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inheritance tax system to be reviewed

A government review of inheritance tax could have a significant impact on farmers' succession plans and the availability of land to lease according to industry experts. The warning follows a request by Chancellor Philip Hammond for the Office of Tax Simplification (OTS) to review the current inheritance tax system. The review will investigate ways to simplify the system and ensure it is fit for purpose.

The review is expected to focus on the technical and administrative aspects of inheritance tax and how it works alongside capital gains tax gift reliefs when taxpayers decide when to transfer or invest in assets.

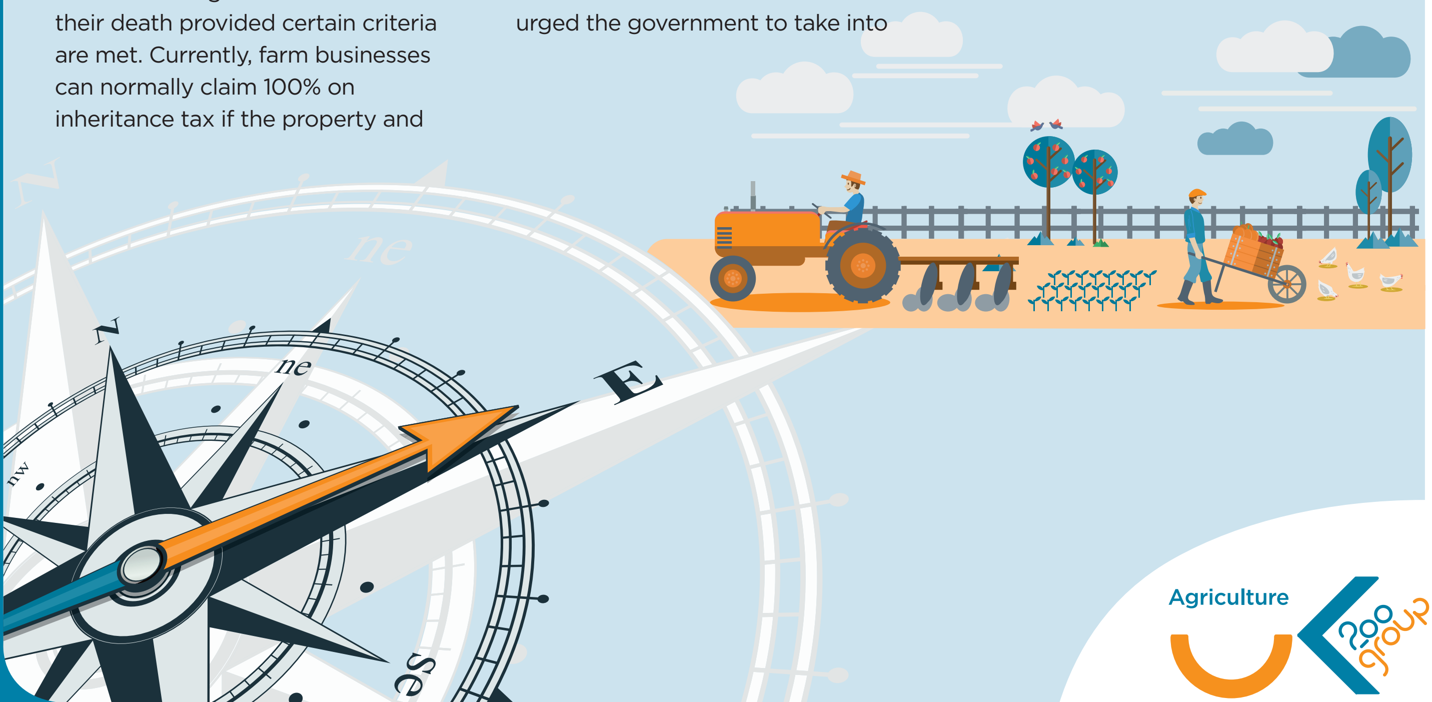
One of the concerns raised by industry experts is that the review could recommend changes to Agricultural Relief for Inheritance Tax, which applies when agricultural property and land is transferred by a farmer during their lifetime or on their death provided certain criteria are met. Currently, farm businesses can normally claim 100% on inheritance tax if the property and land are passed down through the family and have been used for agricultural purposes by the owner for at least two years, or by a tenant farmer for at least seven years up to the transfer date.

