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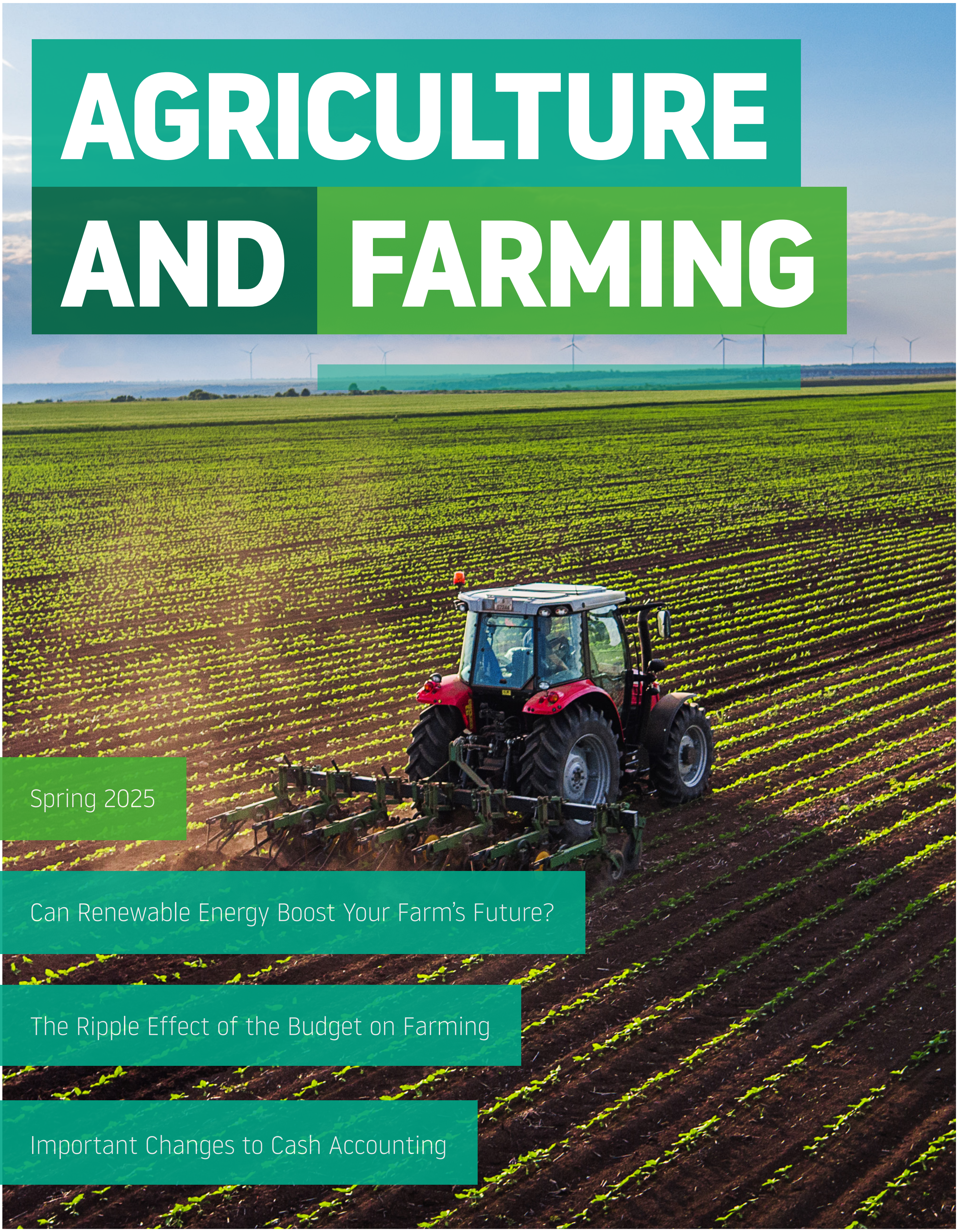
AGRICULTURE AND FARMING



Spring 2025

Can Renewable Energy Boost Your Farm's Future?

