

## Forestry - estate planning and investment opportunities – discussion document prepared by MacCourt Financial Planning, March 2006

### Key features

- Alternative investment, does not follow the same cycle as property / equities
- Extremely favourable tax treatment under Irish law
- Up to 90% reduction in value for estate planning purposes
- Existing bank of established forest available, reduces investment duration
- Independent qualified and experienced experts available to assess opportunities
- Direct purchase of forestry / lands
- Spin off value / other uses possible for owner

### Tax treatment

- No stamp duty on growing timber
- Forestry exempt from VAT
- No income tax on woodlands managed on a commercial basis
- No capital gains tax on commercial woodlands occupied by individuals
- Grant assistance and annual premiums exempt from income tax
- Income is taken into account for PRSI but not the Training or Health levies
- Higher level of grants for 'farmers' than for other investors
- Spouse could be deemed to be a farmer, subject to certain Revenue 'tests'.
- CAT reduction of 90%, forestry qualifies as an agricultural activity without the recipient having to pass the '80% of assets test' as a farmer.
- Important distinction between underlying land and growing timber
- Valuation of growing timber as a % of overall value is higher for established forest compared to new plantations

### Other considerations

- Professional valuation required to determine split between trees and underlying land
- Existing mature plantations may be more attractive to the private investor:
  - Less time to wait for investment profits
  - Better ratio of tree value to underlying land
  - Initial establishment / planting already taken care of
  - Better opportunity for appraisal of investment / woodland quality

### Environmental effects

- Possible future trading of emissions / avoid fuel carbon tax
- Renewable wood energy fuel source in the future / possible defence against high energy costs
- Habitat for plants and animals

#### Notes:

*It is possible to purchase established forestry with say 15 to 20 year old trees for between €3,000 and €5,000 per acre. For a typical plantation size of say 30 to 50 acres, this would represent an outlay of between €90,000 and €250,000 plus costs.*

*VAT exemption is normally waived and forest owners register so as to recover VAT payments on operations.*

*"Farmers" must have minimum 25% farming income and live within 70 miles of forest. This is only an issue for plantations younger than 15 years and becomes more critical the younger the plantation as the farmer premium is larger than the non-farmer one and inflates the value of younger crops artificially.*

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