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Are there even more changes afoot for Livestock Valuations?

Parliament has finally passed legislation putting in place changes to livestock valuation that have been heralded for some time. But now it seems there are even more changes around the corner.

Although no official announcements have been made it is understood that the methods that the Inland Revenue use to set National Standard Cost values each year is being reviewed and is likely to mean that the values will increase dramatically. For the 2013 year a two year old heifer bred on the farm from birth will be valued under the National Standard Cost scheme at \$592.50 made up of the 2012 Breeding Rearing and Growing cost for a Rising 1 year of \$473.30 and a Rearing and growing cost for 2013 for a Rising 2 Year animal of \$119.20.

Under what is proposed, it is possible that the value of the 2 year heifer may increase to as much as \$1200, in effect 200% of the present value. This will have a major effect on the taxable income of those farmers with a large portion of their herd valued using National Standard Costs. It is understood that there may be some spreading of the increase in value over two or three years, but the proposal will see some farmers tax bills increase substantially as the change is implemented.

A confirmed further change for 2014 tax year will see the combining of Friesians and Jerseys; these breeds will no longer be separated out for valuation purposes. The effect of this is that Friesian cows will be valued slightly lower while Jersey cow values will rise. The consequence of this change will be that there will be some extra tax to pay on the sale of a predominately Friesian Herd while the Jersey herd will pay slightly less than would have been the case with separate classes.

Previous changes in relation to the value of livestock under the herd scheme valuation method included the following and almost all these were backdated.

Elections to Join the Herd Scheme: Once an election to join the herd scheme is in place then a taxpayer can no longer elect to exit out of the scheme. Extra livestock above the herd scheme base number can still be valued using the alternative methods available.

Associated Party transfers: Where livestock is sold between associated persons then the purchaser is required to use the sellers herd scheme elections and base numbers. An exception to this applies where in limited circumstances stock is sold as part of an inter-generational disposal.

Cessation of Farming: Legislation now requires farmers when ceasing livestock farming to use the previous years herd value if the livestock is sold prior to 1st November, while any disposals after 1st November will use the herd values from the current year.

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