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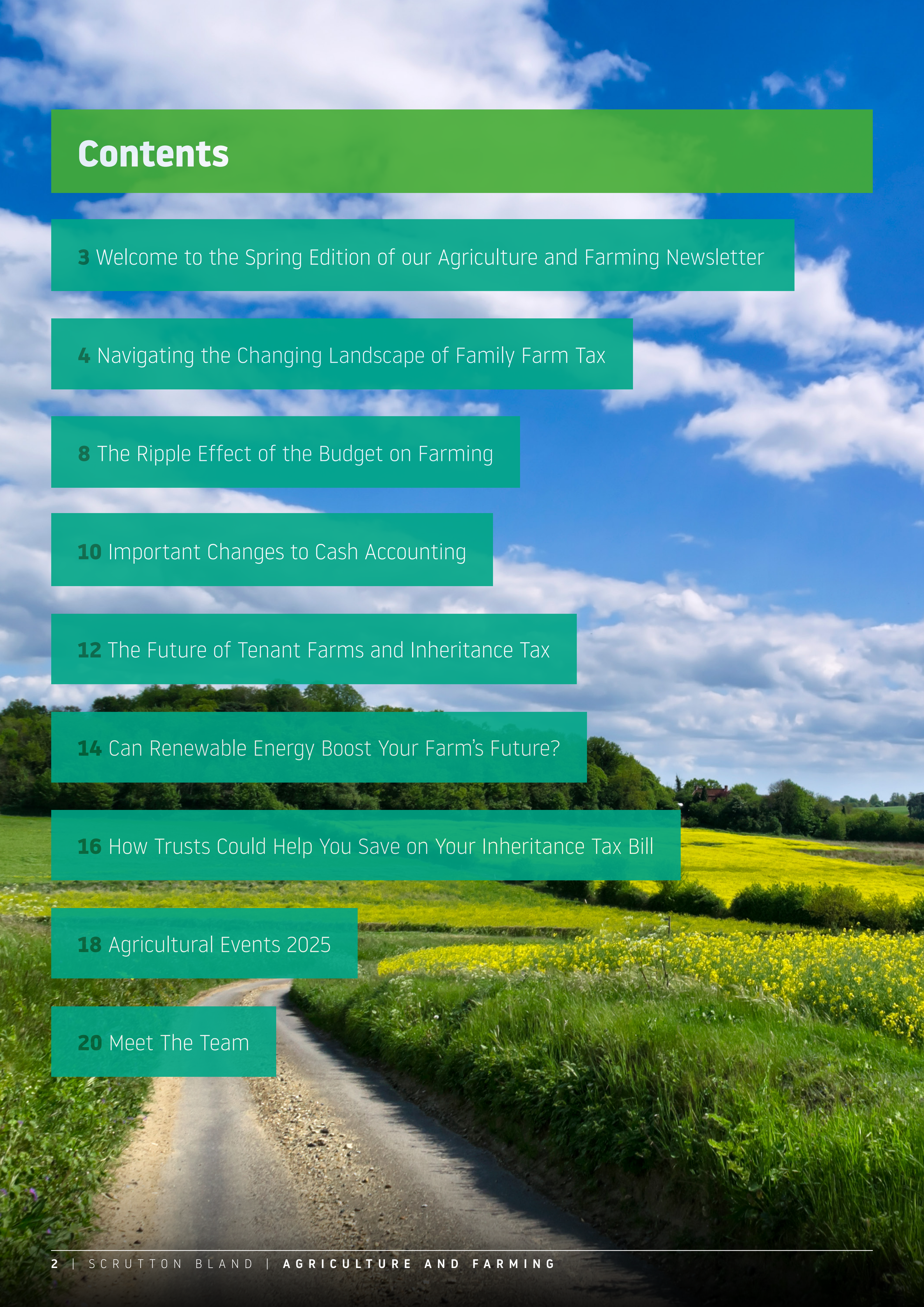
Important Changes to Cash Accounting



Contents

Welcome to the Spring Edition of our **Agriculture and Farming** Newsletter

As I write this introduction the sun is streaming through my window which helps lift the spirits at a time when one can readily feel gloomy about the challenges facing the farming industry.

Much has been reported about Rachel Reeves' proposals to change the rules for inheritance tax on family farms and certainly in the last few months we as a firm have been busy supporting our clients understand the potential impact of the announcements. For many this has meant devising strategies to mitigate that impact which, in the majority of cases, is a potential inheritance tax bill that the farm cannot sustain from ordinary operating cashflows.

At the beginning of March we held a successful online conference in association with Fram Farmers and the Suffolk Agricultural Association and we share some of the topics we covered in this newsletter which I hope you'll find useful. Details of how to watch that conference are provided in the article on page 5.

Since that event we heard the shock announcement of the closure of the Sustainable Farming Incentive and now many farmers whose applications were not yet processed are left with a hole in their cashflow.

With softening commodity prices heading into what is likely to be the tightest cash position of their business ahead of harvest, this will be challenging for many. And it's another blow from a government that's doing a good job of alienating itself from the rural community and countryside who are such a key sector to the wider economy and wellbeing of the general public.

I very much hope you find our newsletter of interest and as ever should you wish to discuss any aspect further, please do not hesitate to contact myself or a member of our specialist agriculture team.

Of course, show season will be soon upon us so let's hope the sun continues to shine. You can find details of where we'll be and when at the end of this newsletter. I'm looking forward to catching up with clients, friends and contacts both old and new - there will certainly be much to talk about!

Nick Banks
Business Advisory Partner

Navigating the Changing Landscape of Family Farm Tax

Following last October's Autumn Budget, and the changes announced to Agricultural Property Relief (APR) and Business Property Relief (BPR), the need for expert advice in the agricultural sector has never been more needed. Nick Banks, Business Advisory Partner shares examples of how the changes are likely to affect farms.

The proposed changes from April 2026 are set to have massive implications for family farms on everything from Inheritance Tax (IHT) on family assets to pension planning, Trusts, Capital Gains Tax (CGT) and farming tenancies – even the vehicles used for the business. And farmers across the country are anxiously trying to take stock of the risks and opportunities in their businesses.

Then there's the additional changes to National Minimum Wage and Employer National Insurance to think about, with many farms having diversified in recent years and taking on seasonal workers in hospitality and leisure activities.

With so much complexity surrounding the various changes, and the different implications for individual circumstances, those across the industry are feeling the pressure to act quickly.

Farm owners, especially those running multi-generational family operations, are understandably nervous.

And as advisers, it's a unique and unsatisfactory position to be in to deliver impactful advice without formal legislation beyond the statement of intent in the October 2024 budget.

However, there are proactive steps farmers can take now to navigate the shifting tax rules and we've already seen many real examples that demonstrate how to approach these challenges successfully.

What's important across the board is not to panic. Whilst there are time-sensitive elements, it's vital that you make time to make best decision for your circumstances.

Real-life farming family case studies

We've recently worked on several cases that highlight the impact of these changes on family farms, and how proactive steps can reduce liabilities.

