

Farms and Rural Business Review of the Summer 2024



Introduction

by Steven Rudd, Head of Farms and Rural Business

Welcome to the review of the summer 2024.



As we reflect on the summer of 2024, it's clear that this season has been one of both challenges and triumphs for the UK farming community. The weather has played a significant role, with a mix of warm, sunny days and unexpected bouts of rain, creating a dynamic environment for our crops. Despite these fluctuations, the 2024 harvest has shown promising results, with many farmers reporting reasonable crop performance across the region.

Looking ahead, we're excited to gather at the upcoming Autumn Farming Conference on 5 November at the All Saints Hotel in Bury St Edmunds. This event promises to be an invaluable opportunity for farmers, growers and industry professionals to come together, share insights and discuss the future of farming in the UK.

With a line-up of expert speakers and a focus on sustainability, diversification and succession planning, the conference is set to provide practical advice and foster meaningful connections within our community. We thank our headline sponsor, Alan Boswell Group, as well as Ashtons Legal and Virgin Money, and our media partner, Anglia Farmer.

Our Conference comes with almost perfect timing. As we approach the UK Budget announcement on 30 October 2024, there has been significant planning activity within the farming community. We've seen many planned transactions accelerated to take advantage of the current tax rules and rates. Of course, we don't have a crystal ball and, understandably, some are waiting to see the outcome rather than knee-jerking into a wrong decision.

The Budget is expected to address key issues such as inheritance tax reliefs and capital gains tax at death, which could have substantial implications for family farms.

Farmers are advised to stay informed and consider how these changes might affect their financial planning and business strategies.

Our Budget Webinar takes place on 31 October and you can sign up on our website larking-gowen.co.uk/events

