

Budget 2024: what it means for your farm

COOPER
AND
TANNER



PKF
Francis Clark



MOGERS
DREWETT

FCN | THE FARMING
COMMUNITY
NETWORK



Welcome



George Trippick
Director, Auction Manager

Introducing our speakers this evening

1. Mike Butler – PKF Francis Clark
2. Frank Collins – Mogers Drewett
3. Tim Hector – Cooper and Tanner
4. Stephen Dennis – The Farming Community Network

Followed by a Q&A session, then food will be served



Introduction

Mike Butler

Partner, agriculture and landed estates

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Introduction

- Budget – 30 October – proposals, not yet legislation
 - Eagerly anticipated!!
- Agricultural and Business Property Relief (APR and BPR)
 - No changes to qualification criteria, except APR confirmed for environmental land management schemes under an environmental agreement with... approved responsible body
 - Overall same test for qualifications
 - All that has changed are rates applied that have been 100% for most part since mid-1990s
- How many impacted? Government figures? Treasury 28% or DEFRA 66%? Do annual figures mean anything? A generational thing!
- Our client base

IHT headline announcements

What's happening from April 2026?

- Nil Rate Band £325k frozen until 2030 (from 2009 – fiscal drag)
- Residential Nil Rate Band of £175k
 - available if property going to lineal descendant and gross estate < £2m (tapered £1 for every £2 increase in value to a max of £2.7m)
- APR/BPR: 100% allowance of £1m:
 - Per individual – **NON-TRANSFERRABLE AT THE MOMENT?**
- APR/BPR: 50% relief above £1m allowance
- Gifts in last seven years: (TO BE CONFIRMED?) – Anti Forestalling
 - After 30 October 2024 within new rules
 - Before 30 October 2024, no restriction

How does the maths work?

	£	£
Say 250 acres. Value of farm owned jointly by couple including farmhouse & net working capital		4,000,000
APR/BPR – 100% x £1m x 2	2,000,000	
APR/BPR - 50% of £2,000,000	1,000,000	
Total APR/BPR		(3,000,000)
Farm value after APR/BPR		1,000,000
Nil rate bands - NRBs (x 2)	650,000	
Residence nil rate bands - RNRBs (x 2)	350,000	
Tapering of RNRB	(350,000)	
		(650,000)
Taxable estate		350,000
IHT at 40%		140,000

NB. Possible restriction on APR and farmhouses as is currently the case

How does the maths work?

	£	£
Say 180 acres. Value of farm owned by individual (widow) including farmhouse & net working capital		2,500,000
APR/BPR – 100% of £1m	1,000,000	
APR/BPR - 50% of £1,500,000	750,000	
Total APR/BPR		(1,750,000)
Farm value after APR/BPR		750,000
Nil rate bands - NRBs (x 2)	650,000	
Residence nil rate bands - RNRBs (x 2)	350,000	
Tapering of RNRB	(250,000)	
		(750,000)
Taxable estate		-

How does the maths work?

	£	£
Say 400 acres. Value of farm owned jointly by couple including farmhouse & net working capital inc 2 cottages, let and part of the business (£600,000)		5,600,000
APR/BPR – 100% x £1m x 2	2,000,000	
APR/BPR - 50% of £3,600,000	1,800,000	
Total APR/BPR		(3,800,000)
Farm value after APR/BPR		1,800,000
Nil rate bands - NRBs (x 2)	650,000	
Residence nil rate bands - RNRBs (x 2)	350,000	
Tapering of RNRB	Max. (350,000)	
		(650,000)
Taxable estate		1,150,000
IHT Payable £1.15m @ 40%		460,000

How does the maths work?

	£	£
Say 750 acres. Value of farm/agribusiness owned jointly by couple including land, farmhouse & net working capital (£4m), shares in agribusiness company (£5m)		10,000,000
APR/BPR – 100% x £1m x 2	2,000,000	
APR/BPR- 50% of £8,000,000	4,000,000	
Total APR/BPR		(6,000,000)
Farm value after APR/BPR		4,000,000
Investments		<u>1,000,000</u>
		5,000,000
Nil rate bands - NRBs (x 2)	650,000	
Residence nil rate bands - RNRBs (x 2)	350,000	
Tapering of RNRB	<u>(350,000)</u>	
		(650,000)
Taxable estate		4,350,000

