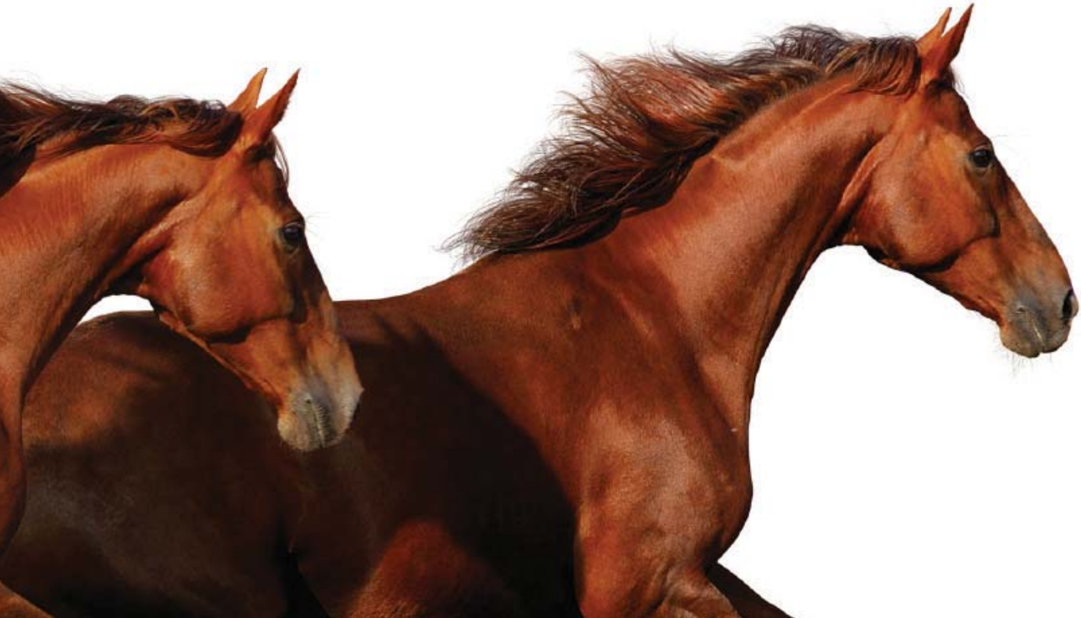
HORSE SPORT IRELAND

Grant Thornton



Guide to taxation for the Irish Sport Horse Industry

NDP
National Development Plan 2007 - 2013

July 2008

Index

The enclosed information is an overview of taxation for the Irish Sport Horse Industry in the Republic of Ireland. It is based on the taxation legislation in operation at the time of writing. Grant Thornton and Horse Sport Ireland take no responsibility for any reliance placed by individuals on this document. Readers are asked to take advice from their local accountants before taking any action in regard to the issues addressed.

Grant Thornton, Irish member of Grant Thornton International, is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business
© 2008 Grant Thornton

HORSE SPORT IRELAND

Foreword by the Chairman of Horse Sport Ireland, Mr Joe Walsh

On behalf of Horse Sport Ireland I am delighted to present this publication 'Guide to Taxation for the Irish Sport Horse Industry'. The purpose of the publication is to provide practical and useful information to the breeders of Irish Sport Horses.

Throughout the world the Irish Sport Horse has always enjoyed an exceptional reputation as both a top level performer and a leisure riding horse. The Irish Sport Horse industry makes a significant contribution to the economy and to the social fabric of Irish communities. The Irish Sport Horse industry is a growing industry. Huge potential exists to develop competition and leisure riding markets both at home and abroad.

Horse Sport Ireland has recently been approved by the Department of Agriculture Fisheries and Food to maintain the Irish Horse Register (incorporating the Irish Sport Horse and Irish Draught Horse Studbooks). Accordingly, Horse Sport Ireland is now responsible for devising and implementing strategies for the development and promotion of an internationally competitive Irish sport horse industry incorporating for the first time breeding, sport and leisure sides. The provision of relevant information to breeders will be a priority of the organisation for the future.

On behalf of Horse Sport Ireland, I would like to thank Grant Thornton for their valued input to the content of this publication.

Joe Walsh
Chairman
Horse Sport Ireland

Introduction

Welcome to Grant Thornton's and Horse Sport Ireland's guide to taxation for the Irish sport horse industry. This guide provides an overview of the general tax issues arising in this industry under various different tax heads. We are delighted to be involved in the production of this comprehensive guide.

Grant Thornton are ranked as one of the leading tax planning and tax transactional advisors in Ireland. We have offices located in Dublin, Kildare and Limerick.

Our tax specialists can assist you in saving tax and growing your businesses. We place great emphasis on developing personal relationships with clients. With the highest technical proficiency, we deliver our services with the hand-holding that other firms forget.
In addition, our audit & assurance service highlights issues which have a significant impact on your business. We look beyond the audit's basic task, reporting on your financial position, to its potential for evaluating management structure, tax arrangements, invoice procedures, information and communications systems and your policies for buying and marketing.
Finally, our specialist service portfolio includes wealth management, family business consulting, corporate finance and corporate recovery.

