Lamont Pridmore

Agricultural and Rural Affairs Bulletin

Welcome to the Lamont Pridmore Agricultural and Rural Affairs Bulletin, our regular publication keeping you up to date with the latest developments relevant to this sector. For further information on these or any other farming or agricultural-related issues, please contact us on **0800 234 6978** or visit **www.lamontpridmore.co.uk**

Business confidence among farmers still low

The latest annual survey for the agricultural sector has found that short and mid-term business confidence amongst farmers remains low for the third year running.

One of the key concerns among farming communities is the phasing out of the Basic Payment Scheme (BPS). BPS will be replaced with the Environmental Land Management (ELM) scheme, which will reward farmers and land managers with public money for 'public goods', such as better air and water quality.

However, farmers are concerned about the gap between BPS and ELM. The survey, which was carried out by the National Farmers Union (NFU), showed that 78 per cent of the farmers believe scrapping BPS will harm their business.

After concerns about BPS, the survey also shows that 59 per cent of respondents are concerned about a rise in input prices and 53 per cent about changes to regulation and legislation. Meanwhile, 44 per cent of farmers and growers say their businesses have been impacted by Covid, with the figure jumping to 73 per cent for horticulture businesses.

As a spokeswoman for the NFU pointed out, confidence is critical for all businesses as it influences production, investment and growth intentions, and so has a wider impact on farming's economic contribution as well as food production.

She added that it is hardly surprising that the phasing out of BPS is the top concern highlighted in the survey, as farmers will start seeing payment rates being reduced this year, without any new schemes to replace this income.

In addition, as there is no clarity around the kind of standards involved in these future schemes, it makes it very difficult for farm businesses to plan for the future.

If you are concerned about prospects for your business and would like advice on how to monitor and manage future finances, please arrange a consultation with our ARA team today.

Understanding the seven-year Inheritance Tax rule

With the events of the last year, many individuals' minds have turned to what could happen were they no longer around.

No one wants to think about their demise, but most taxpayers are clear that they want their estate to be passed to the next generation tax-free.

Inheritance Tax is a complicated subject and gifts are a particular source of confusion for many taxpayers, especially the importance of the seven-year rule.

Whether it's for Christmas, a wedding, or any other special occasion, small gifts are commonly exchanged throughout a person's life.

But few people are aware that large gifts, such as a house deposit, could attract tax should the benefactor die seven years after it was gifted.

Under the "annual exemption" rule, you can give away up to £3,000 worth of gifts each tax year without them being added to the total value of your estate. Any unused annual exemption can be carried forward for up to one tax year.

In addition, you can gift a wedding present of up to £1,000 per person (£2,500 for a grandchild or great-grandchild or £5,000 for a child) without attracting tax, as well as make tax-free traditional gifts, such as Christmas or birthday presents, out of your income, providing you can still maintain your standard of living.

You can also give as many gifts of up to £250 per person per tax year, providing you have not used another exemption on the same person.

However, any substantial gifts outside of these rules fall under the seven-year rule. This means that any gifts that do not qualify for relief, exceed your personal threshold, or are made within seven years of your death attract Inheritance Tax on a sliding scale known as taper relief.

For example, if death occurs less than three years after a gift was made, Inheritance Tax is payable at a rate of 40 per cent. At the other end of the scale, if the gift was made six years prior to death, a reduced rate of only 8 per cent is due.

It is also worth bearing in mind that some gifts to certain trusts, companies and close companies may be considered "chargeable lifetime gifts".

This means 20 per cent is payable immediately, with an extra 20 per cent payable if you die within seven years of making the gift.

We know that within farming families there is a strong desire to pass the business, its assets and a wider estate to the next generation.

We can provide expert advice on tax-efficient gifting and also estate planning to ensure that your legacy is passed on in the most tax-efficient manner.

To find out how we can help you arrange your affairs in a tax-efficient manner, please speak to our tax team today.

Meat to remain on menu in the UK

The Government has announced that it will not force people to eat less meat and dairy in its bid to cut greenhouse gas emissions by 78 per cent, compared with 1990 levels, by 2035.

The new target was enshrined in law at the end of June 2021, committing the UK to the fastest fall in greenhouse gas emissions of any major economy between 1990 and 2035, making it one of the most ambitious climate targets worldwide.

In December, the Government's Committee on Climate Change recommended a 20 per cent cut in meat and dairy consumption by 2030, rising to 35 per cent by 2050 for meat only.

