Midleton, Co Cork
  "Leasing is becoming more and more appealing to both landowners and farm operators now that long term leases have replaced the old annual conacre licence system. It provides landowners with security and with long term leasing now possible, operators can make necessary upgrades to farms for their needs."

5.4 The 2019 SCSI/Teagasc Survey

https://www.teagasc.ie/media/website/publications/2019/SCSI-Teagasc-Agricultural-Land-Market-Review-and-Outlook-2019.pdf

5.4.1 The 2019 Report observed that:

"The demand for long term leases appeared to have increased significantly in 2018 relative to 2017. This increase was slightly more pronounced in Munster and Connaught/Ulster than in Leinster but the trend was similar. In Connaught/Ulster, none of the survey respondents reported a decrease in demand for long term leases."

That, a year later than the 2018 report, could suggest that attraction of leasing was now spreading across the Republic, having first taken root strongly in Leinster.

5.4.2 Most respondents thought demand for these leases had been higher in 2018 than in 2017:

- 51 per cent in Leinster
- 70 per cent in Munster
- 64 per cent in Connaught/Ulster

The only area where some respondents (3 per cent) thought it might decline was in Leinster. These are stronger figures than in the 2018 report.

5.4.3 73 per cent of respondents thought that the increased tax relief on rental income had had a moderate to significant effect on letting activity (reflecting the different areas, this was 84 per cent in Leinster, 70 per cent in Munster and 59 per cent in Connaught/Ulster).

5.4.4 **Leases Lengthening?** – Respondents also thought that the average lengths of these leases had grown in 2018 with:

- 36 per cent of respondents in Leinster thinking that, 40 per cent in Munster and 34 per cent in Connaught/Ulster
- just 3 per cent in Leinster, none in Munster and 4 per cent in Connaught/Ulster thinking they were reducing in length.

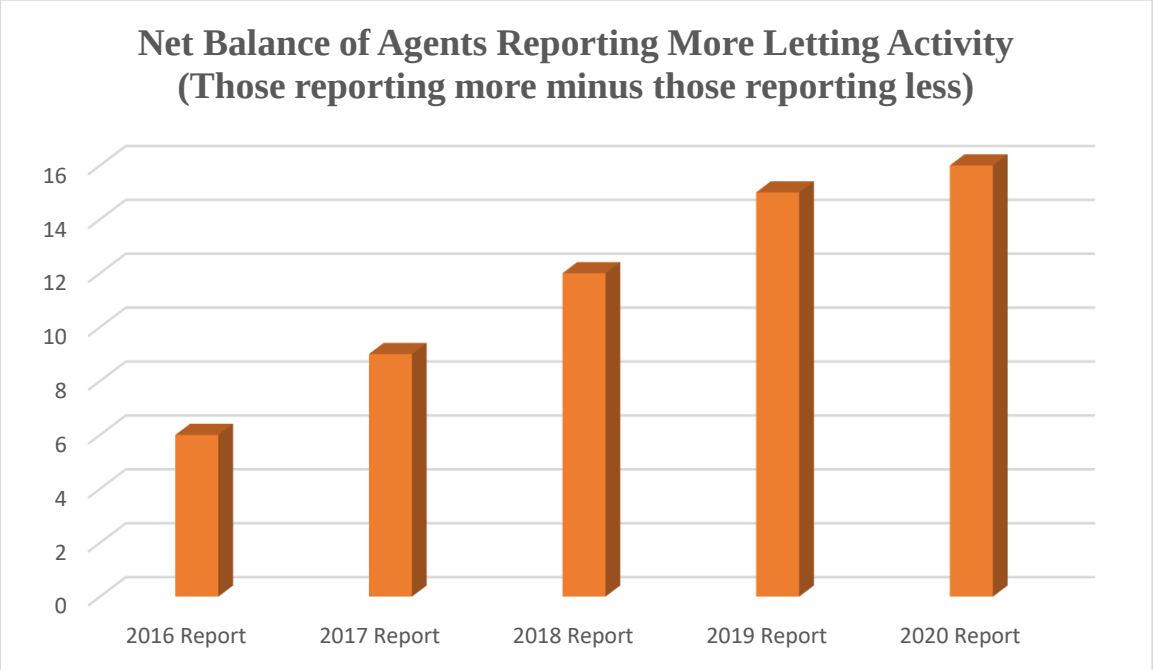
In summary:

> "The average duration of lease agreements also appeared to be stable or increasing in all three regions …".

5.4.5 Looking ahead to 2019, the Survey reported that 52 per cent of respondents thought letting activity would remain the same, 26 per cent thought it would increase and 11 per cent that it would decrease. That is net positive balance of 15 per cent. The report summarised:

> "It is safe to say that in general, members considered that the volume of farmland that would be leased in 2019 would be more than in 2018."

This chart shows the continuing growth, year on year, of the positive balance of the percentage of agents reporting more activity in letting farmland.



5.4.6 The report recorded:

- most activity in letting by:
  - farmers who had retired but were no longer interested in farming
  - farmers who had inherited land but had no desire to farm it.
- less activity by farmers were those continuing to farm but had decided to lease out a portion of the farm though this was suggested to more common for cropping farmers.

5.4.7 Market expectations were for the area let to continue to grow in 2019 at the same time as the area under conacre was expected to grow.

5.4.8 **Prospect of Brexit?** – The Outlook Survey sought attitudes by landlords on the potential effect of Brexit on letting land. While recognising that potential tenants might face

more uncertainty about the future than landlords, possibly lower rents might be seen, especially for livestock enterprises. Proximity to the border was a factor in the mixed opinions found:

- 32 per cent of landlords in Connaught/Ulster feeling that it might deter lettings and 9 per cent that it might encourage them
- in Leinster, equal fractions of 22 per cent thought that it would deter lettings and that it would encourage them
- in Munster, 14 per cent thought it would deter lettings and 10 per cent that it would encourage them.

5.4.9 **Rental Values** - It reported rental values per acre by various uses and for the three geographical areas:

	Leinster			Munster			Connaught/Ulster		
	2017	*2018*	*%*	*2017*	*2018*	*%*	*2017*	*2018*	*%*
Grazing/silage	€194	€197	+2	€191	€198	+4	€122	€160	+23
Grazing only	€182	€190	+4	€174	€182	+4	€124	€141	+13
Cereal Crops	€220	€216	-2	€263	€209	-26	€170	€179	+5
Potato Crops	€426	€348	-22	€295	€230	-28	n/a	€252	n/a
Other Crops (roots, maize, pulses)	€299	€246	-22	€195	€268	+27	€80	€183	+56

***Note** – The reported percentage changes from 2017 to 2018 do not appear to be directly from the quoted figures.*

5.5 The 2020 SCSI/Teagasc Survey

https://www.scsi.ie/documents/get_lob?id=1540&field=file

5.5.1 The survey work was undertaken in December 2019 and January 2020 with interviews in February 2020, and so as the UK's Withdrawal Agreement was settled (with Brexit felt to have deterred activity in the land market, especially for sales) but ahead of the Covid-19 pandemic.

5.5.2 Showing that the trend of growth in lettings continued in 2019, 79 per cent of respondents were letting the same or a greater volume of land 2019 when compared to 2018. Those seeing increased areas outweighed those doing less by some three fold. The positive balance of those reporting an increased area over a decreased area rose again, to 16 per cent (see Chart at 5.3.5).

	Leinster	Munster	Connaught/Ulster	National
Increased	28	19	20	23
Stayed the Same	46	67	64	56
Decreased	9	4	8	7
Don't Know	17	11	8	13

5.5.3 The demand for leases for 5 years and more was seen to be growing substantially.

	Leinster	Munster	Connaught/Ulster	National
Increased	57	58	56	57
Stayed the Same	30	31	40	33

Decreased	0	4	0	1
Don't Know	14	8	4	9

5.5.4 Their average length was seen to be increasing.

	Leinster	Munster	Connaught/Ulster	National
Increased	32	58	32	40
Stayed the Same	52	35	60	49
Decreased	2	0	0	1
Don't Know	14	8	8	10

5.5.5 An agent from Leinster was reported saying:

> "I think leases are lengthening because it's a safer option than to buy land, especially if it is difficult to raise capital for buying farmland. Land does not become available often, so if it is choice between buying land or missing out, people will take longer lease interests."