Grant Thornton is the sixth largest accountancy firm in Ireland employing nearly 400 partners and staff.

Bernard Doherty
Partner

Contact

For further information contact a member of our team

Bernard Doherty
Partner, Tax, Dublin
T: + 353 1 6805 611
F: + 353 1 6805 806
E: bernard.doherty@
grantthornton.ie

Noel Delaney
Director, Newbridge
T: + 353 45 44 88 50
F: + 353 45 44 93 24
E: noel.delaney@
grantthornton.ie

Amanda Comyn
Manager, Tax, Dublin
T: + 353 1 6805 778
F: + 353 1 6805 806
E: amanda.comyn
@grantthornton.ie

Sasha Kerins
Manager, Tax, Newbridge
T: + 353 45 44 88 52
F: + 353 45 44 93 24
E: sasha.kerins@
grantthornton.ie

1. Taxation & accounting for sport horses in Ireland

1. 1 Stallions

Previously, income from stallion stud fees and associated costs were exempt for taxation purposes.

Effective from 1 August 2008 net profits from stallion stud fees and gains on the disposal of stallions will be liable to taxation. This applies to stud farms and stallion syndicate owners alike.

In determining the taxable net profit, costs associated with maintaining the stallion can be claimed as a deduction as well as the cost of the stallion. Stallions will not be accounted for as stock-in-trade, instead the cost of the stallion will be allowed as a deduction over a 4 year period; i.e. 25% per year for four years from the date of purchase. Stallions at stud on 1 August 2008 will be valued, for this purpose, based on their market value on 1 August 2008. Stallions bought post 1 August 2008 will be valued at their purchase price. Stallions introduced to stud, from training, post 1 August 2008 should be valued at their deemed market value at the date of transfer to stud. The Revenue Commissioners have the right to consult anyone they see fit in regard to confirming the market value of the stallion. We would suggest that a qualified competent valuer be used e.g. sport horse sales company or sport horse agent, to confirm stallion values as and when required.

If a stallion is sold or dies within the initial four year period, a full deduction can be taken, in the year of death or sale, for the balancing amount of the initial market value cost not yet claimed.

Practical example of stallion taxation for the 12 month period to 31 December 2009

	Stallion Fees:	€20,000
	Associated costs:	€2,000
	Value of stallion at 1 August 2008:	€40,000
Taxable Income for the year ended 31 December 2009		
	Income	€20,000
	Less: Expenses	(€2,000)
	25% Stallion write down	(€10,000)
Taxable Income		€8,000

July 2008

1. 2 Broodmares

Broodmares will form part of the trading stock of a sport horse breeding business, with each mare having a different carrying value.

Broodmares are required to be valued for trading stock purposes in the accounts of the owner at the lower of cost or net realisable value.

- Cost is generally based on the original purchase price of the mare. If the mare was originally bred by the taxpayer then the cost would include all expenses up to 1 January of the year she became three years old.
- Net realisable value means the market value of the mare at the accounts year end. This depends on a number of factors i.e. mare's physical condition, bloodline, age, fertility and many more, but is very much a matter of judgement for the taxpayer. If an expensive mare is revalued downwards on this basis, such a decision must be justified and capable of being supported if challenged by the Revenue Commissioners.

If the mare is in foal, at the accounts year end date, her value plus the carrying value of the foal will be carried forward as trading stock to the next accounting period. The carrying value of the foal includes the stallion fee paid plus the cost of keep from the date of covering to the year end date.

If a mare is bought in foal, the carrying value of the foal will be deemed to be the advertised stallion fee, in the year of covering, plus the costs of keep since covering. The value of the mare in the subsequent year will be reduced by these amounts to determine her cost value.

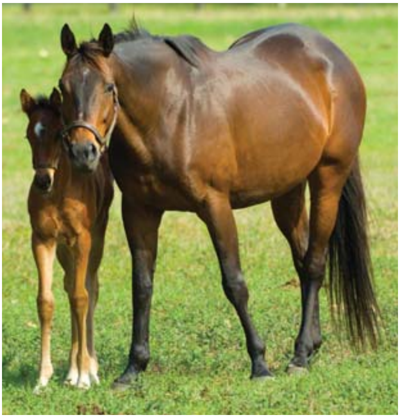
1.3 Foals and young stock

The progeny also form part of the stock in trade, until they are sold or transferred into training.

The cost of a foal will be, the cost carried forward as part of the mare in foal in the prior year, as described above, plus a full years keep for the foal.

The cost of a yearling will be the carrying cost of the foal, in the prior year, plus one years keep.

This continues until 1 January when the horse is 3 years old, as they are deemed to be mature for tax purposes at this time.