However, Patrick Holden, Chief Executive of the Sustainable Food Trust, said that even though industrial meat consumption is a large contributor to the climate, nature and health issues, stopping eating all meat is not the answer. He stated this when the Government laid out its commitments to Parliament earlier this year.

This news that people can continue to exercise free will in their diet and enjoy red meat and dairy was good news for the industry.

A spokeswoman for the National Farmers Union (NFU) pointed out that the UN predicts that the global consumption of red meat will double by 2050.

The UK produces very high-quality red meat and dairy products, so it would be better to lead the way with farming sustainably, working hand-in-hand with the environmental schemes, so that farmers can use these high standards to help with exports.

This is positive news for the UK's agricultural sector. If you have queries about any decisions affecting this sector, please speak with our team today.

New super deduction fails to support rural businesses

Farm advice groups have criticised the Government's new super deduction – a capital allowance offering up to 130 per cent relief on qualifying plant and machinery – for failing to help farmers and rural businesses.

> ***Launched on 1 April 2021, the new tax relief is available for two years and has been designed to help companies invest in their recovery and growth following the events of the last 12 months.***

However, the new tax scheme is only available to companies, in part to make up for a rise in Corporation Tax from April 2023.

Unfortunately, estimates suggest that only 10 to 15 per cent of farms involve a company in any form, with most being run as partnerships or as a sole trader entity. This means that many farms and rural businesses will not benefit from this tax relief.

In response to this, a joint lobbying initiative from the Central Association of Agricultural Valuers, Tenant Farmers Association (TFA), National Farmers Union and Country Land and Business Association is calling for the allowance to be extended to partnerships and sole traders.

This group argues that by excluding these businesses, a substantial part of the economy will suffer at a time when businesses require investment to achieve the necessary improvements in productivity.

Though Corporation Tax rates are set to rise in two years, the yield from income tax and other personal taxes is also expected to increase due to a freeze on personal tax also announced in the Budget.

"Believing the tax regime should be neutral between business structures, and considering that the economy is crying out for investment to improve productivity and achieve recovery, we do not see why a large number of businesses are excluded in this way," the groups said.

"Capital allowances should be neutral between business structures and the super-deduction capital allowance should be open to all."

George Dunn, TFA Chief Executive, added: "We support the government's agenda targeting productivity improvements, but it must match its rhetoric with sound actions.

"Limiting the capital allowance super-deduction to just incorporated businesses will exclude the vast majority of farming and rural businesses, misunderstanding the operation of the rural economy and limiting the extent of their contribution to wider economic growth."

While the super deduction may limit some farmers access to capital allowances, many rural businesses can still benefit from the existing Annual Investment Allowance of up to £1 million. If you would like to find out how we can assist you with capital allowances and other tax reliefs, please speak to our team today.

UK farms record a high number of fatalities

Unsafe working practices have contributed to a grim list of fatalities on UK farms, with the death toll for the year ending 31 March 2021 standing at more than 50 people, almost twice that recorded in the previous year.

Taken over 12 months, the rate is the equivalent of almost one death per week and the total number of fatalities over the period accounts for the highest number of deaths recorded in the industry in around 25 years.

However, the death toll does not just involve farmers; at least three children lost their lives over the period and the list also includes five walkers, who were killed in separate incidents after being trampled by cattle. Other causes of death include falling from height, being struck by a moving object or vehicle and being trapped or crushed.

Sadly, many of these fatalities could have been prevented if people had taken more care or been prepared to wear the correct protective clothing and helmets. For example, quad bike accidents and overturned vehicles accounted for more than 14 deaths over the period and there is an argument to suggest that some of these accidents need not have resulted in death if helmets had been worn.

However, according to separate research, only one in three farmers say they routinely or always wear a helmet when riding a quad bike, giving the excuse of “being in a rush” or, unbelievably, “feeling silly” when wearing protective headgear.

Tragically, lessons are not being learned in an industry that has the worst rate of worker fatal injuries of all the UK’s main industrial sectors. As a spokeswoman for the Farm Safety Foundation commented: “One death is one death too many."

Farming continues to remain one of the UK’s most dangerous occupations, which is why rural business owners must consider the impact of an accident or injury on their business and have plans in place so that their business can be managed in their absence or the unfortunate event of their death.

To find out how we can help you with business continuity and succession planning, please contact us.