What is though interesting is that farmers are willing to offer that land on these terms. One comment on that was:

> "Landowners only sell if absolutely necessary. Owners might lease out land if they want to cut back on their farming activity …"

That thought was tempered by another comment from someone seeing less land let:

> "land changes hands very rarely … but land can be rented out frequently. It's a safer option for both the landowner and the tenant, and cheaper too ... During the recession, farmers were looking for rental income but I think that's stopped now. I think that the amount of land for rent will probably decrease as lease lengths rise."

5.5.6 Those letting land were principally drawn from:

- farmers who were no longer interested or retiring from farming and
- those who had inherited land with no desire to farm it.

Those scaling back farming activity were less prominent in the market.

5.5.7 In more detail:

- for farmers no longer interested in or retired from farming

	Leinster	Munster	Connaught/Ulster	National
Very Active	20	32	20	23
Somewhat Active	73	40	56	59
Rarely/Never	8	28	24	18

- inheritors with no desire to farm were close to retiring farmers in their behaviour

	Leinster	Munster	Connaught/Ulster	National
Very Active	20	19	36	24
Somewhat Active	68	67	48	62
Rarely/Never	13	14	16	14

- continuing farmers (and so leasing out some land) formed a more occasional part of the market

	Leinster	Munster	Connaught/Ulster	National
Very Active	5	4	4	4
Somewhat Active	50	40	38	45
Rarely/Never	45	56	58	52

- others owning farmland were, if anything, less engaged in this market

	Leinster	Munster	Connaught/Ulster	National
Very Active	6	10	0	6
Somewhat Active	38	35	18	32
Rarely/Never	56	55	89	62

5.5.8 With this background, the Survey then reviewed the market for conacre land in 2019 with figures consistent with conacre remaining a distinctive market with only some loss, probably to letting, and so longer lettings drawing directly also from owner occupied land.

	Leinster	Munster	Connaught/Ulster	National
Increased	9	4	4	6
Stayed the Same	56	62	68	60
Decreased	27	23	20	24
Don't Know	9	12	8	9

5.5.9 **Rental Values** – It reported rental values per acre by various uses and for the three geographical areas:

	Leinster			Munster			Connaught/Ulster		
	2018	*2019*	*%*	*2018*	*2019*	*%*	*2018*	*2019*	*%*
Grazing/silage	€197	€183	-8	€198	€207	+4	€160	€176	+9
Grazing only	€190	€170	-12	€182	€200	+9	€141	€144	+2
Cereal Crops	€216	€210	-3	€209	€227	+8	€179	€203	+12
Potato Crops	€348	€378	+8	€230	€268	+14	€252	€273	+8
Other Crops (roots, maize, pulses)	€246	€256	+4	€268	€273	+2	€183	€186	+2

5.5.10 The Survey again sought views on the role of the tax relief in the market for longer farmland leases. While now more bedded in as part of the landscape for decisions, it continued to be seen as having a moderate to significant impact by 73 per cent of respondents (the same as in the 2019 Survey).

	Leinster	Munster	Connaught/Ulster	National
Significant	34	31	16	28
Moderate	45	46	44	45

Little/No	2	4	28	12
Don't Know	14	19	12	15

5.5.11 Even a critical respondent saw it as driving an increase in the length of leases:

> "There is a big demand for leases and the lease lengths are lengthening but that is due to the demand for tenants for more certainty than because of the tax reliefs for the landlord. I don't think it has much impact but is maybe pushing leases above the five year rule."

Even on that view, it is interesting to see that strong tenant demand is combined with more and longer leases. Taking the longer view, the change in behaviour with a great increase in lettings coincided with the advent of the increased tax reliefs and has been sustained with them. That may now have changed perceptions about the acceptability of letting for retiring farmers and inheriting landowners.

5.5.12 The expectations for 2020 were that that increase in the volume of land being let would continue.

	Leinster	Munster	Connaught/Ulster	National
Increase	39	31	32	35
Stay the Same	41	50	64	49
Decrease	9	8	0	6
Don't Know	11	12	4	9

6. Irish Land Market Reports: The IPAV Reports to 2021

***Note** – This text supplements sections 4.4.4.8 to 4.4.4.21 of the CAAV's Taxation discussion paper of September 2017 which reviewed the reports then available.*

6.1 IPAV Farming Report 2017

6.1.1 The Institute of Professional Auctioneers and Valuers (IPAV) commented on the emergence of this market in its Agriculture Review 2017, again effectivelv refereeing back to 2016:

> "The young farmer of today takes a more commercial view of farming, with little or no emotion involved. Excel sheets, projections and yields are of more immediate concern than the ownership of lands. An interesting development has been the move towards the long-term leasing of land, allowing available capital to be invested into the operation. This is in tandem with the ever evolving agri-tech sector, which is delivering new and innovative tools, thus improving the overall efficiency of the typical farm.
>
> "Today, leases by and large last for a term of 5-15 years, which provides security of tenure for farmers. It is also proving attractive to landowners as they can secure a tax-free income. Average prices achieved currently for long leases are in the €250 per acre range, with some achieving up to €300. Prices achieved are location-dependent, with quality of land being a key determinant."

6.1.2 In discussion in 2017 with IPAV, it was suggested that a figure of €200/acre was more typical with BPS then split between landlord and tenant and the larger observation:

> "This is a chance for your farmers to get into farming and for ones that are in to increase their acreage with no serious capital investment."

6.1.3 Comments in the Review from IPAV members included:

> "… young farmers entering the sector take a much more commercial view of the business and are less emotive. Therefore ownership of land is not the priority." (Co Westmeath, Leinster)
>
> "The supply of lands coming for sale is down as a result of landowners agreeing long leases with farmers. Priced achieved are up to €320 per acre." (Co Cork, Munster)
>
> "There has been a big fall-off in the amount of land coming to the market. Many landowners are opting for long-term leasing, thus availing of tax breaks." In his region, prices are holding or maybe slightly ahead of 2016 figures. Young farmers are opting for long-term leasing rather than buying, using capital to develop facilities and increase stock numbers." (Co. Limerick, Munster)
>
> "The popularity of long-term leases is significant." (Co Galway, Connaught)

6.2 IPAV Farming Report 2018

https://www.ipav.ie/sites/default/files/ipav_agriculture_overview_2018_8ppa4_web_version_low_res.pdf

6.2.1 As the new market in farmland leases has become established so IPAV announced in its *Farming Report 2018* that:

> "With the increased activity in the long-term land rental market, this is a very opportune time for IPAV to partner with the IFA (Irish Farmers Association) and MII (Mediators' Institute of Ireland) in launching a new mediation service for members of the IFA and IPAV entitled the 'National Mediation Service'. This gives both tenants and landowners the opportunity to access professional mediation assistance, as opposed to proceeding down the expensive legal route."

6.2.2 Comments from IPAV members given in the Report included:

- "… continued demand from farmers for long leases as it provides tangible benefits for both tenant and landowner. There is a real incentive for the tenant to enhance the holding and in some instances, the rent is initially reduced, to allow the tenant to carry out improvements. This is also ideal for the landowner who can benefit from the tax allowances available." (Gerry Coffey, Williamstown, Co Galway)
- "'new land leases' were scarce on the ground in 2018 as long-term lettings have locked out availability. Some leases have now moved into their second term. (John Earley, Roscommon)
- "increased prices for land lettings, up as much as 25%" (Karl Fox, Ballina, Co Mayo).
- "There is good demand coming from younger farmers to lease land but little appetite from landowners to go this route." (Aidan Davitt, Mullingar, Co Westmeath)

6.3 IPAV Farming Report January 2020

https://www.ipav.ie/sites/default/files/2020_farming_report_january.pdf

6.3.1 The introduction to this Report noted that:

> "Long term leasing is having a real effect on the volume of farmland coming for sale. Its attractiveness to both young farmers and retiring farmers is very evident, for differing reasons."

