

Woodlands (S.564)

Part 19-02-20

This document should be read in conjunction with section 564
of the Taxes Consolidation Act 1997

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Introduction

Section 564 of the Taxes Consolidation Act 1997 ("TCA 1997") provides that in the case of an individual, profits from the sale of standing timber are exempt from Capital Gains Tax ("CGT"). The provisions do not apply to companies or other bodies of persons.

20.1 Disposal of woodlands and treatment of capital sums

On a disposal of woodlands, that part of the consideration which relates to the value of the trees is to be excluded from the CGT computation. This rule also applies to capital sums received under a policy of insurance in respect of the destruction of or damage or injury to trees by fire or other hazard.

20.2 Certain costs to be excluded for CGT purposes

The cost of growing timber on the land is to be excluded from the cost of acquisition of woodlands.

Example 1

On 1 January 2000, an individual purchases an area of woodland for €100,000, €30,000 of which is attributable to the value of timber then growing on the land. In December 2020, he or she sells the woodland for €240,000, and €100,000 of the sale price is attributable to the value of timber growing on the land at the date of sale.

Subject to expenses, the computation of the chargeable gain is as follows:-

| | € | € |
|-------------------------------------|-----------------------------|-----------------|
| Sale price of land | | 240,000 |
| Less attributable to growing timber | | <u>100,000</u> |
| | | 140,000 |
| Cost of land | 100,000 | |
| Less attributable to growing timber | <u>30,000</u> | |
| | 70,000 x 1.193 (indexation) | <u>= 83,510</u> |
| Chargeable gain | | 56,490 |

20.3 Grant of a right

Where standing timber is disposed of by the grant of a right, on such terms (e.g., a grant over a long period) that the grantee enjoys the benefit of the future growth of the timber, then the grant is a disposal of a right over land, i.e., a part disposal of land. Such a grant will accordingly give rise to a chargeable gain or allowable loss computed under the general rules for part disposals (see [Tax and Duty Manual Part 19-01-04](#)).

20.4 Sale of underwood

A disposal of saleable underwood should be dealt with on the same principles as disposals of timber.