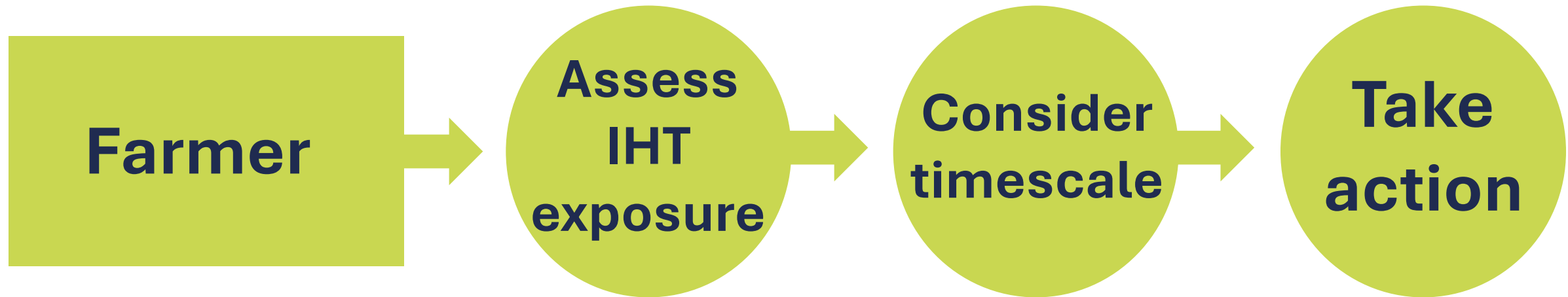
Inheritance tax at 40% on £4,350,000 = **£1,740,000**

Not all payable over 10 years (£1m - £650,000 x 40% = £140,000)

Who is impacted?

- You?
- What is the value of your estate?
- Through planning most will be able to improve their position
- IHT often not affordable – profitability of the sector?
- Most vulnerable
 - The seven-year challenge - most elderly? terminally ill? Uninsurable?
 - Unable to gift - Alzheimer's
 - Risk of gift
- Will extra rules arrive on 25 March 2025 – Spring Statement?
- **WE WAIT ON THE DETAILED LEGISLATION**
 - Budget announcement
 - Finance Bill
 - Finance Act

What should I be doing now?