6.3.2 It reported IPAV members' views that:

- "A common thread across the country is the move towards long term leasing" Tom Crosse, GVM Auctioneers, Limerick)
- "good demand [for lettings] with prices for dairying grazing land as high as €375 per acre and prices for out farms ranging from €225-€275 per acre (Michael Brady, Brady Group, Cork)
- "The number of long leases has continued to increase in the counties of Meath, Westmeath and Cavan and is adversely affecting the supply of lands on the open market" (Stephen Barry, Raymond Potterton Auctioneers, Navan)
- "… not seen any significant change in prices being achieved for lettings, ranging from €100 per acre for rough grazing up to €200 per acre for fresh reseeded ground, with an overall average of price of €160 per acre being achieved." (David McDonnell, Property Partners McDonnell & Co, Mullingar)
- "As in other years, prices held firm for land lettings in spring 2019. More farmers entered long term leases and some held onto lands, as they believed 2019 may be a reference year for CAP." (Gerry Coffey, Williamstown)

- "The current tax breaks available to farmers through leasing can secure tax free returns of up to 3-4% per annum, far outstripping return for money deposited in the bank." (John Earley, Property Partners Earley, Roscommon).

6.3.3 The Outlook section of Report concluded:

"One of key trends evident since the commencement of this report back in 2016 is the clear shift by younger farmers towards long term leasing. In many cases banks are simply not prepared to fund land purchase, based on value alone. Return is seen as an important factor. For the young farmer, the real attractions are, minimal upfront outlay required, and the long lease provides them with the incentive to improve the holding and reap the benefits, in the medium term. From the landowners perspective, it is proving really attractive also, as in many cases, the age profile is 60+, and there are no family members available or interested in running the farm. The land stays in the same ownership and the landowner receives an income in a tax efficient manner."

6.4 IPAV Farming Report January 2021

https://www.ipav.ie/sites/default/files/ipav_farming_report_january_2021_final.pdf

6.4.1 Written after almost a year of the Covid-19 pandemic, the Report sets out the context of an anyway thin land market made thinner in 2020 with strong demand now aided by new opportunities for working from home (seen as a particular support for small farmers to remain in place) and notes:

"Leasing land long-term has become the only viable option in recent years for many young farmers hoping to run their own farms. Last year's increase in Stamp Duty to 7.5 pc is an additional impediment for young, ambitious and educated farmers in attempting to buy holdings. We are going to need such farmers to lead and drive new opportunities in the Green Economy."

6.4.2 Observations from practitioners included:

- "He believes the supply of lands coming to market by older farmers will be limited as they choose to lease their lands on long term basis, due to the attractive incentives currently available." (Tom Crosse, GVM Auctioneers, Limerick)
- "Land lettings with long-term leases continue to be very popular. Prices secured for dairy farms were €250-€375 per acre with non-dairy securing €175-€275 per acre" "He sees demand increasing for land lettings as result of the new EC CAP Reform, the review of the Nitrates Action programme and climate change." (Michael Brady, Brady Group, Cork)
- "In the last 12 months, we have witnessed investors purchasing farms and entering into long leases … The income is broadly tax-free and they are receiving a 3% return."." (John Farrelly, DNG Royal County, Navan, County Meath)
- "The long term letting of land continues to be very attractive to young farmers." (Gerry Coffey, Gerry Coffey Auctioneers, Williamstown, Co Galway)
- "Vendors who were not under pressure to go to market took a more reserved approach in 2020. As a result, a number of long term leases have been agreed, leading to less land coming to market. Any new lettings are attracting strong interest. Prices for good quality ground was around €200-€250per acre. Lesser quality ground was around €150-€180 per acre." "Tax breaks on leasing can see returns of approx 3%-

4% tax free per annum, far outstripping return from money deposited in the bank." John Earley, Property Partners Earley, Roscommon)

- "The prices achieved for land lettings in the area have increased in 2020, from €110 to €135 per acre." (Karl Fox, Fox and Gallagher, Ballina, Co Mayo)
- "There was also a good demand for land lettings with prices securing in the region of €200 per acre." (Dara Furey, Buncrana, Co Donegal)
- "Land lettings followed a common trend of dealing again with the same party once more, pushing for arise where no increase had occurred for a few years. Demand for land lettings continue to exceed supply." (Peter Murtagh, Murtagh Estate Agents, Bailieborough, Co Cavan)

6.4.3 As the most recent of the professional bodies' reports, this offers commentary on a maturing market as the first leases come to an end and are renewed, as rents are reviewed and now seeing investors come into market in order to lease land out – a key component of an active let sector with different perspectives of owner and tenant.

7. Press Commentary in 2021

7.1 The Irish Farmer Journal's Land Price Report 2020 issued with the Journal's edition of 20th March 2021, reported on 2020:

> "Auctioneer David Quinn is of the opinion that land that might otherwise have been put for sale is being leased instead. "With the high rental value of land with entitlements, added to the tax incentives for leasing, it is a very attractive option for many," he says. This is particularly true when the land asset is holding its value and, indeed, appreciating.
>
> "Leased land tends to be farmed to a high level, as it represents medium to long term investment by the lessor. Indeed, dairy farmers are happy to put in paddocks, water, roadways, and even parlours and milking robots in 10-year leased properties. This contrasts with conacre land sometimes becoming "worn" or "hungry" – denuded of nutrients over time."

7.2 However, the Land Price Report's commentary saw that that picture might be affected by uncertainty over CAP payments when the prospective new regime is finally agreed with potentially new qualifications for payments. Some might "choose to hedge their bets, renting their land and entitlements out in 2021 on a conacre basis". "Many may opt to enter lease now, on the basis that in the past existing contracts have been allowed to continue."

7.3 While that report also suggested that others might seek to resume farming, it might be observed that, once someone has withdrawn from farming, it can often be hard, here at least five years older, to resume "active" farming with its re-investment and work.

7.4 The Irish Farmers Journal of 13th March 2021 reported on the spring 2021 letting market, with new pressures from uncertainty over CAP reform and the consequences of nitrates rules, summarising it as:

> "There is strong demand for land to rent or lease all over the country"

with the reduced area offered now predominantly on tenancies rather than conacre. The reduced area might be a consequence of the volume of land already committed to agreements for five years and more.

7.5 Eamon O'Brien of CCM Property in Mitchelstown, Co Cork was reported, saying first: "Demand is as strong as ever but the supply of land is down. Last year I had 2,500 ac to let, this year less than 1,000" he said.

"Almost all of that land is for long term leasing.

"Conacre is almost a thing of the past here", he added.

"Tillage famers are chasing bare ground, land without entitlements attached *[so equivalent to "naked acres"]*, while dairy farmers are looking for any suitable parcels.

"Grassland is freely making €300/ac and to €350/ac", added O'Brien who has set a parcel for tillage for six years at €330.

"Similar prices were reported across the southern half of the country for land in good heart."

7.6 From Clonmel in Tipperary, John Stokes of REA Stokes and Quirke observed another factor:

"The nitrates directive has lads screaming for land".

Most demand was for bare ground; "dairy farmers are driving the market even for higher ground".

7.7 Joe Brady from Carrick-on-Shannon saw young farmers with entitlements as a driver in the market in north Connacht, presumably presenting a different pressure from those seeking acres for nitrates calculations:

"Young farmers are looking to lease, they make up about half of enquiries."

7.8 From Mallow in Co Cork, auctioneer Liam Mullins saw some farmers opting to sell entitlements now and lease their land:

"I can get more for bare ground".

Again, where existing leases were expiring in most cases they are being renewed. The report noted that was common around the country.