According to industry experts, the current inheritance tax system results in many farmers not considering the transfer of assets out of the farm to their children during their lifetime, as this is not in the family's best interest. However, if the rules around Agricultural Relief for Inheritance Tax under succession arrangements is weakened experts predict it may result in farmers changing their succession plans.

If the review recommends changing Agricultural Relief rules it could also change the business decisions made by farmers, by making them less likely to grant tenancies. George Dunn, chief executive of the Tenant Farmers Association has urged the government to take into account the potential effect of any proposed reforms on the tenanted sector. He said *"If Agricultural Property Relief was removed we could see a plunge in the number of people letting land. Instead of getting rid of tax relief on tenanted land, clauses could be inserted to create an incentive for the owner to produce longer term Farm Business Tenancies,"* he suggested.

The review has been welcomed by The Chartered Institute of Taxation (CIOT). John Bunker Chair of Succession Taxes Sub Committee at the CIOT said *"A thorough review of its calculation and administration is long overdue. The review must begin with an understanding that you cannot add simplicity, rather you must remove complexity."*

Read more about the review at: http://bit.ly/2t9Di0l



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NFU asks regulator to delay environmental permit reforms

The National Farmers Union (NFU) has asked the Environment Agency to delay reforms to environmental permit fees that would increase costs for farm businesses in England. The reforms are scheduled to come into force from April 2018 but the NFU has requested a postponement until April 2019 at the earliest. Farming activities regulated by the Environment Agency, and therefore affected by the reforms, include intensive poultry farming, obtaining groundwater consent to spread sheep dip and pesticides over farmland, and carrying out anaerobic digestion as part of a farm business.

The Environment Agency held a consultation on the reforms in November 2017. Under the proposed reforms the current multiple charging system will be replaced with a new single system. Under the single system, the fees for applying for, varying, surrendering or renewing environmental permits would be increased.

According to the Environment Agency the amount it receives in fees from regulated businesses, including farms, no longer covers the costs of regulation. However, the NFU claims that the proposed new fees are 'disproportionately high' and accuses the regulator of providing 'very little information' to justify the increases. The NFU also warns that introducing the new charges could have 'unintended consequences'. For example, it predicts that they could curb the adoption of new technology, discourage new entrants to farming and damage the relationship between the Environment Agency and the farming industry.

Read more about the NFU request at:
http://bit.ly/2FanPlv

Countryside Stewardship opens to applications

The Countryside Stewardship scheme is now open to applications for Hedgerow and Boundary Grants along with Mid Tier and Higher Tier agreements that start on 1 January 2019.

Alongside the existing Mid Tier offers, farmers and landowners can now apply for four new offers that cover arable, lowland grazing, upland and mixed farming projects. The offers provide tailored options that cover the full range of different farm types. Existing Mid Tier offers continue to be available for agreements that deliver organics, historic, water quality, wet grassland and traditional orchard farming projects.

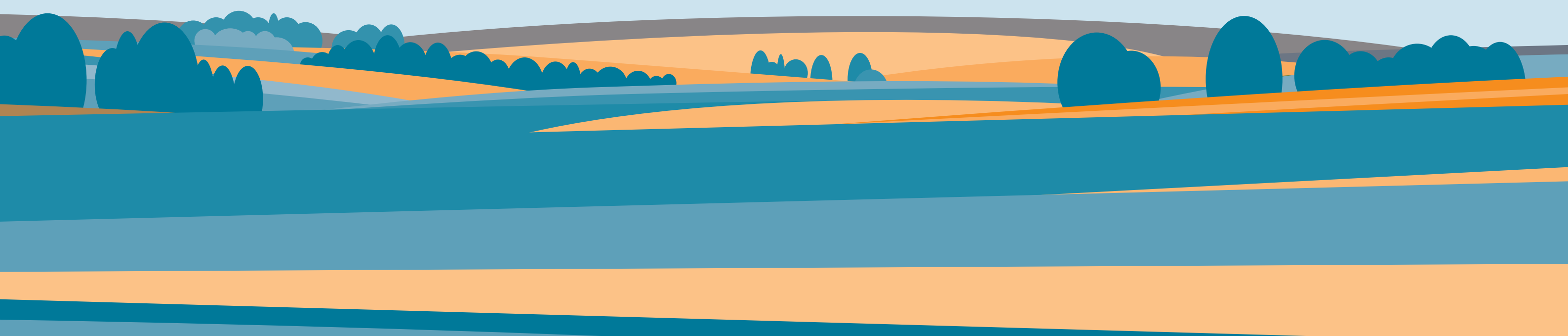
The application process for Mid Tier offers has also been simplified as part of Defra's plans to streamline support for farmers and ensure they continue to have access to the support they need, particularly after the UK leaves the EU. Natural England has published a handbook to help farmers understand the new offers and how to apply.