1.4 Transfer to training

Sport horses would be considered in training if they were registered with a relevant sport horse association, e.g. Show Jumping Association of Ireland, Eventing Ireland, and also be in the care of a person touring the relevant competition circuit with that horse.

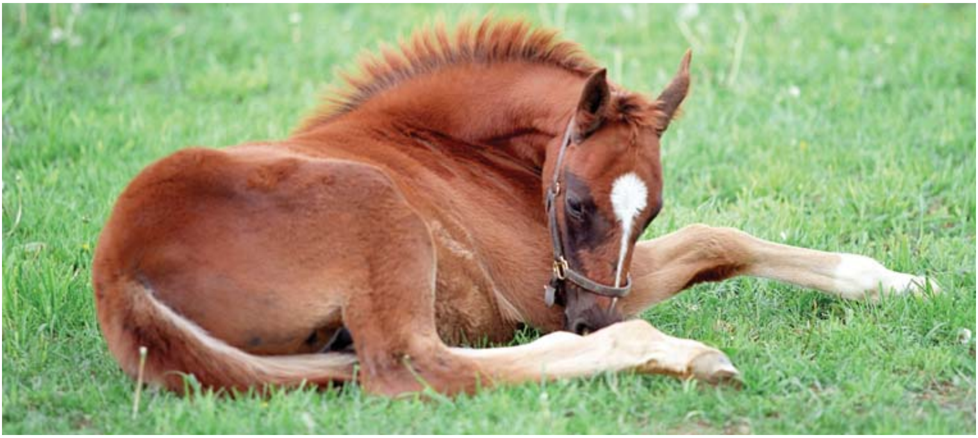
Any profits earned while a horse is in training are not liable to tax, including competition winnings or proceeds from disposal of the horse. Consequently, any costs incurred while the animal is in training are not tax deductible. However, if stallions are providing artificial insemination (A.I.) services while still in training, it is likely that the proceeds from the A.I. service could be taxable.

Horses bred at stud farms that are moved to training are transferred out of the trading stock accounts at their carrying cost, resulting in a nil liability. As stated above, no costs incurred while the horse is in training are deductible. If the horse is later transferred back to the stud farm for breeding purposes, it will be added back in as trading stock at the same cost as it was tranferred out for training. However, a horse purchased in training, which will be used for breeding purposes, will be brought in as trading stock at the value for which it was purchased.

1.5 Books and records

The tax legislation requires all businesses to maintain proper books and records for a period of 6 years.

These books and records should support the annual accounts which form the basis of the taxpayer's taxable bloodstock breeding income. A detailed stock take should be carried out at the end of each financial year to support the closing stock figure included in the accounts.



2. Taxation consequences

2.1 Trading v Hobby

The issue of whether a taxpayer is carrying on a trade is primarily one of fact, to be decided on a review of all the relevant facts and circumstances of a particular case. It may ultimately be determined by reference to the "overall impression".

The definition of a trade for tax purposes is so broad that caselaw is relied upon to give some guidance. The courts have, in considering the existence or otherwise of a trade, been influenced by the views of a 1954 Royal Commission in the UK which identified "badges of trade", factors which are generally relevant in considering whether a transaction is being undertaken by a taxpayer in a trading capacity.

These badges of trade are as follows:

2.1.1 Subject Matter Realised

Whilst almost any item can be acquired for trading purposes, some items are more likely to have been acquired for trading purposes.

2.1.2 Length of the Period of Ownership

Items purchased for resale are normally realised within a short period of time, while items acquired as investments would normally be held for longer periods.

2.1.3 Frequency and Number of Transactions

Trading normally involves a series of regular transactions. If realisation of the same type of property occurs in succession over a period of time, there is a presumption of trading in respect of the transaction.

2.1.4 Supplementary Work on or in connection with the Property Realised

This badge of trade involves a determination of whether the person making the sale has carried on any work on the goods sold in order to make the goods more readily saleable.

2.1.5 Circumstances giving rise to the Realisation of the Property

This badge of trade involves a determination of whether there are any special circumstances dictating or requiring the sale which might negate the concept of trading.

2.1.6 Motive

This badge of trade involves deciding whether the object of the transaction was to deal in the property sold.

As horses are wasting assets for tax purposes, i.e. have a life span of less than 50 years, they are never considered to be investments and cannot be liable to capital gains tax on disposal.

Hence what needs to be determined in the case of sport horse breeding is whether the activity is considered to be a trade or a hobby. If considered a trade, it will then be liable to income tax or corporation tax depending on the ownership structure.

The principle factors above which could help determine this are

- **The frequency of the transactions**
  Are mares and foals being bred and bought and sold on an annual basis?
- **The motive of the taxpayer**
  Is the taxpayer's intention to make a profit from this activity or simply to have an interest for hobby purposes?

In practice, this area is far from clear and each situation needs to be considered based on its own facts.