8. An Early Economic Study and Commentary

8.1 An Early Economic Study

8.1.1 It will inevitably take time for any productivity effects of any change to be assessable from the data, perhaps especially for farming with its annual cycle and the variability of natural systems year on year. That data is needed before analysis and reports can be produced to test whether the expectations of the 2014 agri-taxation review (and, indeed, conventional economic argument and analysis) have been borne out. However, since the last edition of this paper, one such study has been identified: *The Factors Influencing the Profitability of Leased Land on Dairy Farms in Ireland* (Bradfield, Butler, Dillon and Hennessy, Land Use Policy, 2020). This

study used the Teagasc National Farm Survey accounts data from 2011 to 2017 to analyse data for 1,630 farms from before and after the introduction of the increased tax incentives to lease land. That excluded any new businesses that started with the new opportunity of rented land.

8.1.2 As the title indicates this is specifically a sectoral study of dairy farms in this market, and more particularly on the benefit of expansion for small dairy farms, in those earliest years of lettings activity after 2015. It does not touch on new businesses, the change in performance on the land being let, the experience of the other sectors for which lettings activity then developed or the wider dynamic effects of improving productivity. As shown above, we now have several years more experience.

8.1.3 It is focussed on the profitability of farmers who rent in land and so the benefit to the business of the tenant (with the opportunities given in the Irish Republic by the end of milk quotas). At that point, the study thought that after an initial release of land by letting, it had not continued in 2017, suggesting either caution by farmers with "excess" land lacking trust in allowing their land to be farmed by someone else or a wider lack of knowledge by all parties of the potential here. As the evidence above from the Irish Revenue and market reports does not bear that out rather showing continued expansion of the new let sector, both those points may have been overcome to a sufficient extent, demonstrating the importance of an intervention being on a scale sufficient to be effective.

8.1.4 The core findings were that tenants are "self-selected" by traits including:

- a high level of hired labour
- the presence of a successor (better carried by extra land and the resulting larger business)
- intensive farming practices, characterised by higher stocking rates and also feeding of concentrates than average in the Republic for which rented land can substitute grazing
- membership of a dairy discussion group

with the businesses now renting land achieving economies of scale. While formal agricultural training was not seen to affect the decision to rent in land, 75 per cent of Irish dairy farmers had anyway completed agricultural training, perhaps meaning that the available indicators did not offer sufficient differentiation. Discussion group di prove to distinguish those more likely to rent land in. There was a positive relationship with profits in the previous year, seen as both enabling liquidity and a signal of better performance.

8.1.5 That early review (which does not touch on the reports of young farmers finding opportunities by renting) was summarised:

> "The findings provide evidence to support government interventions such as tax incentives for renting out land and knowledge sharing discussion groups."

8.1.6 The report's conclusion observed:

> "Land rental is shown to be successful among renting farms as farm size and profit have positive relationship before diseconomies of scale begin to occur. Therefore, farms restricted by their land resources are utilising rental agreements effectively to achieve optimal farm size. The strong positive relationship between stocking rates and the decisions to rent land also highlights the desire of farmers to expand their output.

> Rented land allows farmers to further their output expansion, while meeting environmental restrictions. … some farmers are increasing their herd size without expanding their land resources. For some a lack of availability may be driving this relationship. This strengthens the argument for tax incentives to be in place to encourage farmers to rent out their land."

Partly because of the nature of the available data base, this is largely a static analysis of how this has achieved improvements for those renting in land, with only an implicit glimpse of the larger, wider and continuing potential dynamic productivity benefits effects of the more open market in rented land prompted by the tax relief.

8.1.7 With that canvas, farms renting in land were found to:

> "generate significantly higher total dairy margin compared to farms with no rented land."

In 2017 farms renting in land were on average 28 per cent larger than those that did not and, moving closer to their current optimum scale, carried larger herds and increased milk production. The biggest shift in farm structures by 2017 was an increase in farms renting in up to a quarter of their land, with a particular benefit found for smaller farms now able to break the constraint of their size. The report also wondered if there was a benefit for fragmented farms from leasing in land. It was suggested that land was most available in the "Eastern and Midland" region where a decline in the arable use of land facilitated dairy expansion in an area with higher dairy margins than in the Northern and Western regions.

8.1.8 The higher cost of rent was nonetheless seen to be associated with higher profit generation though this might vary with the fortunes of each year. The report wondered about "price negotiation" handling that as an issue within a multi-year tenancy.

8.1.9 While, as observed above, this is essentially a static analysis of existing better farms enabled to reach their current optimum scale, the report's conclusion did suggest:

> "long term benefits lie in the development of skills and the desire of young farmers to farm family land ensured that the farmland does not become idle or under-utilised when the current lead farmer retires. An added gain for the dairy industry is the beneficial role rental agreements can play in supporting farm succession as the results show that the presence of a successor has positive influence on the decision to rent land, with additional land provides (sic) a successor with immediate employment and skill development."

8.1.10 The report was concerned that there was insufficient awareness of and undue caution about the tax relief and the advantages of renting, urging that these be given more publicity and be a topic for farmer discussion groups. The subsequent evolution of the Irish Republic's market in rented land, as reviewed in preceding chapters, suggests that landowners and farmers have had a greater awareness of these points than the report feared. Such decisions about land take time to implement in any market; that can be expected to be especially so in a country with "a high degree of sentiment towards family land".

8.2 Commentary

8.2.1 These reports on activity in the Irish land market since 2017 point strongly to the continued positive effect of the Income Tax relief introduced for 2015 on rents for arm's length farmland lettings for five years or longer. It offers evidence that the relief is encouraging both farmers to see retiring and letting land as a positive option and owners who have been using only seasonal arrangements to let for longer terms to the benefit of the land's management.

8.2.2 The most striking figure is perhaps the growing margin, increased each year, of those seeing more activity in this area over those seeing less activity. This suggests that the relief is having a sustained and growing effect, outweighing deeply held and longstanding traditions about land occupation. It also illustrates the speed with which those traditions can be changed. This can be seen as in contrast to the more limited impact of the retirement grant schemes previously operated by the Republic.

8.2.3 It is, nonetheless, recognised that while we now have substantial evidence of the success of the Irish Income Tax relief in moving land, no studies other than the one reviewed above have tested whether the productivity benefits expected have been achieved from the re-creation of a let farmland sector in the Republic. It is, in reality, probably still too early for many such studies to have been done or for there to be the necessary runs of data to be developed and tested on that score.

8.2.4 With that point noted, what we do have is the real evidence of the movement of land on to arm's length multi-year tenancies to arm's length parties (so with the owner having thus alienated the occupation of what is typically long term owned family land) in exchange for rent with no general reason for that not to be a market rent. That behaviour is entirely consistent with the intended goal.

8.2.5 Informal conversation suggests that most of the take-up of the relief has currently for leases of 5 or 6 years with some lettings for 10 and relatively few above that. In itself, that is a considerable change from the previous experience of seasonal conacre lettings, especially with the caution that many small landowners have regarding their property. Three points may also arise in considering that:

- caution may encourage landowners not to let for the longer terms, perhaps concerned that the relief might not last when they have committed themselves
- access to the relief is limited by the area of land a taxpayer has available and its rental value. As rent does not rise with the length of the letting, once the available rent is fully relieved any further relief is not relevant and does not stimulate any longer term for the land being let. That though tends to suggest that the relief can encourage longer lettings of larger units with their higher annual rents.
- there may, where relevant, be an interaction with higher value lettings for specialist rotational cropping, such as potatoes. In themselves, they would not qualify for the tax relief but that would be more than compensated by the higher rental. The landowner's choice could be to allow the tenant to sub-let (with an increased rent for the opportunity) or to use ordinary lets of at least 5 years between the specialist cropping lets. That may in places beneficially widen rotations but nonetheless tend to cap the length of lets.

POLICY CONSIDERATION FOR THE UNITED KINGDOM

9. Relevance and Transferability to the United Kingdom

9.1 This review points to such a tax relief having a potent and positive role in opening up the land occupation market in the United Kingdom, providing this important flexibility needed to handle the changes and challenges coming with this decade. As reviewed above openness to such changes in occupation is consistent with and necessary for achieving the required significant growth in productivity.