Hopefully by exploring these real-life examples you can see how these tax changes affect businesses in many different ways, and what strategic action can be taken to alleviate some of the burdens.

	IHT bill arising from Budget	Average 2 year EBITDA	Existing Finance and Debt	Cover	Existing finance and debt with IHT	Cover
Farm A	£406,274	£99,690	£38,447	2.59	£79,074	1.26

	IHT bill arising from Budget	Average 2 year EBITDA	Existing Finance and Debt	Cover	Existing finance and debt with IHT	Cover
Farm B	£548,800	£123,489	£57,233	2.16	£112,113	1.10

FARM A:
Strategic Gifts and Pension Adjustments

- **Family Structure**: Father (77), son, and daughter-in-law in partnership.
- **Farm Operations**: Combinable crops and small pig enterprise, spanning 370 acres.
- **Current Situation**:
  - No bank debt, but a hire purchase agreement for a tractor.
  - Gift of land to the son, with a Potentially Exempt Transfer (PET) subject to seven years; CGT holdover relief claimed.
  - Wife (76) admitted to the partnership with a joint share in the land and farmhouse.
  - Two-year qualifying period for wife to be eligible for APR and BPR exemptions.
- **Action Taken:**
  - Reviewed the profit allocation and revised the partnership agreement.
  - Admitted the wife into the partnership to use her £1 million exemption.
  - Pension access used to replenish reduced profit following the gift of land.
- **Cost & Outcome:**
  - Professional fees (comprising Land Agent, Accountant and Solicitor) of delivering the services: £12-15k.
  - The strategy reduces the IHT liability by over £400k but requires the qualifying periods for exemption to be met.

FARM B:
Gift with Holdover and Life Insurance Planning

- **Family Structure**: Parents (84 and 82), son in partnership.
- **Farm Operations**: Combinable crops and sugar beet on 430 acres.
- **Current Situation**:
  - 290 acres, farmhouse, and buildings owned by parents.
  - Existing bank debt secured on the son's property interest.
  - Gift of land to son, retaining house, buildings, and some land; partner capital also gifted to son.
  - PET subject to seven years; CGT holdover relief claimed.
  - Gift inter vivos planned, along with a decreasing term life insurance policy.
- **Action Taken**:
  - Reviewed profit allocation, equalised partner capital between parents and son.
  - Explored life insurance to mitigate the risk of not surviving the seven years.
- **Cost & Outcome**:
  - The strategy helps reduce IHT liability, though the family is weighing up the costs of life insurance policies.
  - A more tax-efficient transfer of assets over time.

	IHT bill arising from Budget	Average 2 year EBITDA	Existing Finance and Debt	Cover	Existing finance and debt with IHT	Cover
Farm C	£1,360,000	£150,024	£96,546	1.55	£232,546	0.65

	IHT bill arising from Budget	Average 2 year EBITDA	Existing Finance and Debt	Cover	Existing finance and debt with IHT	Cover
Farm D **	£379,393	£26,640			£37,939	0.70

FARM C:
Trusts and Family Considerations

- **Family Structure**: Parents (84 and 81), three children (one on farm, two with off-farm careers).
- **Farm Operations**: Combinable crops, sugar beet, 700 acres owned, 350 acres under AHA tenancy, plus four residential lets.
- **Current Situation**:
  - Bank loan secured for land purchase.
  - Proposed gift of land to son, considering equity between siblings.
  - Possibility of using a trust to hold land for all siblings and next generation
  - Residual IHT liability arising from non-core residential property.

Action Taken:

- Engaged in discussions about how each sibling would benefit from the assets depending on ownership structure.
- Explored the possibility of a trust to hold land, digesting the consultation document published on 27th February 2025.
- Most recent residential purchase identified as non-core that could be sold to help cover any residual IHT bill.

- **Cost & Outcome**:
  - Ongoing consultations, with a focus on achieving consensus between siblings before making any significant gifts.

FARM D:
Succession Planning and Valuation Considerations

- **Family Structure**: Parents (75), owning 444 acres let on a perpetual AHA tenancy to family farm company; son owns an additional 306 acres under the same tenancy.
- **Farm Operations**: Land rented under tenancy, farm company holds a 49% share.
- **Current Situation**:
  - Original farmyard has been improved and let as a business park.
  - Gift of the entire landholding to children under PET, subject to seven years; CGT holdover relief claimed.
  - Rent income would be forgone, requiring replacement income.

Action Taken:

- Reviewed succession plans, including gifts with reservation of benefit.
- Discussed potential valuations for land, tenancies, and shares.
- Pension access considered to replace lost income.

- **Cost & Outcome**:
  - Tenancy arrangementsneed to be carefully examined to determine implications on valuation of land subject to the tenancy and the value of the tenant right.
  - Shareholdings can benefit from minority discount in certain circumstances which can be advantageous in reducing value interest in family farming companies.

** EBITDA is rent after income tax available to service IHT repayments

Key insights and considerations for family farms

These real-life examples show the importance of proactive tax planning in the face of this evolving legislation. But there are many other considerations such as:

- **Proactive Gifting**: Farmers can reduce IHT by gifting land or assets, but it's essential to plan ahead and use exemptions like the £1 million IHT allowance and CGT holdover relief strategically.
- **Partnership Agreements**: For farms with multiple family members, making sure partnership agreements are aligned with succession goals and tax relief eligibility can make a significant difference.
- **Pension and Life Insurance**: Accessing pensions to replenish income after making gifts, and exploring life insurance to cover potential IHT liabilities, are strategies that need to be factored into a comprehensive tax plan.
- **Trusts as Tools for Equity and Protection**: Trusts offer a way to protect assets and provide for future generations, but they come with complexities that require careful planning and professional advice.
- **Succession Plans Should Be Dynamic**: Succession planning is not a one-time task but a dynamic process that involves constant review, especially when new legislation comes into play.