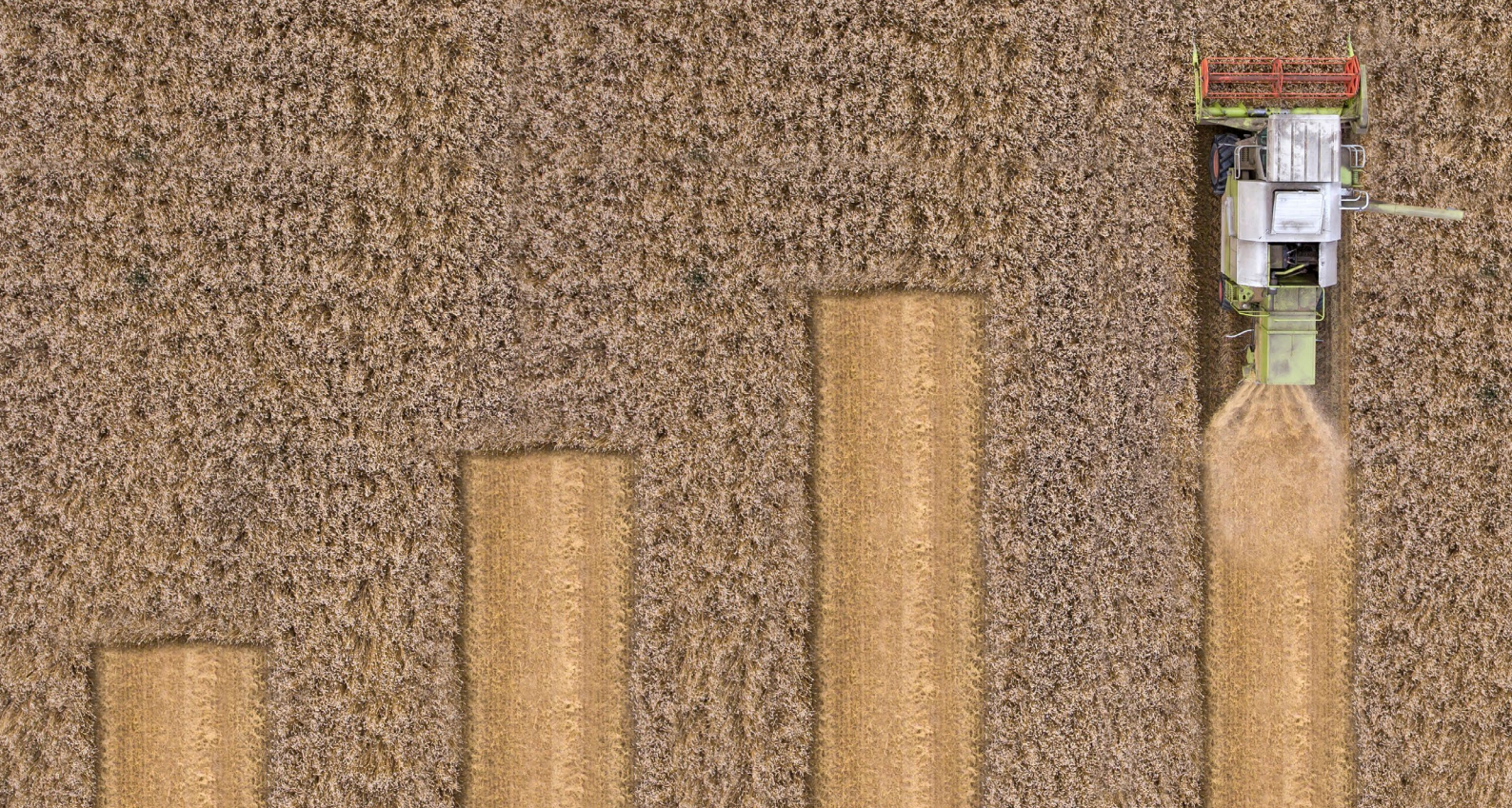
Contents

- **BPS & capital loss relief**
- **Same transaction, different taxes?**
- **Our Services**

How can we help you?

- **Join our conference**





The end of the Basic Payment Scheme, what about my entitlements?

2023 was the final year of Basic Payment Scheme (BPS) submission requirements. The industry is transitioning to the delinked payment system for the remainder of the reduction period for area based payments through to 2027. With the transition to a delinked payment system by the Rural Payments Agency (RPA), BPS entitlements, once a tradable asset, lost their value as of 15 May 2023 when the submission window closed and in effect became an extinct asset from 31 December 2023.

Now that there is no longer any value associated with the BPS entitlements, taxpayers, who had previously bought or inherited entitlements, may be able to make a claim under Section 24 Taxation of Chargeable Gains Act (TCGA), creating a capital loss. This scenario is reminiscent of the discontinuation of sugar beet and milk quotas, where similar loss claims were able to be made.

To make a claim, you will first need to establish the relevant value of entitlements attributable to each taxpayer. This may not be straightforward due to several factors, such as how the business is structured and how the entitlements were acquired. A claim under Section 24 TCGA must be made in a prescribed format otherwise there's a risk that HMRC will deny the relief entirely. It's also possible that

HMRC will scrutinise the basis and values used for any claims made, so it's advisable to disclose all relevant facts when submitting your tax return.

The capital losses which are created can be offset against capital gains in the same or later tax years providing an advantage for taxpayers who may sell or gift assets such as land or property in the future.

For an individual, it's essential to report any capital losses within four years of the tax year in which they occurred so that they can then be used to offset capital gains at a later date. By 'banking' these losses now, taxpayers can secure valuable tax relief down the line. With the potential for capital gains tax (CGT) rates to be increased in the next Budget, making sure you've claimed all available loss relief is now more important than ever.



Andrew Whiting
Manager

If you'd like to discuss the specific circumstances in more detail, please get in touch with your usual Larking Gowen contact or email enquiry@larking-gowen.co.uk.

What happens where taxes overlap? And what is agricultural land?



You may be surprised that the same transaction can be treated differently for different taxes. For example, it sometimes happens that taxpayers, who haven't taken professional advice, gift their main residence to the next generation but continue to live there rent free. The intention is normally to avoid inheritance tax or care home costs.

However, the transaction is effective for capital gains tax (CGT) but not for inheritance tax (IHT). As a result, the executors are generally unpleasantly surprised to find that not only is the house deemed to be owned by the deceased at the date of death (and thus subject to IHT) but also, when the house is sold, there will be a CGT liability on the increase in value since the date of the gift, so part of the value is taxed twice.

With this in mind, it's worth considering a recent Stamp Duty Land Tax (SDLT) case. *S and J Holding v HMRC* [2024] UKFTT 337 (TC) came before the First Tier Tribunal in April 2024, when a taxpayer claimed the lower rate of SDLT on a property which included both "an impressive and beautifully presented five-bedroom Georgian country house," a two-bedroomed cottage and staff flat, and some 40 acres of pasture which was largely used for equestrian purposes. The taxpayer's argument for a mixed (and lower) rate

of SDLT was that more than half of the land should be considered agricultural, since it was used for the growing of forage. The size of the holding was such that it was not a normal domestic property. The tribunal considered various other factors, including the limited level of agricultural activity, the fact that the whole property was held on a single title at the Land Registry, and the marketing literature, (something which was also held to be relevant in the well-known IHT case of *Arnander*) and decided in favour of HMRC, with the Chairman's summing-up stating:

"...the Fields are substantial, comprising some 24 acres. That is more than half the acreage of the Property. It is certainly a factor in favour of the appellants' case. However, the Farmhouse is a substantial property. It is not unusual for a substantial country property to have grounds extending to many acres. Nor is it unusual that part of the grounds of a substantial property cannot be seen from the dwelling, which is the case with part of the Fields.... Taking all the evidence into account, on balance I have come to the conclusion that the Fields... did provide amenity and benefit to the Farmhouse and as such performed a function in relation to the Farmhouse as a dwelling. I am satisfied that the Fields formed part of the grounds of the Farmhouse at the time of the transaction."