9.2 Having been part of the United Kingdom until 1921, the Irish Republic still shares much with England, Wales and Northern Ireland in terms of underlying land law as well as more generally a market economy, common law, broadly similar general taxation to that of the United Kingdom and, to date, the CAP. On two particular points:

- the Republic, like Northern Ireland, has no code of agricultural tenancy law meaning that tenancies are solely governed by the general provisions of the Landlord and Tenant (Ireland) Act 1860 ("Deasey's Act) and the common law. In practical terms, that is not too different from the Farm Business Tenancy regime for England and Wales.
- the Republic's equivalent to the United Kingdom's Inheritance Tax, Capital Acquisitions Tax, while assessed on donees rather than donors, has an agricultural relief that like Agricultural Property Relief is equally available on land that is let as to land that is farmed in hand. As a donee based tax, the qualification turns on land (or replacement land) being used for farming by the owner or a tenant for the following six years.

While international comparisons, especially on rural matters, are often problematic because of cultural and other differences, the similarities here make the comparison potentially valid. The comparison is even more direct for Northern Ireland.

9.3 The evidence from the Irish Revenue points to the Irish Republic having seen over 5 per cent of its land area move to lettings of five years and more in just the four years from 2015 to 2018, in addition to the 2 per cent already so let – a total of, say, towards 8 per cent. The market reports from Ireland indicate that that move is continuing. The comparative position for new lettings in the United Kingdom is that:

- with some 15 per cent of farmland in England now let on FBTs (available since 1995 and continuing to rise), perhaps 5 per cent of English farmland is on FBTs of five years or more
- with more than 12 per cent of Welsh farmland now let on FBTs, it seems likely that between 4 and 5 cent of Welsh farmland is let for five years or more
- Scottish Government data shows that 3 per cent of Scotland is let on LDTs and MLDTs, being for at least 10 years, to which must be added a proportion of SLDTs to allow for those with the maximum term of 5 years. It may thus be that some 4 per cent or so of Scotland's agricultural area is let for five years or more on tenancies available since 2003.
- Northern Ireland has, as yet, very few tenancies of any length.

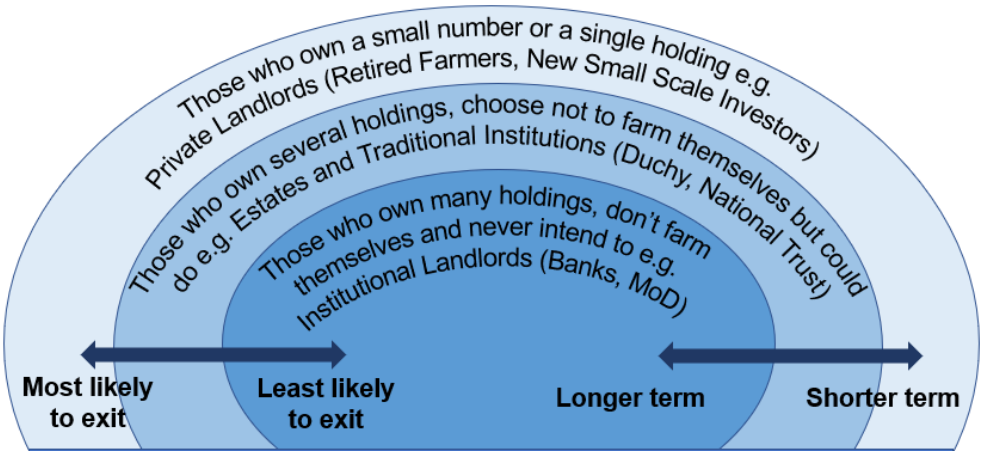
9.4 In simple terms, Ireland has achieved within just four years at least as much as Great Britain has done over much longer while the Republic has the potential to go much further with no further change in policy.

9.5 The Irish experience points to the potential for an Income Tax relief pitched at a level to be an effective policy intervention to encourage lettings of five years or more. It seems unlikely that a longer minimum length than five years would attract landowners while, like agri-environment schemes, a minimum of five years would create a more certain framework for better land management.

9.6 As knowledge has grown of the Irish experience, several challenges have now been put to its relevance to the United Kingdom. The main ones are that:

- the structure of Irish landownership is too different for its experience to be directly relevant
- its adoption in the UK would see more restructuring of current arrangements between owners and farmers than new lettings
- the Republic, working from a standing start, has captured the "low-hanging fruit" making its experience less relevant to the more mature tenancy markets in the Great Britain
- the accompanying changes in Irish capital taxation complicate the analysis.

9.7 Before reviewing those points in turn, a broadly common theme is that they can overlook the still important potential position of the smaller owner-occupier farmer in the United Kingdom as a source of land for other farmers. They will include both good adaptive businesses and those which cannot stand the changes in the coming decade. This Income Tax relief, being capped and under Income Tax and not Corporation Tax, has its greatest potential in assisting the latter in making land available to the former, other good businesses and new entrants. That opens doors to productivity improvement while enabling struggling owners to see value and virtue in having someone else farm their land well.



9.8 As illustrated by that graphic, the let sector in Great Britain has historically been founded on estates, institutions such as the National Trust, the Crown, the Church, colleges and large charities, and some public sector bodies like the Ministry of Defence. These are much less significant in the Irish Republic. They, as substantial owners with advice and management

policies, have all made their choices about land management. The greatest opportunity for change is from smaller private owners.

9.9 **The first challenge concerns differences in farm structures.**

9.10 Ireland's structure of smaller ownerships, while different from the overall position in England and Scotland, is not only of more direct relevance to Wales and Northern Ireland but is also not dissimilar to the smaller private owners found in all parts of the United Kingdom and seen by this paper as a key factor in achieving a productivity change. It is possible that that relevance might vary between areas within the UK, both by local farming structure and by the reasons for holding land. The point has been put (perhaps mostly from eastern arable areas) that England's more sophisticated land and business markets are too different for a useful comparison to be made.

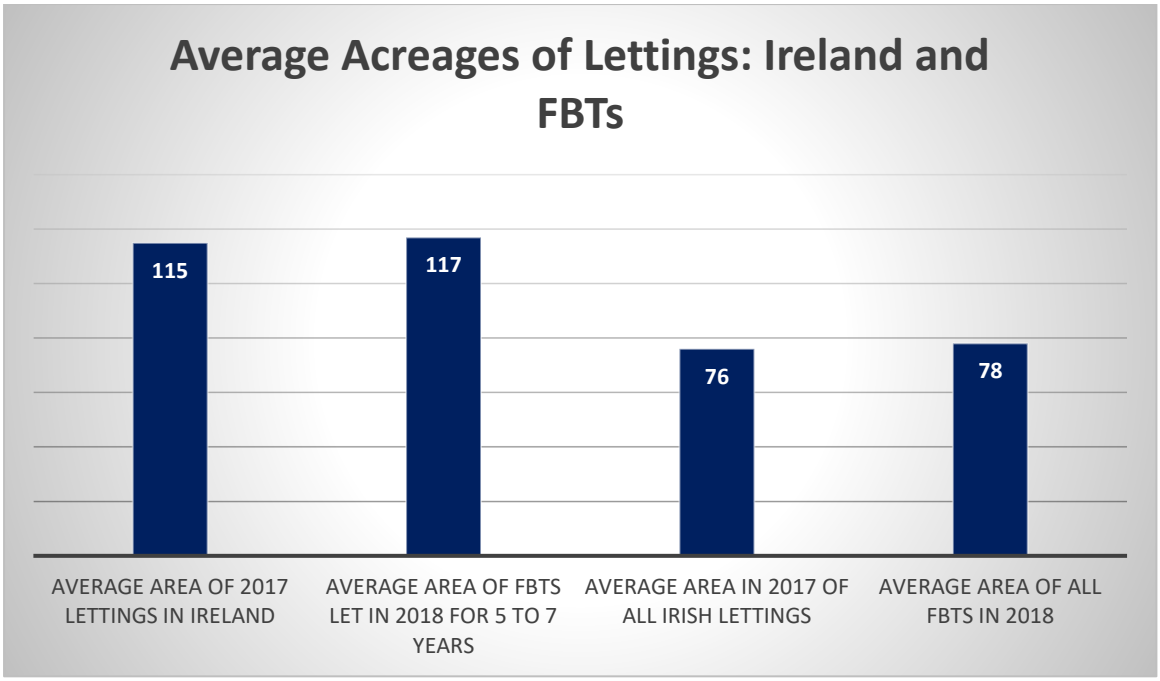
9.11 The first responses to that include:

- while this argument might appear more relevant for the commercial arable areas of England (where the common larger scale of landownership might anyway make the suggested capped Income Tax relief less useful), the Irish experience is relevant to the different circumstances of other parts of the country, often typically with smaller ownership units and more pasture land or smaller arable blocks
- even in those commercial arable areas, there are still many small ownerships and areas of pasture
- that other arrangements than tenancies (such as contract farming) are often less appropriate or affordable for smaller ownerships if they are to be done properly
- that the greatest take up of lettings in Ireland was first in its most commercial dairying and arable areas in Leinster rather than the beef and sheep areas of the west.