Further considerations

The legislation is yet to be finalised and there has been much speculation of how the announcements could evolve;

Could there still be an age exemption to consider? Where that line is drawn would inevitably create winners and losers so, is it fair?

Could the £1m exemption amount be increased? Taking this to £5m would change things for a significant number of farms.

Could the tax be calculated but only collected if the inherited asset is sold? This seems an equitable and pragmatic outcome and is favoured by those sector organisations lobbying Government but to date no engagement.

Could there be a possible extension from seven years to ten years? This would further penalise an aged generation that to date has held land for good reason and compound the sense of unfairness of the announcements.

Following the Spring Statement on the 26 March there was no further mention of any of these topics so we wait to see how matters evolve over the summer months before legislation is brought to Government for assent ahead of the 6th April 2026.

Next steps

Whether through gifting land, restructuring partnerships, exploring life insurance options, or using trusts, each decision made now will have a lasting impact on the future of your farm.

As agricultural accounting specialists we're here to support you - the farming community - with navigating the complexities of tax planning, minimising your liabilities, and securing the future of your family businesses for generations to come.

To discuss your individual circumstances, get in contact with Nick or one of the team by calling 0330 058 6559 or email hello@scruttonbland.co.uk

This article was written following the success of our Virtual Farming Briefing event on Thursday 6 March, where experts from across the sector shared their experience and solutions on current challenges in the farming industry.
You can watch the recording of this event on our website.

All figures are based on real examples of accounts for current clients – with names and details changed to protect privacy.

For the purposes of this article the following calculations and terms have been used:

"Cover" is a ratio that calculates a company's margin of protection in servicing its debt and making dividend payments.

EBITDA is based on profit excluding depreciation, amortisation, bank interest but after drawings and income tax.

Figures are based on the financial years ending 2023 and 2024 for harvest years 2022 and 2023 (arguably indicating a better than ordinary result given the strength of the 2022 harvest result for most farms)

It should be noted here that average 2 year EBITDA is calculated by taking the profit – adjusted for drawings and tax, as a crude measure of how much cash a business can generate

The Ripple Effect of the Budget on Farming

With the headline changes to APR and BPR dominating discussions, it's easy to overlook how many rural businesses are grappling with more than just the topline impact of these proposed changes.

Jack Deal, Business Advisory Partner explores two further issues adding complexity across the sector. Firstly, in the shape of increases in the cost of Employer's National Insurance (NI) and the National Living Wage (NLW), both effective from April 2025.

And secondly, whilst the changes have already led to a number of generational transfers of land and property, what happens if there's a marital breakdown now or in the future? How can you make sure your farm is protected from all angles?

The impact of the NI and NLW changes

By way of a re-cap, from April 2025 the rate of Employer's National Insurance will increase from 13.8% to 15%, and the level of earnings at which Employer's National Insurance is paid (per employee) will decrease from £9,100 to £5,000.

Meaning that for any full-time employees over the age of 21 on the National Minimum Wage, that's an annual wage increase to be covered of over £1500, alongside a predicted rise in your employer NIC's of £770*.

We spoke with David Kemp of Kemp Herbs, a family business growing a range of herb and salad produce in South Norfolk.

The business employs seasonal workers and has a higher number of employees than many neighbouring farms. David explained that they are budgeting for an additional £50k - £100k of cost for employing their people in 2025, compared to 2024.

'The higher rate of National Insurance will hit us, but we'll also be affected by the increase in the National Living Wage. Whilst we already pay our people above the rate of the National Living Wage, the increase raises the base line of what people expect to be paid, and we know we'll have to pay more in order to compete for talent.

Like most farmers, we don't control the price of our product so we have no choice but to absorb this cost and look for cost savings elsewhere in our business'.

David's comments echo the feeling of many of our clients, particularly those that have diversified into the hospitality and retail sectors in recent years.

These sectors run at tight margins and employees are essential.

And whilst some businesses will be able to pass on increases in employment costs, some will be considering their models and hiring policies in light of them.

Considering pre or post-nuptial agreements
Passing on a farm and property to the next generation is an easier decision for some landowners than others. For example, where there is a clear line of farming succession, and those successors are ready to take on the land and property.

But even where this is the case, it is important to consider how the farm is best protected from all angles. And an area often overlooked is the impact of marital breakdown.

Both pre-nuptial and post-nuptial agreements are becoming more and more popular in the UK. And whilst the conversation around them can sometimes be difficult, they are one of the most effective tools for protecting a farm against marital breakdown.

We've advised a number of businesses around land and property transfers prior to and since the October 2024 Budget.

And where land and property is passed down a generation, we've been recommending that the protections offered by pre or post nuptial agreements are also considered.

Because there are implications if a couple are married that could affect not only an immediate decision but also the long-term future of the farm and its successors.

A farm that's been in the family for generations will not only have a financial value based on its assets but an emotional one too. Similarly, there's often business structures like partnerships, tenancies and limited companies to navigate. And then there's future inheritance, trusts and health to think about too.

This is an area where expert legal advice is essential. A pre or post nuptial agreement is not something to be entered into lightly, and aside from navigating the dynamics of the relationships concerned, it is crucial that legal advice is taken by all parties from the outset.