According to Defra, the new offers will encourage more applications from farmers and landowners who had previously been reluctant due to the bureaucratic application process. Furthermore, the new offers are non-competitive, which means that any farmer that makes a valid application will be guaranteed an agreement.

Farming Minister George Eustice said: *"My message to farmers who've been put off Countryside Stewardship in the last few rounds is to take another look and see what's on offer this year. We've listened to farmers and we've simplified the offering to create a universal scheme to appeal to farmers new to stewardship."*

Defra has also announced that the maximum grant available under the Hedgerows and Boundaries Grant scheme has been doubled from £5,000 to £10,000. The deadline for applications is 30 April 2018. The deadline for Mid Tier applications is 31 July 2018, while applications for Higher Tier agreements will be accepted until 13 April 2018.

Read more about the scheme at:
http://bit.ly/2t7Gp8Q



in brief...

Tractor registrations up 164%

The latest figures from the Agricultural Engineers Association (AEA) have revealed that 1,360 new agricultural tractors (over 50hp) were registered in the UK in December 2017, an increase of 845 (164%) compared with 2016. According to the AEA, the rise in registrations is due to tractors being pre-registered ahead of the introduction of new safety regulations. Since 1 January 2018, all new tractors sold within the EU must meet stricter operator safety, road safety and environmental standards under the Tractor Mother Regulations. The introduction of the new regulations is expected to lead to a fall in the number of new tractor registrations in Q1 2018. http://bit.ly/2GVpGYD

On farm machinery auction sales at record high

The value of sales at on farm machinery auctions have increased significantly due to a rise in the number of farmers changing their farming policy, particularly in preparation for Brexit. This is according to the latest figures from auctioneers Cheffins, which revealed that its on farm machinery auctions grossed a total of £10 million in 2017. Overall, 40% of on farm sales were due to farmers selling machinery because of a change in their farming policy, such as changing the output of their farm or the allocation of land to contractors. The number of on farm sales reached a record high in 2017 with more than 25 sales, up from nine in 2016. http://bit.ly/2oy4HnH

Dairy industry reaches £10.7 billion

The UK dairy industry was worth a total of £10.7 billion in 2017, up 4.5% compared with 2016, according to the latest figures from Kantar Worldpanel. The growth in the dairy industry was driven by higher retail prices and a rise in sales of fresh milk and cheese. Milk sales volumes increased by 1.6% in the 12 months to December 2017, while the total value of fresh milk sales went up by 4% over the same period to reach £3.3 billion. The total value of cheese sales reached £2.8 billion in 2017, which represents a year-on-year increase of 3.5%. Nevertheless, UK farmgate prices for dairy products have continued to fall overall due to rising production across the EU. http://bit.ly/2oyw6Gb

Food and drink exports reach record high

The latest figures from Defra have revealed that the value of UK food and drink exports reached a record high of £22 billion in 2017, an increase of 10% compared with 2016. The exports that had the highest value included whisky (£4.5 billion), salmon (£720 million), chocolate (£680 million) and cheese (£623 million). The figures have also indicated that milk and cream recorded the biggest rise in export sales and increased by 61% year-on-year in 2017, while pork exports increased by 14%. The top five destinations for food and drink exports from the UK in 2017 were the Republic of Ireland (£3.7 billion), the USA and France (£2.3 billion each), the Netherlands (£1.5 billion) and Germany (£1.4 billion). http://bit.ly/2F2Q6Lr