2.2 Sole trade v Company structure

Comparisons of the main differences of operating a business through a company or as a sole trader, in one's own personal name, are highlighted below.

1. Tax rates

   a. Sole Trader - Individuals are liable to income tax on an annual basis on net profits generated by the business. The income tax rates are currently 20% standard rate, up to a certain income band, and 41% marginal rate, for all income earned above the standard rate band.

   b. Company - Companies are liable to corporation tax on net profits earned. The current rate is 12.5% for trading income and 25% for passive income, i.e. nontrade income, for example, rental or interest income. Note close company tax rules may also need to be considered depending on the nature of the companies activities.

2. Amounts liable to income tax

   a. Sole trader - the taxpayer is liable to income tax on all net profits, regardless of how much is actually extracted from the business.

   b. Company - The shareholder/directors are normally paid a salary on which PAYE/PRSI is deducted by the company. This salary is liable to income tax at the director's marginal rate and is fully tax deductible for corporate tax purposes. As stated above, the net profits are then liable to tax at the corporate tax rate.

3. Limited liability

   a. Sole trader - Personally liable for all debts of the business

   b. Company - The company is considered to have a separate legal identity to its shareholder. Hence, the shareholders of the company are only liable for amounts invested or guaranteed to the company.

4. Pension Planning

a. Sole trader - An individual is limited to the annual amount of pension contributions they can make.

b. Company - A company can make pension contributions in excess of the limits imposed on personal contributions.

5. Administration Requirements

a. Sole trader - Prepares annual accounts solely for the purposes of determining their income tax liability. They are required to file an annual Form 11 income tax return, with the Revenue Commissioners.

   Income tax is assessed on a calendar year basis. Income tax returns are required to be filed by 31 October of the year following the year of assessment e.g. 2008 sole trader income must returned by 31 October 2009. Preliminary tax is required to be paid by 31 October of the year to which it relates i.e. 2008 preliminary tax must be paid by 31 October 2008.

b Company - Directors must comply with company law requirements. Annual accounts are required to be prepared for the company and filed along with an annual company return, with the Companies Office. Depending on the size of the company, it may also be subject to an annual audit. Companies are required to file annual corporation tax returns, Form CT1, with the Revenue Commissioners. Proprietary directors are required to file an annual Form 11 income tax return.

   Corporation tax filing dates differ depending on the company's year end. Preliminary tax is required to be paid by 21st of the month preceding the year end date i.e. preliminary tax for a 31 December 2008 year end must be paid by 21 November 2008. Forms CT1 are required to be filed within 8 months and 21 days of the year end e.g. for a 31 December 2008 year end, the CT1 must be filed by 21 September 2009.

These income tax and corporation tax filing and payment dates must be adhered to in order to avoid interest and penalties accruing, which can be costly. A detailed accounts extract is now also required to be completed on each tax return giving the gross income, a breakout of expenses incurred in the period and the year end balance sheet figures.

2.3 Taxing income & trading losses

Sport horse breeding is considered to be a farming activity for tax purposes. A farming activity can be defined as an activity for which land in the State is being occupied for the purposes of husbandry. The net profits from Sport horse trading are liable to tax as a Case I income receipt.

Stallion or syndicate owners, who do not carry out a farming trade, will be considered to be carrying on an investment activity and their net income will be liable as a Case IV receipt. Companies will be liable to tax at 25% on these gains. Individuals will continue to be liable at their marginal rate. Losses incurred in such investment activities will however be restricted, as detailed below.

If a hobby is being carried out, then profits are not liable to tax and conversely no relief will be available for any losses incurred. No disclosure of hobby activities is required for tax purposes. A taxpayer can elect for losses from one trading activity to be offset against total income in the year the loss is incurred, and any excess loss can then only be carried forward against income from that trade.

For example - An individual farmer:

Case 1 loss - farming	€10,000
Case 1 Income - another trade	€5,000
Schedule E - employment income	€30,000

The loss of €10,000 incurred in the farming activity can be used to offset total income of €35,000 reducing the taxable income to €25,000.

A loss incurred in the fourth year of trading, after three consecutive years of losses, will not be available for offset against total income. Instead this loss must be carried forward to future years and offset against future profits from the same trade.

For syndicate or stallion owners who are deemed to be carrying on an investment activity the losses can only be set against profits from horse-breeding.

2.4 Capital allowances

2.4.1 Farm building allowances

Specific capital allowances are available for farming trades. These are granted in regard to farm buildings, including fences, roadways and drainage works. It should be noted that these assets must be wholly used for the purposes of a farming trade. If partially used for farming and other purposes, an apportionment should be made on a just and reasonable basis. The allowances are granted over a seven year period, 15% for the first six years and 10% in year 7.