We suspect that pre and post nuptial agreements will become even more popular in the UK as attitudes towards asset ownership evolve and, simply put, as more land and property is transferred by generations seeking to mitigate the impact of changes to the APR and BPR legislation.

It's been well publicised that the October 2024 Budget was not kind to the rural sector and, whilst the changes to APR and BPR will continue to attract attention, I suspect we will start to see the real-time cost of the Budget in the coming months.

For more information about these issues or any other affecting your farm or estate, talk to Jack or one of the team by calling 0330 058 6559 or email hello@scruttonbland.co.uk

**source increase in employer National Insurance contributions by employee earnings, 2025–26 | Institute for Fiscal Studies*

Important Changes to Cash Accounting

Offering choice & opportunity but not necessarily simplification.

Now that the 2024/25 tax year has ended, thoughts inevitably turn to the completion of business accounts and tax returns. So, with this in mind, Chris George, Tax Partner looks at a potentially significant change in the rules which, to date has received little publicity the change to cash-based accounting.

From 6 April 2024, the default method of accounting for unincorporated businesses moved to the cash basis.

Previously, all businesses were required to prepare accounts under the accruals basis, meaning that all income and expenses incurred in the accounting period were included, regardless of whether they were paid/received or not.

This change is driven by the move to Making Tax Digital and trying to simplify administration for businesses.

But, as with the vast majority of HMRC simplification initiatives, they often result in some complexities, particularly in the transitional period from one basis to another. This is certainly the case with the change to cash basis accounting - with a large number of transitional adjustments potentially needed.

Given the unique nature of businesses within the agricultural sector, some of the transitional adjustments could have a significant impact on a business' taxable profits.

Stock

One key difference between the two methods of accounting is the concept of opening and closing stock. Within 'traditional' accrual accounting, closing stock is valued at the end of the accounting period and is removed from the costs of sales expenses incurred in the year. This is then brought into account in the following year as opening stock.

With cash basis accounting, no closing stock adjustment is required.

So, in a transitional year of cash basis accounting, a business will have an additional deduction for opening stock brought forward - but will have no corresponding closing stock adjustment.

Therefore, in the transitional year, there will be an increased cost of sales deduction, reducing taxable profits. And on a sizeable arable enterprise, this additional stock deduction could be substantial.

Fixed assets

With accrual accounting, fixed assets are included on the business' balance sheet and depreciated, and capital allowances are given for tax purposes.

In cash basis accounting, tax qualifying fixed assets are allowed as a deduction in the period in which they are paid for.

If, on the transition to cash basis, a business has an unrelieved Capital Allowance pool brought forward, the full amount of this balance is allowed as a deduction in the transitional year.

This doesn't however apply to Capital Allowance pools containing cars. These continue to be dealt with in the usual way.

Hire purchase

With assets acquired on hire purchase or similar credit arrangements, under 'traditional' accounting, Capital Allowances are generally given on the full cost of the asset as soon as it is brought into use.

Under cash basis, tax relief is only obtained on payments actually made in each accounting period.

So, if the business has assets which are still under HP agreements during the transitional period, the amount outstanding under the agreement is brought into charge as an income element, potentially increasing the businesses taxable profits.

Timing of sales and purchases

As mentioned above, under accrual accounting income and expenditure relating to an accounting period are included regardless of if they have been actually paid or received.

As the name implies, cash accounting only includes income received and expenses actually incurred in the period.

This provides the opportunity for tax planning by delaying sales until after the end of the accounting period and paying for expenses up front. This will of course have an impact on a business' cash flow, but if planned correctly could produce some sizeable reductions in taxable profits in certain periods.

Are all businesses affected?

There are some types of business that are excluded from the default cash basis accounting. LLP's and limited companies as well as those businesses who wish to make an averaging claim or have a herd basis election in place will continue on an accruals basis. Additionally any businesses that qualify for cash accounting can opt out and retain the accruals basis if they wish to.

One final point with the change to cash accounting is how banks and finance organisations will adjust to accounts drawn up in this way. For complex businesses like those in the agricultural sector, cash basis accounts may look markedly different to traditional ones.

Banks may still require accounts drawn up under the accruals basis and cash accounting might mean that certain debt covenants are not met, so these factors will need careful consideration.

On the face of the matter, these changes can, in some cases, present a significant opportunity to produce a one-off reduction in taxable profits. This could be advantageous if the business owners have a significant one-off source of income or a capital gain in one year.

This change does however come with complexities especially to agricultural businesses so careful consideration needs to be given as to when the right time is to move from one basis to another.

As always, the key to maximising tax planning opportunities is to engage specialists with experience in these issues as early as possible. To speak to Chris or one of the Agricultural team call us on 0330 058 6559 or email hello@scruttonbland.co.uk

The Future of Tenant Farms and Inheritance Tax

With a new £1 million cap on Agricultural Property Relief (APR) and Business Property Relief (BPR) due to take effect from April 2026, the value of tenancies will play a more critical role in inheritance tax calculations. Business Advisory Partner Nick Banks takes a look at how the changes will introduce a new layer of complexity for tenant farmers significantly impacting how they approach estate planning.

For as long as I've been in practice, the value of a tenancy to a tenant has likely come up when talking about the compensation payable on the surrender.

Occasionally I've seen probate applications include a value for a tenancy, but this has always been covered by 100% Inheritance Tax relief.