9.12 However, reviewing the figures shows the comparison to be more direct.

9.13 The analysis of this paper suggests that the overall average size of lettings in the Irish Republic, including those reported before 2015, is 79 acres. However, that size has steadily grown since 2015 so that the average area of a letting granted in 2017 was 115 acres and in 2018 107 acres, noticeably larger than the average size of a holding in the Republic. As comparison, the CAAV's Agricultural Land Occupation Survey 2019 found that average area of a Farm Business Tenancy (FBT) granted in England and Wales in 2019 to be 66 acres (78 acres in 2018). When recognising that the Irish tenancies are for at least 5 years, the average area of an FBT granted in 2018 for a term of between 5 and 7 years (so excluding shorter lettings) was 117 acres.

9.14 An ancillary point regarding the average scale of letting is that while a tenancy is an appropriate tool for any size of land area, the overhead costs of properly managing other arrangements, such as a well-structured contract farming agreement, typically make them more applicable to larger areas. The virtually identical average areas now being let for five years or more in both the Republic and under FBTs in England and Wales is consistent with markets finding the best means for one person to make land available to another in each country.



9.15 **Conclusion** – In short, that data suggests the two markets are sufficiently comparable on this point for demonstration of the Irish experience to be a useful illustration of what could happen in the UK. That is consistent with responses from elsewhere in England as well as the rest of the United Kingdom seeing the Irish experience as relevant.

9.16 **The second challenge is that such a change would simply see current arrangements, such as contract farming, restructured to secure the relief**.

9.17 The evidence from the Irish Republic is that while there will naturally have been some transfer of land to longer leases from its short term conacre agreements, conacre still continues as a robust option alongside tenancies, while land is also directly moving to leases from owner occupation.

9.18 For many owners in the United Kingdom, contract farming and other arrangements have attractions in themselves, again suggesting that there would not be a wholesale transfer, simply a wider choices of options with more ability to consider them practically on their merits for each case.

9.19 Nonetheless and so far as such a switch would be a part of the pattern, it would typically see short term arrangements converted to longer term agreements (of at least five years; longer if higher levels of relief are wanted), so altering the relationship with the management of land. That greater security, moving many from annual arrangements to at least five years, could give more confidence to the farming operator. Further, arrangements between connected parties would not qualify for the relief – this needs to be an arm's length business deal.

9.20 **Conclusion** – The effects of the relief, if pitched at an effective level, would not be limited to land under current arrangements but see a direct letting of currently owner-occupied

land. Where it attracted some of the land already under other arrangements that would necessarily be on a longer term basis than now holds. Where other arrangements suit the owner, they would still be used.

9.21 **A third challenge is that Ireland has made this change from a standing start in which it might be that the easiest gains are the earliest gains.**

9.22 This is the argument that, by contrast to the Republic, England in particular (but obviously not Northern Ireland at the other pole) has a large tenanted sector and a wider familiarity with the system. The Republic has been able to harvest the more easily picked "low hanging fruit" that are assumed by the argument to have been long taken in at least England.

9.23 That overlooks at least two major points:

- the scale of the cultural change needed to persuade Irish landowners, typically with a personal identity linked to generations ownership and farming of their land, to let someone outside the family should not be under-estimated. Further, it requires using the initially unfamiliar structure of a tenancy, little used for over a century and one with some adverse historical connotations. The evidence is not of that low hanging fruit, ripe for plucking, but of the capacity of the relief to change mindsets.
- the point made above that the let sector in the UK is founded more on larger scale ownerships so that while, especially in England, it is used by smaller owners it has a currently untapped potential to go much further to the benefit of productivity. Those smaller owners in the UK have been as resistant to letting out their land as were the Irish owners.

With the present challenges, there is a role for such a tool that will change mindsets and open up a new appraisal of choices.

9.24 **Conclusion** – This paper's analysis points, even for England, to the sector of practical interest in prompting change being those private farmers, often smaller, who are not currently letting out but may be wearying of farming. That appears to be a similar group of people to those attracted to letting in Ireland. With the availability of area payments under the Single and Basic Payment Schemes having provided owners with the financial means to stay, so such a relief can encourage a newly positive view of letting as an answer to the withdrawal of BPS in England and Wales and the achievement of productivity improvement.

9.25 **The fourth challenge is that the Irish Republic's increase in lettings owes as much to the 2015 capital tax changes as to the enhanced Income Tax relief.**

9.26 The simple objection is that this is not how the development of a let sector in the Irish Republic is primarily reported there.

9.27 Pursuing this further, with only about 0.2 per cent of the land area sold each year in the Irish Republic, this is not about Capital Gains Tax but about taxes on inheritance. In the Republic that is Capital Acquisitions Tax and in the UK Inheritance Tax. They are recognised

as of significant relevance to family decisions about farmland and the advice given for those decisions.

9.28 However, in the same way that the 1995 move to full agricultural property relief on newly let land in the United Kingdom brought substantial fiscal neutrality to decisions about land, so in more constrained way did the 2015 changes to agricultural relief under Capital Acquisitions Tax They removed an obstacle to most lettings of farmland for terms of over six years; they did not offer an incentive to let. Without a separate stimulus, there might have no reason for many to take up that option.

9.29 The UK has already taken that step 26 years ago to remove an obstacle to the effective use of the liberalising Agricultural Tenancies Act 1995 in England and Wales. The CAAV's Surveys show that we saw the benefit of that until the area-based payments of the Single and Basic Payment Schemes took effect, dampening the land occupation market with their rewards for sustained occupation of land. The withdrawal of Basic Payment is not of itself a direct incentive to let; the Irish Republic's experience of an Income Tax relief at sufficient scale suggests that would be an incentive to adopt the new model of letting.

9.30 **Conclusion** – The UK already has the required Inheritance Tax regime that the Irish Republic needed to put in place for private owners not to be discouraged from letting. The Income Tax relief with its scale was the stimulus to the growth in letting seen there.

9.31 Conclusions

The conclusions drawn in this paper from this debate are:

- **that the Irish model does stand further scrutiny for use in the United Kingdom, recognising that is most apt for smaller ownerships still farming in hand rather than larger, more sophisticated businesses. That is an argument for adopting it rather than against doing so, as a direct means to encourage change that should be positive for productivity.**

- **while primarily focussed on smaller ownerships, such a relief has the capacity to effect a wider change in mindset across farming as to what is normal in allowing others to farm on owned land and in the contestability of markets in farmland occupation.**

- **it offers a direct answer to the key question for improving farming productivity – the "who" of farming – opening up the land market for the right people to farm it.**

- **that the discussion on this topic also showed the general need for promoting:**
  - **wider knowledge and awareness of the possible arrangements for access to land and**
  - **the taking of advice on them with proper identification and testing of the real business deal in hand which is then specifically recorded rather than using unaltered standard agreements.**

10. Commentary on Possible Costs and Benefits

10.1 General

10.1.1 Where this measure to promote farmland lettings enables the proficient to gain the occupation or use of land that suits their businesses, productivity gains should be expected from that. As noted above, the Irish economic study pointed to a 12 per cent gain from this. The nature of the economics of commodity farming means that the increased returns from that are likely to achieve significant uplifts in the margin earned from that land. The potential for that is indicated by the range between the top and bottom quartiles of farming performance with that difference seen to turn on management.