Faltering EU wheat exports could hit UK prices

Figures from the Agriculture and Horticulture Development Board (AHDB) have revealed that wheat exports from the EU have fallen to their lowest level since 2011. Overall, 12.2 million tonnes of soft wheat have been exported from the EU for the season to date, which represents a year-on-year fall of 19% or 2.8 million tonnes. The strength of the euro and a rise in global grain availability have contributed to the fall. In comparison, a fall in the availability of wheat in the UK has led to a rise in demand and higher UK wheat prices. However, the AHDB has warned that a slowdown in exports from the EU and falling import prices is encouraging more buyers to source wheat from overseas, which could cause UK prices to fall or stagnate. http://bit.ly/2HW9bwr

Brexit hits availability of farmland for sale

The availability of farmland for sale has continued to fall in the second half of 2017 and is now at its lowest level since 2004, according to the latest survey from RICS and the Royal Agricultural University. The 'Rural Land Market Survey H2 2017' has revealed that 32% of survey respondents expect Brexit related uncertainty will result in less farmland being put up for sale in 2018. However, despite the fall in availability, farmland prices have remained steady. Farmland sold for an average of £10,260 per acre in the second half 2017, down just 2% compared with the same period in 2016. Nevertheless, 13% of survey respondents expect land prices to fall over the next 12 months. http://bit.ly/2t6RiHZ

inquiry into labour shortages in the agriculture sector

An inquiry into labour constraints in the agriculture and horticulture sectors has been re-opened. In the initial inquiry, which concluded in April 2017, the Environment, Food and Rural Affairs Committee warned that the sectors were facing significant challenges recruiting and retaining labour, and that the agriculture and horticulture sectors would face a labour crisis if the Government did not take action.

The new inquiry will explore whether labour shortages facing the sectors have improved or deteriorated in the past 12 months, as well as identifying the causes of the shortages. The inquiry will also investigate the impact of Brexit on the ability of the sectors to attract and retain workers.

In particular, the committee will explore the validity of the Government's claim made during the initial inquiry that reports of a shortage of non-UK workers were anecdotal, and that the UK would not face a shortage of EU workers while it remains a member of the EU.

In addition, the inquiry has asked farmers for feedback about whether they expect labour shortages to improve or worsen between now and when the UK leaves the EU. It has also requested feedback about the impact of labour shortages on the economic performance of the agriculture and horticulture sectors. The National Farmers' Union (NFU) has submitted evidence to the committee. which revealed that almost 60% of horticulture growers could not recruit the necessary labour in 2017. In addition, 13% of growers said they faced a significant labour shortage in 2017.

Separate research from the Association of Labour Providers has indicated that almost half of recruitment agencies are concerned that they will not be able to provide the number of seasonal agricultural workers needed in 2018.

Read more about the inquiry at:
http://bit.ly/2ozs9Bj and:
http://bit.ly/2CR3SuB

new land tax to come into force in Wales

From 1 April 2018 a new land tax will be introduced in Wales to replace Stamp Duty Land Tax (SDLT). The new Land Transaction Tax (LTT) is expected to increase the cost of purchasing and leasing high value land, including farmland.

The rates of LTT were confirmed by the Welsh Government in October 2017. The rates are banded in a similar way to SDLT, although an extra band has been introduced. The new LTT rate on freehold sale proceeds between £150,000 and £250,000 is 1%, compared to the SDLT rate of 2% for this band. LTT on sale proceeds of between £251,000 and £1 million will be 5% and sale proceeds above £1 million will be charged at a rate of 6%. In comparison, SDLT on all sale proceeds above £250,000 are currently charged at a rate of 5%.

For buyers purchasing high value farms, the transition to LTT is predicted to result in considerably higher tax bills. However, for many buyers the introduction of LTT is predicted to be extremely beneficial. Jeremy Moody, secretary and adviser to the Central Association of Agricultural Valuers commented *"Where land sells at £8,000 an acre, any sale of more than 125 acres will attract more tax under LTT than it would under SDLT. A farm at £4 million would see a Welsh LTT bill of £218,440 compared to £189,450 under SDLT."*

Read more about LTT at:
http://bit.ly/2F4oZLM

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