But with the changes to Agricultural Property Relief (APR) and Business Property Relief (BPR), announced in the Autumn 2024 Budget, this is set to change.

Tenant farmers, like all other farmers, hold working capital which has a value. This will include their plant and machinery, crops held in store, the value of their growing crops and the other working capital of the business.

It would typically be expected for the tenant farmer's business to qualify for BPR and therefore, prior to 6 April 2026, the value of this working capital to qualify for 100% Inheritance Tax relief.

If the farmer attributed a value to their tenancy this would also have been expected to qualify for APR and therefore 100% IHT relief.

From 6 April 2026 though, an individual's entitlement to 100% APR and BPR will be capped at £1m. 50% relief will apply on the balance of value above £1m, meaning an effective IHT rate of 20%.

Bringing the value of tenancies into sharp focus.

Taking an example to illustrate the point:

David farms 500 acres under an Agricultural Holdings Act tenancy. The working capital of David's farming business is worth £250k.

If we assume the tenancy is worth £5k per acre, David's assets are worth:

Working capital of business	£250,000
Tenancy	£2,500,000
Total	£2,750,000

Assuming David undertakes no planning and dies before his son Robert succeeds to the tenancy, and assuming the other assets in David's estate consume his IHT nil rate band, the above assets would carry an IHT liability of £350k.

Paying this liability interest free over ten years leaves an annual cost to the business of £35k.

And here lies the first challenge. David's successors cannot sell some land to pay this tax, as has been suggested in some circles since the Budget. They could look to surrender part of the tenancy to raise capital, however this is unlikely to raise enough to make it worthwhile.

The second challenge is that tenancies are difficult to plan around, in traditional estate planning terms.

Some farming businesses are undertaking estate planning which focuses on utilising the £1m cap for APR and BPR of both a husband and wife, to ensure they fully relieve £2m of qualifying assets.

This is likely to be challenging in David's case, given that it's unlikely that David would be able to share ownership of the tenancy with a spouse, without disturbing the tenancy itself.

Many landowners are looking at passing assets down a generation via lifetime gifting. But this is also difficult with a tenancy, compared to assets owned outright, as passing the tenancy down would typically require a succession, which is likely to have wider implications on the tenancy itself.

What to do next?

We've been discussing many of these cases with affected clients and working hard to support them ahead of the changes next year.

I suspect our land agent friends will be busy in the meantime providing valuations of tenancies to support estate planning.

We're here to help with advice and support for both your business and personal finances. So, if you're facing this issue and unsure what to do next then please call Nick or one of the team on 0330 058 6559 or email hello@scruttonbland.co.uk

Can Renewable Energy Boost Your Farm’s Future?

With the renewable energy industry continuing to grow, many of our clients have been approached by land agents and developers on the hunt for suitable land on which to site solar farms and battery storage.

James Tucker, Business Advisory Partner explains why it's so important for landowners to understand the tax implications of entering into renewable energy schemes and why careful consideration needs to be given to structuring the transaction.

Historically, some farmers have been reluctant to explore options which take good quality arable land out of production. However, with the phasing out of the Basic Payment Scheme over the next few years, renewable energy schemes are now being seen as lucrative diversification opportunities for landowners – providing them with profitable alternative income streams.

Often, the significant sums involved can make a real difference to the long-term sustainability of the farm and financial security of the younger generations.

Below is an example of a recent case with clients looking to explore using some of their land as a solar farm.

Post-Budget we've been able to implement a structure which not only minimised the tax payable on their rental income, but that also optimised the family's inheritance tax (IHT) position, enabled the younger generation to meet their income needs and incorporated a Trust to pay the grandchildren's school fees!

Solar or battery storage schemes can create a substantial rental income stream over a long period (often more than 40 years) which makes land incredibly valuable.

Landowners have the option to either sell the land for this purpose (permanently reducing the size of the farm available to pass down to future generations – not usually a popular choice) or to use the income stream to re-invest in the farm (and other assets).

Income then generated from solar farms and battery storage is generally taxed in the same way as rental income.

Where this is subject to income tax – and given the typical amounts involved - this will likely mean that tax is payable at the top rate of 45%.

So, with these clients we started by looking to transfer the land to a limited company meaning the rental income would fall to be taxed at 25% instead.

Now, this strategy is particularly effective where the base cost of the land is high (i.e. where the land has been purchased or inherited recently) and can therefore be sold to the company for that same amount.

Although the land will now have a much higher value due to the solar/battery option agreement (with the value continuing to increase over time as they get closer to spades in the ground), any capital gain can be held over, meaning that there is no upfront Capital Gains Tax (CGT) cost.

The company now has a valuable asset which it bought for the original cost of the land. But of course, the recently formed company did not have any money to pay for the land so it actually owes that amount to the client – providing a useful pot of money which can be drawn down (tax free) to supplement the client's pensions and investment income during their retirement.

In forming the company, we also looked carefully at the needs and wishes of the wider family to structure the shareholding in the most efficient way.

Children and grandchildren were given certain shares in the company so that they could benefit from dividend income, capital receipts or both. Some of the shares were also transferred to a discretionary Trust, with dividends payable on those shares earmarked to pay school fees.

One of the problems which has taken up numerous column inches since October though is the thorny issue of the 'gift with reservation of benefit' rules (GWROB), which basically say that you can't give something away and then continue to earn an income from it if you want that asset to be excluded from your estate for inheritance tax purposes.

The structure we implemented for this client meant that we avoided this problem and instead enabled wealth to be transferred to the younger generations via their shares. All whilst still making sure the client had the ability to draw funds from the company in the form of loan repayments.