10.1.2 Such a change cannot be expected to be achieved overnight as land management decisions and the opportunities to take them come over time. In that light, the re-creation since 2015 of a let sector now covering towards 8 per cent of Ireland has been surprisingly swift, giving confidence in the power of the tax relief to achieve change. In practice, were the relief introduced in 2020, the benefits would accrue with the let area increasing over the proposed agricultural transition periods, especially with the progressive withdrawal of BPS in England and then Wales. As that illustrates, it would be important to have this policy in place to be a positive assistance to the management of change in farming economics and structures at a potentially challenging time, rather than bringing it into play later.

10.1.3 While the benefits would be at farm level, it can first be illustrated by using national data. Using a 4 per cent gain, a third of the Irish figure, in the UK's gross agricultural output before subsidy would yield around £880m. Comparing that to the recent levels of Total Income from Farming (TIFF) ex-subsidy of the order of £1.5 – 2 billion, points to a 40 - 50 per cent gain in final margin were a change of that scale achieved.

10.1.4 With that general illustration, it is then stressed that this is a relief that incurs a cost in the tax foregone on rents only to the extent that it is taken up by those taxpayers who choose to let land on qualifying terms (as 23,000 have chosen to do for the similar Rent-a-Room relief). If it does not stimulate them to do this, there will not be a rental income to relieve from tax. If it does stimulate them to let, then the requirement that the tenancy be at arm's length prompts them to look for the optimal return that is best secured by letting to the proficient.

10.2 Indications for Ireland

10.2.1 The annual cost in Ireland in 2018, the fourth year of the enhanced reliefs, was reported by the Irish Revenue as €27.2m (£24.5m) suggesting that this has created a new rental income of, say, €136m that is paid by the businesses of the new tenants that have seen value in taking these tenancies and agreeing to pay that rent while making a return after that worth their effort and investment. It is likely that land management has also improved. There are also likely to be larger effects as the competitive pressure from this change improves performance more generally both by better businesses thriving but also as they set standards and expectations for each other.

10.3 Some Indicative Estimates for England

10.3.1 Working for simplicity from England's working agricultural area of some 9m ha (22.5m acres), 1 per cent of that is 90,000 ha (225,000 acres – half the land area moved to lettings in Ireland between 2015 and 2018). Recognising its variety from silts to moorland, the average rent across 1986 Act and 1995 Act lettings is reported by DEFRA as about £200/hectare or £80/acre (*Farm Rents, 2016/17*) – figures set in the market are typically higher than that. Without speculating as to future movements in rents, that would currently suggest that:

- if 1 per cent of England was let in ways that qualified for this relief,
- the rent arising would be £18 million and
- so that could see a tax cost of the order of £4.5 million (allowing for varying tax rates and the personal allowance) for each 1 per cent of the overall land area, albeit on income that does not currently arise.

If that tended to be on more productive land with a rent of say £160/acre, then:

- the rent arising from 1 per cent of England would be £36 million
- the tax cost would be £9 million on income that does not currently arise

for each 1 per cent of area that moved to being let in this way. That tax cost is perhaps largely notional as it may be for taxpayers currently earning little income to be taxed while taxable income is more likely to arise from the new tenant of the land.

10.3.2 English agricultural output is about £18 bn annually and so 1 per cent of that is £180 million. Applying the 12 per cent average gain reported by the Irish study from moving land to the trained would give £21.6 million of extra income for each 1 per cent of land area that moved to be let in this way, more were it the better land that moved. That extra income appears more susceptible to be taxed.

10.3.3. Those figures are best taken as illustrations of orders of magnitude rather than accurate forecasts. The Irish evidence is that the greatest movement in land has tended to be in the more productive areas, so pointing to higher figures on both sides of this analysis. However, if rents fell as a result of the withdrawal of BPS in England, the notional tax cost would fall but the benefit be unaltered.

10.3.4 To pull this together and with those cautions, were a further 4 per cent of England's land area let in this way, taking the area let on tenancies for more than a year (so aside from seasonal grazing and most specialist cropping) from, say, 33 per cent to 37 per cent (not a revolution but a significant gain with wider consequences in the outlook of farming), this indicative analysis would point on the assumptions stated to orders of magnitude for:

- new rents of the order of £72 million to £144 million as a secure and positive income for the new landlords, say £108 million
- a tax cost of perhaps £18 to £36 million on income that largely does not currently arise, say £27 million but, allowing for substitution for some existing arrangements, say, £7 million of real cost but for arrangements potentially offering better management of the land and business
- a gain in industry performance of perhaps £80 million with potentially taxable income resulting.

The potential for gains of this order be possible is illustrated by the widely reported range of farming performance as illustrated above at paragraph 2.11 and 2.12. In practice, allowing for

this change to be more concentrated on more productive land, those figures might all be higher but it could be that the ratios between them might not change much.

10.4 Some Indicative Estimates for Scotland

10.4.1 The range of quality in Scottish farmland and the large areas of LFA make this exercise more speculative for Scotland. Nonetheless, working for simplicity from the overall Scottish working agricultural area of some 5.7m ha (14m acres), 1 per cent of that is 57,000 ha (140,000 acres). Recognising its variety from silts to moorland, the average rent across 1991 Act and 2003 Act lettings is reported by the Scottish Government as about £40/hectare or £16/acre (*Scottish Agricultural Survey December 2018*) but these were divided between £27/ha (£11/acre) for LFA rents and £133/ha (£54/acre) for non-LFA rents (both categories containing wider variations). Figures set in the market for new lettings are typically higher than that. Without speculating as to future movements in rents, that would currently suggest that:

- if 1 per cent of Scotland was let in ways that qualified for this relief,
- the rent arising would be £5.6 million and
- so that could see a tax cost of the order of £1.4 million (allowing for varying tax rates and the personal allowance) for each 1 per cent of the overall land area, albeit on income that does not currently arise.

That tax cost (here likely to be to Scotland with the devolution of the Income Tax rates and thresholds for earned and rental income and but not reliefs) is perhaps largely notional as it may be for taxpayers currently earning little income to be taxed while taxable income is more likely to arise from the new tenant of the land.

10.4.2 Scottish agricultural output is about £3 bn annually and so 1 per cent of that is £30 million. Applying the 12 per cent average gain reported by the Irish study from moving land to the trained would give £3.6 million of extra income for each 1 per cent of land area that moved to be let in this way, more were it the better land that moved. That extra income appears more susceptible to be taxed.

10.4.3 Those figures are best taken as illustrations of orders of magnitude rather than accurate forecasts. The Irish evidence is that the greatest movement in land has tended to be in the more productive areas, so pointing to higher figures on both sides of this analysis.

10.4.4 To pull this together and with those cautions, were a further 4 per cent of Scotland's land area let in this way, taking the area let on tenancies for more than a year (so aside from seasonal grazing and most specialist cropping) from, say, 21 per cent to 25 per cent (not a revolution but a significant gain with wider consequences in the outlook of farming and a positive reversal of recent trends), this indicative analysis would point on the assumptions stated to orders of magnitude for:

- new rents of at least £22 million as a secure and positive income for the new landlords
- a tax cost of perhaps £5 million on income that does not currently arise but, allowing for substitution for some existing arrangements, say, £1 million of real cost but for arrangements potentially offering better management of the land and business
- a gain in industry performance of at least perhaps £14 million with potentially taxable income resulting.

The potential for gains of this order be possible is illustrated by the widely reported range of farming performance as illustrated above at paragraphs 2.11 and 2.12. In practice, allowing for this change to be more concentrated on more productive land, those figures might all be higher but it could be that the ratios between them might not change much.