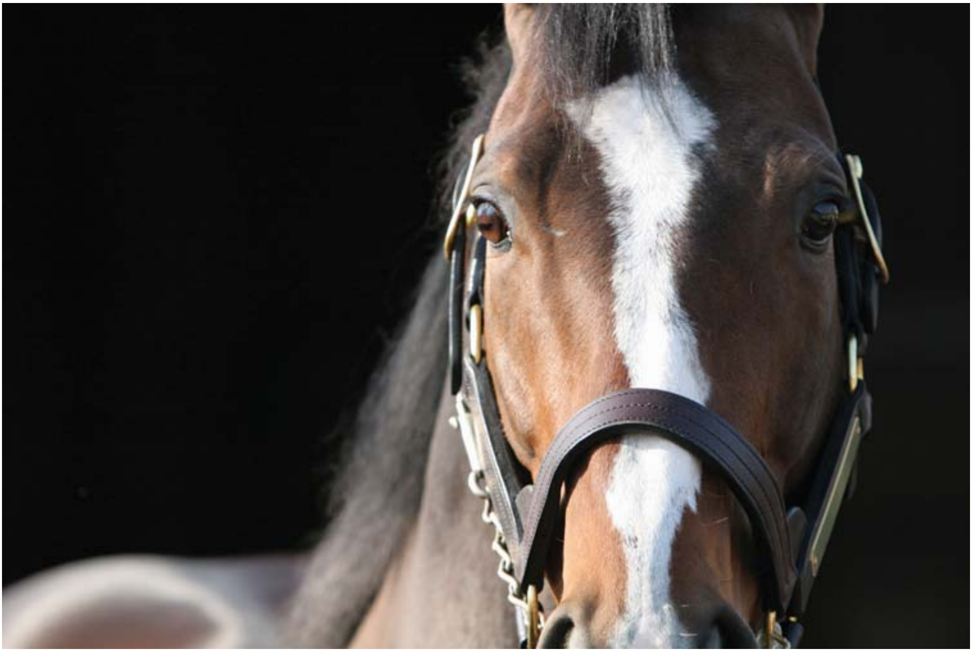
2.4.2 Pollution control allowances

With effect from 1 January 2006, the limit on qualifying pollution control measures is the lesser of €50,000 or 50% of qualifying expenditure. Qualifying expenditure is granted in regard to certain pollution control measures invested in by a farmer who has a farm nutrient management plan in place in respect of his farm and who incurs necessary capital expenditure for the control of pollution on the particular buildings or structures. Under current tax legislation, the expenditure must be incurred prior to 1 January 2009.

2.4.3 Plant and machinery

Capital allowances are available for plant and machinery used for the purposes of any trade. The allowances are granted over an 8 year period. A deduction of 12.5% of the purchase cost is allowed for tax purposes from the year of purchase.

Motor vehicles used for the purposes of the trade also qualify for capital allowances on this basis but there maybe restrictions in regard to expensive cars, personal usage and CO_2 emissions.



2.5 Employment taxes

2.5.1 Employee v Self-employed

Employers are required to operate PAYE/PRSI in respect of payments made to their employees. It is important, therefore, that the distinction between an employee and a self-employed individual is understood.

In determining whether an individual is an employee, two principal questions must be answered:

1. Does the person "have or exercise an office or employment" of profit?
2. What income in the form of "salaries, fees, wages, perquisites or other profits" does he derive from the office, employment, pension etc?

The basic distinction is if a person is engaged under a contract of service they will be regarded as an employee but if they are engaged under a contract for services they will be regarded as self employed.

There is a significant body of case law which looks at whether a contract of service or a contract for services exists between an employing company and a worker. No one definition can be applied and each case has to be judged on its own merits. Key testers in the past have been control, integration, long term continuity or whether the individual was in business on his or her own account. Providing tools or materials for the job, being insured and able to delegate the actual work to somebody else were also considered key.

By way of example, a farrier who provides services to a stable yard, and determines his own working hours, has a number of different clients and provides his own tools is more likely to be considered a self-employed person.

If, however, the farrier only worked for one particular stable yard, his working hours were controlled by the yard owner, the yard owner provided all the tools necessary for the farrier to carry out his work, this could indicate that the farrier was an employee.

2.5.2 Operation of PAYE

In considering the scope of PAYE, the key term to bear in mind is "emoluments", which is defined in Irish tax legislation as "... anything assessable to income tax under Schedule E". This is wide ranging and would include all salaries, fees, wages or benefits and expense allowances.

Re-imbursement expenses paid, based on the published civil service mileage and subsistence rates, will be allowed to be paid tax free, provided the employee suffered the initial cost. Round sum expense allowances would be liable to PAYE unless agreed otherwise by the Inspector of Taxes. No expense allowance is permitted for travelling to and from one ordinary place of work.