There are of course no guarantees with these types of schemes that they will come to fruition.

No matter what the prospects of the deal are at the early stages, there are numerous planning, regulatory and commercial hurdles to overcome before the money becomes real.

The problem is, especially with the recent changes to the inheritance tax regime, the planning really needs to be put in place now.

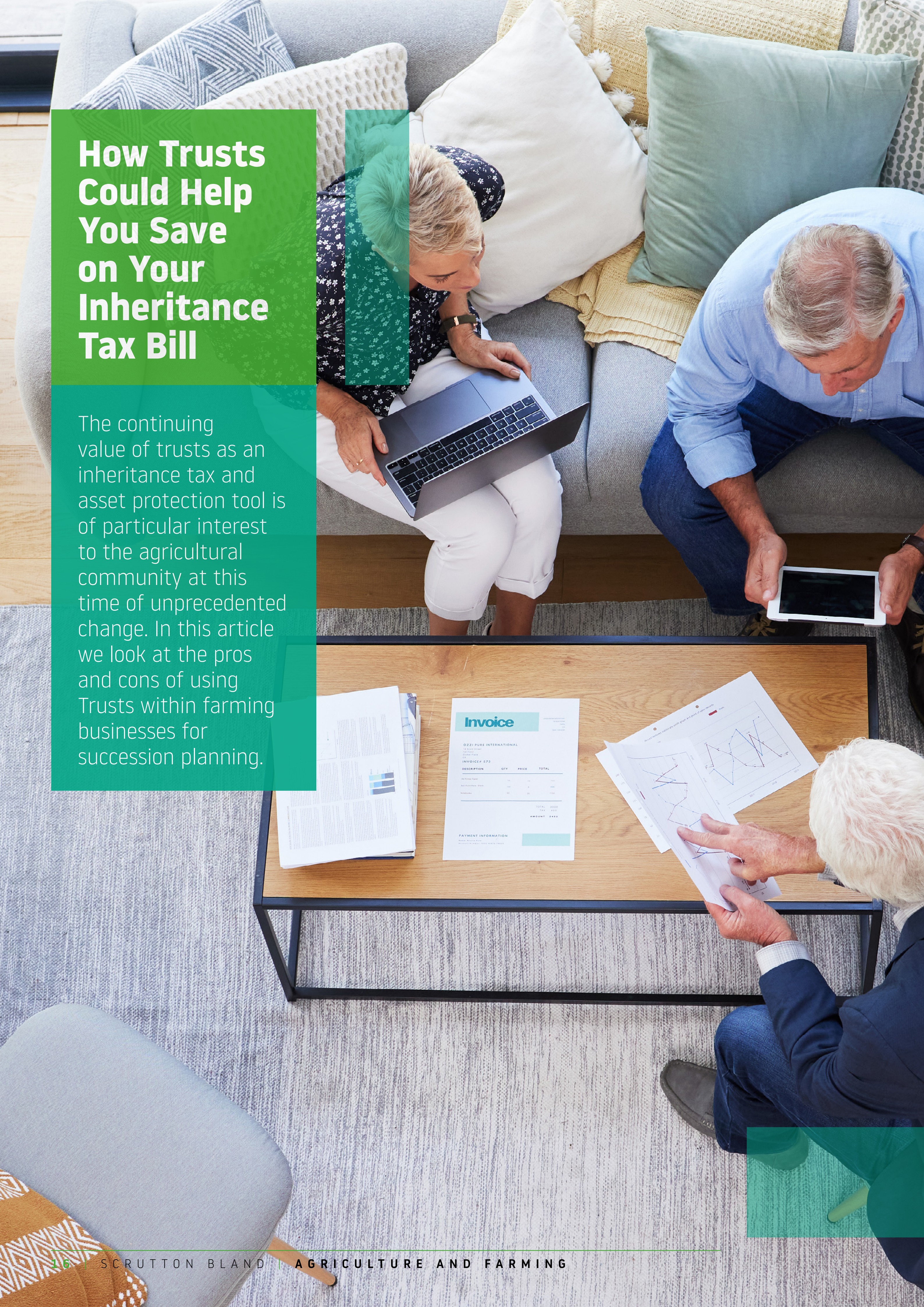
To benefit from some of the opportunities brought about by the drive to net zero, relies to some extent on a family farm being in the right place at the right time (ideally close to a National Grid substation!). But it also illustrates that there are real advantages to be gained from thinking laterally about the issues that so many farms are now facing following the recent Budget.

In this case, our clients now have a structure that achieves all of their objectives and ensures the future security of the farm for future generations of the family... subject to planning permission of course!

If you're considering renewable energy income streams for your farm or keen to know more, give James or one of the team a call on 0330 058 6559 or email us hello@scruttonbland.co.uk

How Trusts Could Help You Save on Your Inheritance Tax Bill

The continuing value of trusts as an inheritance tax and asset protection tool is of particular interest to the agricultural community at this time of unprecedented change. In this article we look at the pros and cons of using Trusts within farming businesses for succession planning.



Firstly, it's important to understand what a Trust is.

Simply put, a Trust holds assets for either individually named beneficiaries or potentially a class of beneficiaries, such as all of my future grandchildren.

Trustees manage the Trust assets in the best interest of the beneficiaries and where the Trust is discretionary (i.e. the Trustees can decide when and how much to appoint to any of the beneficiaries) the Trustees retain control over the assets and the amount of benefit the beneficiaries have, depending on the original intention of the Trust. The person who sets up the Trust can also be a Trustee.