This case is purely concerned with SDLT but, of course, there have been many cases on similar valuation issues (admittedly more generally regarding farmhouses rather than land) for IHT purposes. The point about overlapping taxes mentioned above may mean that this case isn't relevant for a different tax regime, but given that there's an element of overlap here, and the valuation issues are common to both tax regimes, it's worth bearing in mind when a small agricultural holding comes up for sale or passes under an inheritance.

As ever, and bearing in mind that where inheritance tax is concerned, the principal witness is usually deceased, maintaining evidence of previous agricultural use is always time well spent.



Laurie Hill
Partner

If you're thinking of gifting land or property, we can help you with tax planning and succession planning. Please get in touch with our Farms & Rural Business team on 0330 024 0888 or email enquiry@larking-gowen.co.uk.

How can we help you?

We review the whole financial structure of our clients' farming and business enterprises regularly, to understand their needs, aims and future aspirations. In addition to the standard accountancy and tax compliance services we provide to our clients, we routinely perform specialist services such as:



Business structure advice



Assessment of diversification plans and associated tax consequences



Succession planning and the passing of assets to the next generation



Contract Farming Agreement reviews



Capital tax planning



Contract farming accounts



Inheritance Tax advice and Will reviews



Specialist capital allowance claims



Review of Partnership Agreements



Research and development claims



Preparation of cash flow forecasts, profit or loss forecasts and business plans



Probate services and estate accounts

If you are searching for a personal and client focused approach, then please get in touch with us for a free initial consultation on-farm or at one of our offices.



Larking Gowen

Autumn Farming Conference



In partnership with the



Larking Gowen's third Autumn Farming Conference is nearly here. Held in conjunction with the Country Land and Business Association (CLA), this year's theme is, Farming fit for the future. Bruce Masson will be hosting and he's joined by Cath Crowther (CLA) as chair. Presentations from a range of speakers, all experts in their respective fields, will provide a valuable insight into where we are as an industry: the headwinds facing the farming sector; the opportunities for businesses that position themselves correctly; together with an insight into the future direction of travel.

Full details of the event programme is now available on our website. Click [here](#) to view the Autumn Farming Conference 2024.

The early morning session will include a talk by Abigail Maynard, Agricultural Environmental Consultant, Divisional Partner, Brown & Co who will go through the myriad options that are available when it comes to Environmental, Social and Governance (ESG) and Biodiversity Net Gain (BNG) schemes. Abigail will be joined by colleague Emma Griffiths Town Planner, Divisional Partner, LLB MSc MRTPI.

Michelle Masson, a Fellow Chartered Accountant (FCA) who is trained in Landed Estates and associated business, will discuss the 'why' and 'how' of 'Sustainability & Carbon Reporting', a new area for many in the farming industry, with advice on how to get started and planning for the future.

Environmental, Social and Governance (ESG) will take centre stage with a panel discussion following the morning speakers.

After coffee, you'll hear some inspirational stories from Sam Steggles, owner of award-winning farm business, The Goat Shed, at Honingham, who'll outline his diversification journey over the last 15 years. He's followed by Edward Vipond, Farms Manager for Troston Farms Ltd, at Stanton in Suffolk, who'll share how Troston Farms is managing cropping risk on a wide range of soil types with the backdrop of no direct support.

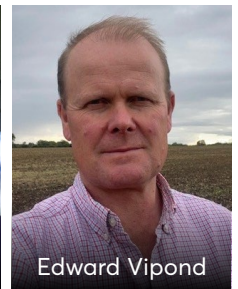
All proceeds will go to our chosen partners YANA & RABI. We look forward to seeing you there.



Michelle Masson



Sam Steggles



Edward Vipond

Headline sponsor



Sponsored by



Media partner



Tuesday, 5 November 2024



All Saints Hotel, Bury St Edmunds, 7:45am - 2:30pm

Committed to you.

0330 024 0888 | enquiry@larking-gowen.co.uk | larking-gowen.co.uk | 

This document is designed for the information of readers. Whilst every effort is made to ensure accuracy, information contained in this document may not be comprehensive and recipients should not act upon it without seeking professional advice. We will process your personal data for business and marketing activities fairly and in accordance with professional standards and the Data Protection Act 2018. If you do not wish to receive any marketing literature from Larking Gowen please contact the marketing team on 01603 624181 or email marketing@larking-gowen.co.uk. "Larking Gowen" is the trading name of Larking Gowen LLP which is a limited liability partnership registered in England and Wales (LLP number OC419486). Where we use the word partner it refers to a member of Larking Gowen LLP or a senior employee of equivalent standing. Larking Gowen LLP is an Independent Member Firm of PrimeGlobal, a worldwide association of advisory and accounting firms. © Larking Gowen 2024. All rights reserved. doc ref 01.10.2024

 *Independent Member of*
PrimeGlobal
*The Association of
Advisory and Accounting Firms*