A deduction for expenses incurred by the employee wholly, exclusively and necessarily for the purposes of the business, and not reimbursed by the employer, by agreement with the Revenue Commissioners, may be claimed through the employee's tax credit certificate. This could include for example safety equipment required to perform their employment duties, e.g. riding hats. Alternatively, a Schedule E industry allowance, by agreement with Revenue, may be claimed.

Benefit in kind, for example, the provision of a car or vehicle to the employee could also be liable to PAYE and there are detailed rules for the calculation of same. The provision of accommodation to the employee may also be liable to PAYE and the taxable amount is generally based on 8% of the current market value of the property. A taxable benefit may not arise if it is necessary, due to the nature of the trade, for the employee to live on the premises.

3. VAT

3.1 Flat-rate farmers

Farmers, as defined in the VAT Acts, are generally not required to register for VAT.

For VAT purposes, a farmer is someone involved in certain agricultural produce and services. One such qualifying produce includes stock farming, i.e. breeding horses. Therefore, breeders or stud farmers involved exclusively in this activity will qualify as a farmer. It is important to note that if other vatable activities are being carried out by the same person, then they may not qualify as a farmer for VAT purposes and be required to register and account for VAT on all their activities.

Farmers not required to register for VAT, are also restricted in regard to reclaiming VAT incurred on the related purchases. To compensate these farmers for this a flat-rate addition, currently 5.2%, is added to the price at which the produce is sold to a VAT registered person. Hence these farmers are referred to as flat-rate farmers. For example, if Joe is a flat rate farmer and sells his horse at auction for €10,000, he is entitled to receive an additional €520 from the sales company, in respect of the flat rate addition.

A once-off declaration is required to be completed and signed by the flat-rate farmer with each buyer, confirming their flat-rate status, prior to the flat-rate addition being paid.

Despite flat-rate farmers not being entitled to recover VAT on their purchases, there is an exception in regard to the construction of farm buildings and land drainage. There are detailed guidelines laid down as to the exact expenditure on which VAT can be reclaimed.

A flat-rate farmer maybe required to register for VAT in regard to intra-EU acquisitions that exceed a certain limit, currently €41,000. They would also be required to register if in receipt of Fourth Schedule Services, regardless of the limit. If registered in regard to the latter only, they are still required to account for VAT on intra-EU acquisitions despite the limit of €41,000 not being breached. In these cases, the registration is ring-fenced only to intra-EU acquisitions and Fourth Schedule services, it does not bring other non-vatable activities into the VAT net, nor does it impact on the flat-rate farm addition.

A flat rate farmer who makes sales to other EU Member States maybe required to register and account for VAT in that other Member State if they exceed the distance selling threshold in that state. The sale of stallion nominations is treated as the sale of a live animal. In the case of stallion syndicates each member of the syndicate will account for VAT depending on their own individual VAT status.

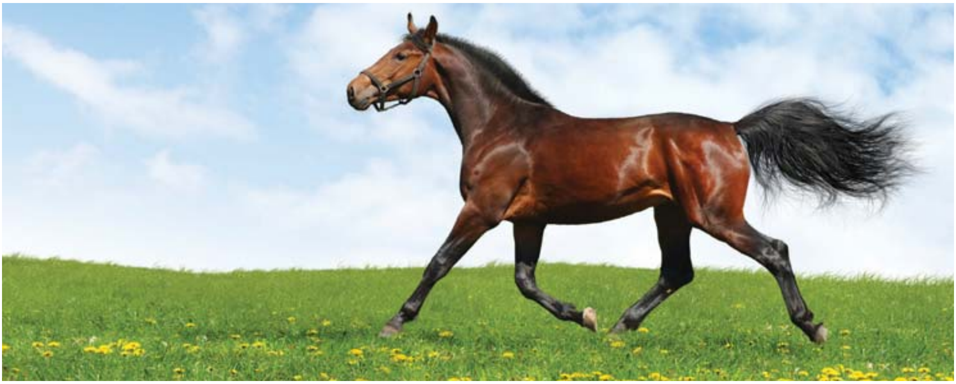
3.2 VAT registered farmers

A farmer, who qualifies as a flat-rate farmer, has the option to elect to register for VAT. This farmer can then reclaim VAT on their related farming purchases but is also required to charge VAT at the appropriate rate on all sales. The VAT rate for the sale of livestock is currently 4.8%. The farmer will not be entitled to the flat - rate addition on sales in this case. It is therefore, important to compare the implications of both options. If the election is subsequently cancelled by the farmer, in writing to the Revenue Commissioners, there maybe a clawback of VAT to the extent that the VAT reclaimed exceeds the VAT paid in a specified period.

Those who do not qualify as a farmer for VAT purposes, due to the nature of the farming activity, or as a result of carrying on other vatable activities, will automatically be required to register for VAT, once they breach the thresholds. The current registration threshold is €75,000 for goods supplied in a twelve month period. Registered farmers are required to account for VAT on all sales but can also reclaim a VAT deduction for any related purchases.