10.4.5 As that indicates, this is more likely to be land released by smaller and medium sized private farmers, for whom such a tax relief could make letting a positive option while keeping family land.

10.5 Some Indicative Estimates for Wales

10.5.1 Working for simplicity from Wales' working agricultural area of some 1.6m ha (3.9m acres), 1 per cent of that is 16,000 ha (39,000 acres), covering both Snowdonia and Pembrokeshire. There appears to be no recent official data on farm rents in Wales since 2012 (*Farm Rents in Wales 2009-10 to 2011-12*). Using the 2012 data to suggest that new lettings might on average be at £150/ha (£60/acre), that would currently suggest that:

- if 1 per cent of Wales was let in ways that qualified for this relief,
- the rent arising would be £2.3 million and
- so that could see a tax cost of the order of £0.5 million (allowing for varying tax rates and the personal allowance) for each 1 per cent of the overall land area, albeit on income that does not currently arise.

That tax cost is perhaps largely notional as it may be for taxpayers currently earning little income to be taxed while taxable income is more likely to arise from the new tenant of the land.

10.5.2 Welsh agricultural output is about £1.6 bn annually and so 1 per cent of that is £16 million. Applying the 12 per cent average gain reported by the Irish study from moving land to the trained would give £1.9 million of extra income for each 1 per cent of land area that moved to be let in this way, more were it the better land that moved. That extra income appears more susceptible to be taxed.

10.5.3 Those figures are best taken as illustrations of orders of magnitude rather than accurate forecasts. The Irish evidence is that the greatest movement in land has tended to be in the more productive areas, so pointing to higher figures on both sides of this analysis. However, if rents fell as a result of the withdrawal of BPS in Wales, the notional tax cost would fall but the benefit be unaltered.

10.5.4 To pull this together and with those cautions, were a further 4 per cent of Wales' land area let in this way, taking the area let on tenancies for more than a year (so aside from seasonal grazing and most specialist cropping) from, say, 27 per cent to 31 per cent (not a revolution but a significant gain with wider consequences in the outlook of farming), this indicative analysis would point on the assumptions stated to orders of magnitude for:

- new rents of the order of £10 million as a secure and positive income for the new landlords
- a tax cost of perhaps £2 million on income that does not currently arise but, allowing for substitution for some existing arrangements, say, £0.5 million of real cost but for arrangements potentially offering better management of the land and business

- a gain in industry performance of perhaps £4 million with potentially taxable income resulting.

The potential for gains of this order be possible is illustrated by the widely reported range of farming performance as illustrated above at paragraphs 2.11 and 2.12. In practice, allowing for this change to be more concentrated on more productive land, those figures might all be higher but it could be that the ratios between them might not change much.

10.6 Some Indicative Estimates for Northern Ireland

10.6.1 Working for simplicity from Northern Ireland's working agricultural area of some 1m ha (2.5m acres), 1 per cent of that is 10,000 ha (25,000 acres).

10.6.2 The evidence as to rents for the few tenancies there is too limited to be useful for this. The total of conacre income is reported as at £56.8m in 2018 (*Statistical Review of Northern Ireland Agriculture 2018*). With conacre understood to apply to around 30 per cent of the farmed area, dividing that income over 300,000 ha gives a figure of £183/ha (£74/acre).

10.6.3 That would currently suggest that:

- if 1 per cent of Northern Ireland were let in ways that qualified for this relief,
- the rent arising would be £1.75 million and
- so that could see a notional tax cost of the order of £400,000 (allowing for varying tax rates and the personal allowance) for each 1 per cent of the overall land area.

That tax cost is perhaps partly notional as it may be for taxpayers currently earning little income to be taxed while taxable income is more likely to arise from the new tenant of the land. However, as the Irish experience shows some would be in place of conacre rents currently achieved and some would be from land newly let.

10.6.4 Northern Irish agricultural output is about £2.1 bn annually and so 1 per cent of that is £21 million. Applying the 12 per cent average gain reported by the Irish study from moving land to the trained would give £2.5 million of extra income for each 1 per cent of land area that moved to be let in this way, more were in the better land that moved. That extra income appears more susceptible to be taxed.

10.6.5 Those figures are best taken as illustrations of orders of magnitude rather than accurate forecasts. The Irish evidence is that the greatest movement in land has tended to be in the more productive areas, so pointing to higher figures on both sides of this analysis.

10.6.6. To pull this together and with those cautions, were 4 per cent of Northern Ireland's land area let in this way this indicative analysis would point on the assumptions stated to orders of magnitude for:

- rents of the order of £7 million as a secure and positive income for the new landlords
- but say £3.5 million after allowing for half having been on conacre
- a tax cost of perhaps £1.5 million, perhaps here a real cost of £750,000 for income that is now received on conacre, the remainder more notional
- a gain in industry performance of perhaps £10 million with potentially taxable income resulting.

10.6.7 However, it is worth a bolder assumption here given the different circumstances of Northern Ireland and the direct experience of the Republic. Were 15 per cent of the Northern Irish farmed area to move to tenancies, this indicative analysis would point on the assumptions stated to orders of magnitude for:

- new rents of the order of £26 million as a secure and positive income for the new landlords
- a tax cost of perhaps £5 million, perhaps here a real cost of £2.5 million for income that is now received on conacre, the remainder more notional
- a gain in industry performance of perhaps £37 million with potentially taxable income resulting.

10.6.8 The potential for gains of this order be possible is not only illustrated by the widely reported range of farming performance as illustrated above at paragraphs 2.11 and 2.12 but also the potential for a real improvement in return from land being better managed on longer term arrangements than on conacre, as set out in the *Sustainable Agricultural Land Management Strategy* report of 2016. In practice, allowing for this change to be more concentrated on more productive land, those figures might all be higher but it could be that the ratios between them might not change much.

10.7 A Summary for the United Kingdom

10.7.1 This table summarises the results of that very indicative exercise on the basis that 4 per cent of farmland in each of England, Scotland and Wales moves to being newly let as a result of introducing the Income Tax relief at a level effective to later behaviour. Northern Ireland is, for the reasons noted above, considered both on this assumption and on the assumption of a 15 per shift, but in each case with half the area assumed to come from conacre for which the relief would have a real tax cost. The tax cost of the suggested relief is otherwise assumed to be notional as the rent would not arise without it and the current occupation of the land may be yielding little taxable income. However, the issue of deadweight cost is noted below.

10.7.2 This can only be a very tentative first attempt at this assessment; any illusion of precision founders on the natures of the variable factors involved, some discussed in each of 7.3 to 7.6 above, and the essential point that this is about human behaviour. Nonetheless, the figures here and the underlying logic of the befits of having land move to be used by the proficient suggest that the Irish Government's hopes in offering the relief are realistic ones also for the United Kingdom, making it worthy of the investigation recommended to the Government by the Agricultural Productivity Working Group (see 2.4 above).

£ million		**New Rents**		**Tax Cost**		**Improved Performance**	
England		£108		£7		£80	
Scotland		£22		£1		£14	
Wales		£10		£0.5		£4	
Northern Ireland	**4% of Area**	£7		£0.75		£10	
	15% of Area		£26		£2.5		£37
United Kingdom		£147	£166	£9.25	£11	£108	£135

10.7.3 Overall and on the assumptions stated, the very broad brush figures of this first view of the economic consequences of applying such an effective relief in the United Kingdom point to the potential of over £100 million of new economic gain, assumed to be largely taxable, with perhaps £10 of tax lost that would currently be payable.

10.7.4 The £150 million or so of rent suggested to be produced is the stimulus to a change opening up land occupation markets in a way that might well otherwise not happen. While that figure of rent would be lower as and where the Basic Payment with its high margin for occupying land is reduced or removed, the stimulus might be unchanged or even increased without Basic Payment ‘s encouragement to inertia.

10.7.5 A real deadweight tax cost would only arise where new lettings that would anyway be for five years or more were newly let by private owners in qualifying circumstances, only a small fraction of the present lettings markets in Great Britain and effectively none in Northern Ireland.

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