So why use a Trust?

Trusts are a fantastic tool for asset protection. And this can be particularly important where the beneficiaries may not yet be of an age where you are happy for them to have access to the full asset (would you be happy for your 18-year-old child or grandchild to have £1 million outright?). However, you'd like them to benefit from the assets, whether that's a property to live in or to benefit from the income generated from the assets.

Trusts can also help to protect assets should the beneficiaries get divorced. The rules and case law is complex in this area so it's important to take advice on the structure of the Trust and how this could be used should the beneficiaries get divorced in the future. But Trusts offer potential protection that would not be there if the asset was otherwise owned directly by the beneficiary.

From an Inheritance Tax perspective, any transfers into Trust are outside of your Estate after 7 years. This therefore allows you to start the 7 year clock whilst retaining some control over the assets.

There can be an immediate charge to Inheritance Tax where the value of the initial transfer exceeds your available nil rate band so advice should be taken before any transfers are made.

Discretionary Trusts fall into the relevant property regime and are subject to Inheritance tax charges every 10 years (sometimes referred to as the 10-year charge). The calculations for this are complex but the maximum amount of IHT payable on the 10-year anniversary is 6% which is substantially lower than the full rate of IHT of 40%.

Business assets and agricultural assets

With the recent reductions announced to Agricultural Property Relief and Business Property Relief, to 100% on the first £1 million of assets and 50% thereafter, Trusts can again be a useful tool to help mitigate IHT.

HMRC have released a consultation on how these changes will impact Trusts (released February 2025) and whilst the rules are not final, we can see that the intention is for a Trust to have a £1 million threshold.

This will be available to the Trust on the 10 year anniversary and it's proposed that it will 'refresh' every 10 years. Therefore, if a Trust holds Agricultural and Business assets below £1million no IHT would be due on the 10 year anniversary and at the next 10 year anniversary the full £1 million would still be available (i.e. it's not reduced by the amount of the threshold used at the previous 10 year anniversary).

Whilst it's proposed that a Trust will have it's own £1 million threshold, there will be anti-avoidance provisions in place to prevent you from setting up multiple Trusts.

We will of course need to wait until the consultation has finished and the legislation is finalised, but it's interesting to see how Trusts could be particularly beneficial for those holding farming or business assets to maximise the relief available.

The downsides of a Trust

The main thing to be aware of is that once assets are transferred into Trust, the settlor (the individual who has transferred the assets) cannot continue to benefit from the assets held within the Trust, otherwise this will be a settlor interested Trust and subject to various anti-avoidance provisions. Most of which would essentially unravel the potential benefits of creating a Trust in the first place.

It's also worth bearing in mind that a Trust is a separate entity and therefore there is additional administration to consider. Any trust, whether it is generating taxable income or not, must be registered with HMRC. Should the Trust receive the income or realise capital gains then Tax Returns will need to be filed. Likewise, a separate bank account will be required.

In summary, Trusts can be a very useful tool when it comes to protecting your assets and assisting with Estate planning.

But as always they should form part of a wider IHT planning strategy and care should be taken before creating one as they can be very difficult and costly to unwind in the future.

Our team have knowledge and experience of dealing with multiple trust cases and we're here to help guide you to determine whether a Trust may be beneficial to your circumstances. Contact us on 0330 058 6559 or email hello@scruttonbland.co.uk

Agricultural Events 2025

Scrutton Bland are proud to once again be sponsoring and attending some of the key agricultural events across the region this spring and summer.

17 May 2025
Hadleigh Show
Sponsor & Networking

Book tickets at hadleighshow.co.uk

12 July 2025
Tendring Show
Sponsor & Networking

Book tickets at tendringshow.co.uk

28 & 29 May
The Suffolk Show
Gold Sponsor & Exhibitor (stand 705)

Book tickets at suffolkshow.co.uk
Please pop by and say hello if you're there.

11 & 12 June Cereals
The Arable Event
Exhibitor (stand 158)

Alongside fellow members of the Sumer Group we'll be exhibiting for the first time at Cereals this summer.

Set to take place at Heath Farm, Lincolnshire this flagship agricultural event offers a unique opportunity for arable farmers and industry professionals to explore the latest innovations, products and expert advice.

The event opens at 9am on both days, and tickets are available online in advance for £15, or on the day for £20.

Book tickets at cerealsevent.co.uk

Your Agriculture Champion
National Practice, Local Delivery

Sumer is a collaboration of the leading regional accountancy practices across the UK and Ireland. We champion small to medium sized businesses at the heart of our communities with a focus on local delivery of services.

Across our regional hubs, we have a team of over 100+ farming focused accountants & tax advisors supporting:

- **Arable Farmers**
- **Renewables Diversification**
- **Soft Fruit Farms**
- **Vineyards**
- **Livestock Producers**
- **Poultry Farms**
- **Dairy Farms**
- **Landed Estates**

With everything from Capital Gains Tax Planning and Audits to Estate Planning and Environmental Schemes.

SUMER
Your Business Champion

Meet The Team

We have a long-standing association with the agriculture sector and our specialists have a thorough understanding of the opportunities and challenges facing the industry.

We seek to build long-term, trusted relationships with our clients. It is important to us that we understand our clients' business and personal aims and objectives, in order that we can provide bespoke and personal advice.

Get in touch with a member of the team to see how they can help you.

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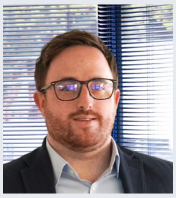

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