Where a VAT registered farmer transfers horses to showjumping, eventing etc., they will be deemed to have made a vatable supply. They will be required to self-account for VAT on the original VAT exclusive cost of the horse and repay this to the Revenue Commissioners, at the date of transfer out of the farm accounts. If the horse was purchased VAT will be charged on the original purchase price but if bred VAT is chargeable on the cost of producing the animal.

While the horse is in training VAT cannot be claimed on any related purchases and if the horse is sold while in training no VAT is chargeable on the sale. If the horse is subsequently transferred back into breeding, then a partial reclaim can be made for the VAT repaid when transferred into training. This credit is based on a twelve year cycle. For example, if the horse was transferred back to stud after 6 years, and €5,000 VAT was originally repaid when it was transferred to training, then €2,500 can be reclaimed on transfer back to stud.



4. Other taxes

4.1 Stamp duty relief

Stamp duty is a tax levied on instruments. Currently, the rate of stamp duty on non-residential properties in excess of €150,000 is 9% of the market value. The rate of stamp duty on share transfers is 1%.

Relief is available for property transactions between lineal decedents and it reduces the rate of stamp duty by 50%.

The following reliefs are available in regard to the purchase of farming assets.

4.1.2 Young trained farmers

This exempts the purchase of agricultural land from stamp duty. Currently, the exemtion is in force until 31 December 2008.

It applies to the purchase/transfer of freehold or leasehold interests in agricultural land to a person under 35 years of age who has certain agriculture qualifications. The land transfer includes buildings, farm houses, and other such farm mansions appropriate to the character of the land.

The relief can be clawed back in two instances:

- If the property is disposed of within 5 years of the date of purchase and the full proceeds of the funds are not reinvested in agricultural land within one year of disposal.
- A declaration is made at the date of purchase, confirming the young farmer intends to retain the land and spend not less than 50% of their normal working time farming the land for five year from the date of purchase. If this declaration is found to be materially incorrect a clawback will be triggered.

The stamp duty will be clawed back and interest and penalties could also be charged.

4.1.3 Farm consolidation relief

This provides a stamp duty relief where agricultural land is purchased for the purposes of consolidating farms within 18 months of selling other agricultural land. The stamp duty relief applies to the extent that the purchase consideration equates to the proceeds of the land sold. Stamp duty is charged on any element of the purchase price that exceeds the sale proceeds from the other land disposal. Clawback provisions may also apply in this case. The relief is currently in force until 30 June 2009.

4.1.4 Single farm payment

An exemption from stamp duty applies on the sale or transfer of an EU Single Farm Payment executed on or after 1 January 2005. Where the sale relates to a sale of the payment entitlement and the underlying lands then the consideration must be apportioned as appropriate to determine the amount relating to the farm payment which is exempt from stamp duty.

4.1.5 Family farm transfers

In the situation where a parent transfers certain farm land to a child and in consideration of that transfer the child transfers lands to the parent, there will be no stamp duty charged in the latter case, if certain conditions are satisfied.

4.2 Capital gains tax (CGT) reliefs

This tax is paid on the disposal of capital assets. The current rate is 20% and is chargeable on net gains. An annual exemption of €1,270 is currently allowed per individual, no exemption is available for companies.

Some reliefs are available in regard to CGT on farming assets and these are detailed below;

4.2.1 Disposal of a business to a company

Where the trade is being operated in an individual(s) name and there is a preference to operate the business through a company, the business can be transferred to the company, and shares issued to the individuals.

This relief ensures no capital gain is triggered on the disposal of the business to the company but the gain is instead deferred. There are certain conditions to be satisfied for the relief to apply.

4.2.2 Break-up of farming partnerships

CGT relief was recently introduced, effective from 13 March 2008, on the dissolution of farm partnerships. This relief would apply where a farming partnership breaks-up and the partnership assets are divided between the partners.

Where a capital asset, owned and used by a farming partnership for at least 10 years, are divided, no gain will be triggered and the asset will be deemed to be purchased at the cost of its original acquisition by the selling partner.

4.2.3 Retirement relief

From a farming perspective, this relief applies for individuals who are 55 years or older and dispose of qualifying agricultural land or shares in a qualifying business to third parties or their children. The relief has the effect of reducing the CGT on qualifying disposals to nil.

Disposals made to third parties cannot exceed a lifetime limit of €750,000 for qualifying asset disposals; if the limit is exceeded then the entire gain is taxable. Marginal relief is available if this limit is exceeded and maybe of benefit.

There is no monetary limit in regard to disposals to children but the child is required to retain ownership of the assets for 6 years post transfer in order to avoid a clawback of the capital gains tax. A niece or nephew may also qualify for the relief if certain conditions are satisfied.

4.3 Capital acquisition tax reliefs (CAT)

CAT is a tax charged on gifts or inheritances received. An exemption limit is available depending on the relationship between the donor and donee, and previous gifts received by the donee. The CAT rate is currently 20%.

The following relief is available in regard to the receipt of gifts or inheritances of farming assets:

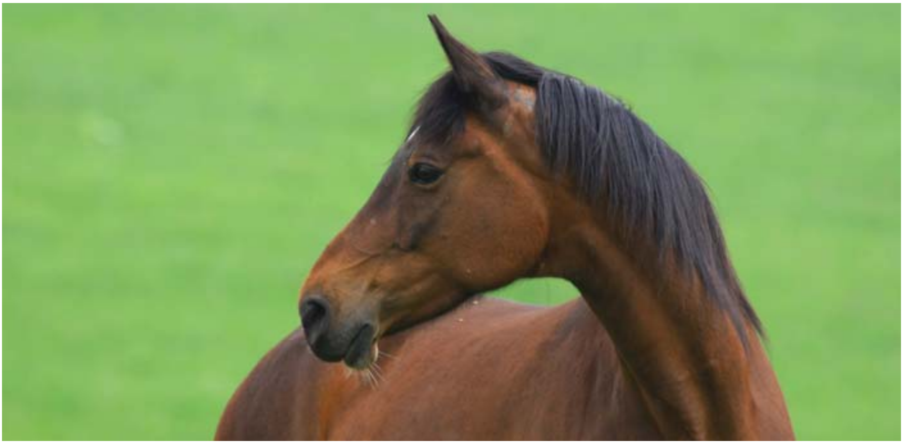
4.3.1 Agricultural/Business relief

Depending on whether the business is operated in the individuals name or in a company name, relief can be claimed by those who inherit or are gifted qualifying agricultural assets or qualifying shares.

The relief is granted by reducing the amount liable to CAT by 90%.

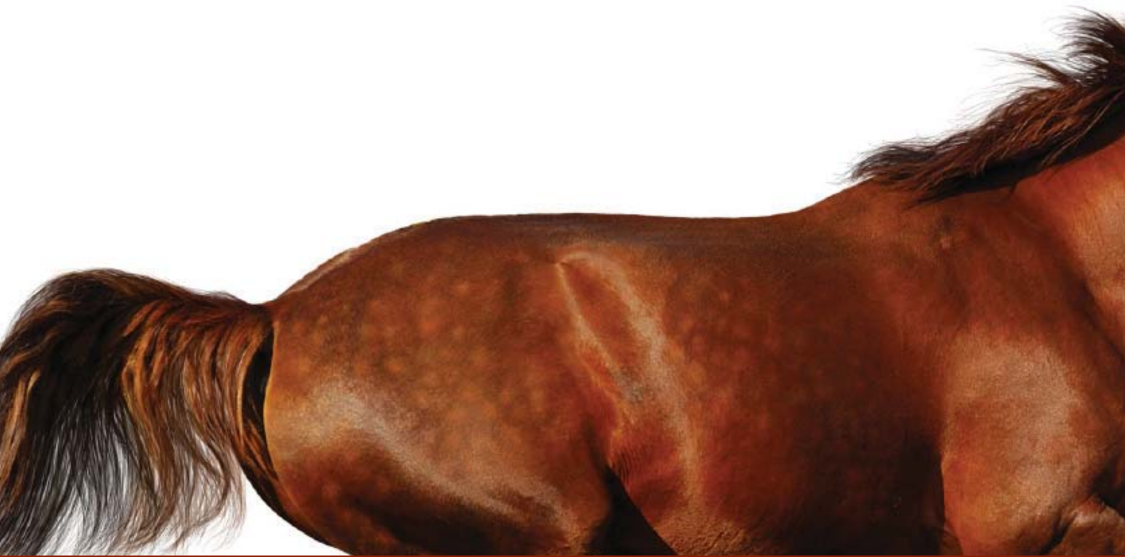
In the case of agricultural property or qualifying shares they must be retained for 6 years post gift/inheritance to avoid clawback of the relief. If the lands are development lands at the date of gift/inheritance, they must be retained for 10 years post receipt to avoid a potential clawback.

Agricultural/business relief in conjunction with retirement relief are very beneficial reliefs to be considered when dealing with succession planning for stud farms or breeding activities.



Grant Thornton
Suites 3 & 4 Courtyard House
The Courtyard Shopping Centre
Newbridge
Co.Kildare
Tel: + 353 (0)45 449322
Fax: + 353 (0)45 449324
Visit our website at www.grantthornton.ie

Grant Thornton, Irish member of
Grant Thornton International, is authorised by
the Institute of Chartered Accountants in Ireland
to carry on investment business
© 2008 Grant Thornton



HORSE SPORT IRELAND

1st Floor, Beech House,
Millennium Park,
Osberstown, Naas,
Co. Kildare, Ireland

T: 045 850800
F: 045 850850
E: info@horsesportireland.ie
www.horsesportireland.ie