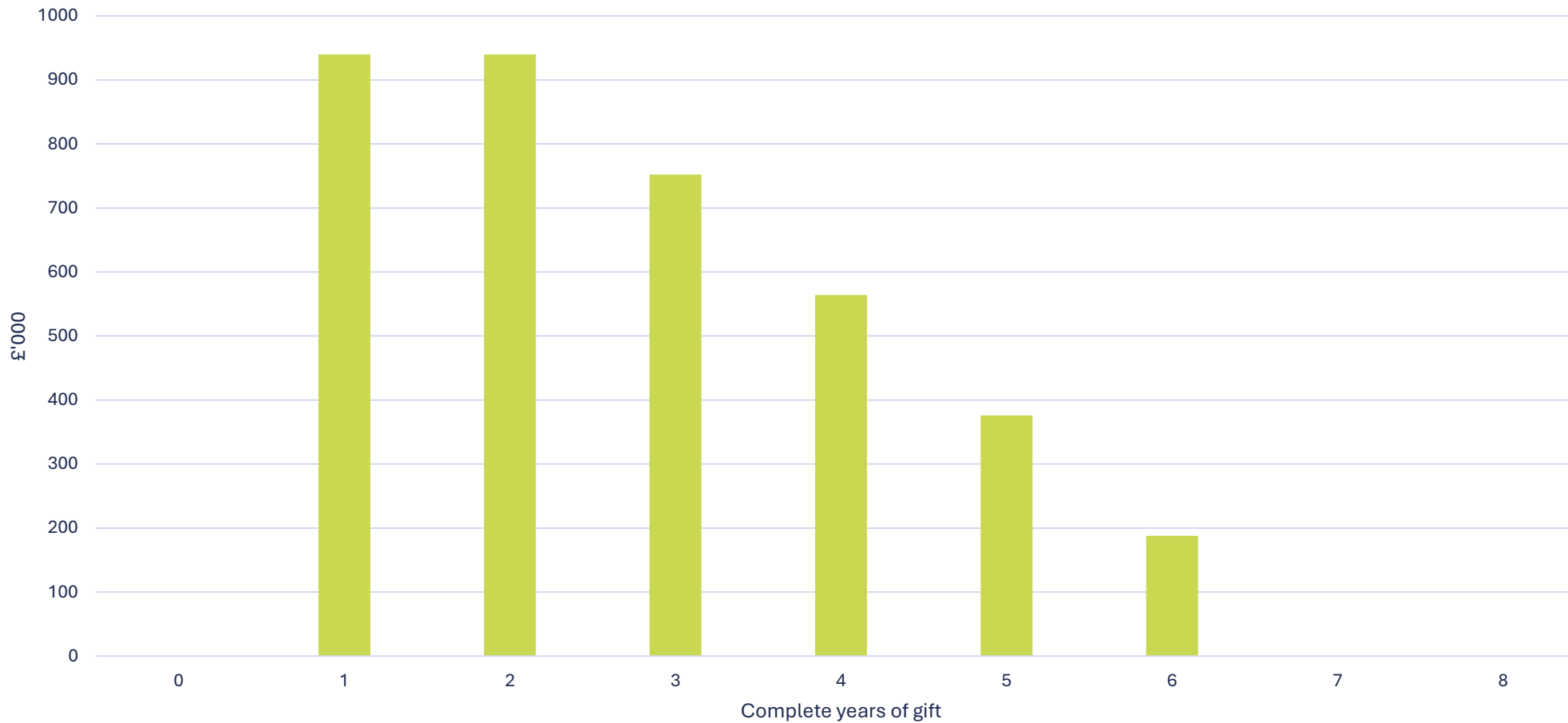


Options



Tapering – benefit after three years?

IHT Payable AFTER Tapering £'000 (Joint business £8m Gift 5/4/25)



APR & BPR

Other matters

- Recent deaths (<2 years)
- Deeds of variation
- Destroy value
 - Multiple ownership
 - Freezer shares
 - Votes in shares
 - Tenancies (will FBTs help?)
- Will 7-year gift period become more?
- Incorporation
- Gifts with reservation of benefits (GROBs)
- MASSIVE valuations challenges
- Lots of HMRC enquires

Furnished Holiday Lets - abolition

- FHL rentals absorbed into ‘ordinary’ property business from 6 April 2025 unless action taken - main changes:
 - Interest relief restricted to basic rate
 - No capital allowances
 - No CGT reliefs – BADR/holdover relief/rollover relief
- VAT/business rates position unchanged
- Fifth edition of our book now available
- Lobbying work – pushed HMT/HMRC for more clarification
- Should you merge into farming business to get BPR?

Double cab pick ups

From 1 April 2025 will be treated as cars for the purposes of:

- Capital Allowances
- Benefit in Kind
- Some deductions for business profits

The existing capital allowances treatment will apply to those purchased pre-April 2025

Double cab pick ups – the impact

High emissions so benefit in kind rate likely to be the maximum 37%

Say the list price of vehicle was £40,000

- Benefit in Kind would go up from £4,020 to £14,800
- Tax charge going up from £1,608 to £5,920 for a higher rate tax payer
- NI cost increasing from £603 to £2,220

Capital gains tax rates

	Before the Budget	From 30 Oct 2024	From 6 April 2025	From 5 April 2026
Shares & non-residential property				
Basic rate	10%	18%	18%	18%
Main rate / estates	20%	24%	24%	24%
Residential property				
Basic rate	18%	18%	18%	18%
Main rate	24%	24%	24%	24%
Business asset disposal relief / investors' relief				
Rate of tax	10%	10%	14%	18%
Lifetime allowance	1,000,000 / 10,000,000	1,000,000	1,000,000	

Employers' national insurance

From 6 April 2025 to 5 April 2028 Class 1 secondary:

- Threshold will be reduced from £9,100 to £5,000 per annum
- The rate will increase from 13.8% to 15% (**up 1.2%**)

Further:

- £615 per employee plus 1.2% salary >£9.1k
- Apprentices under 25 and employees under 21 are 0% for employers NI
- But employee allowance increased from £5k to £10.5k

Pensions

Unspent pensions into IHT from April 2027

- Lots to think about
- Potential impact on SIPPS and interaction with APR
- Concern over ability to take pension if locked in land-no liquidity
- Land may benefit from 20% effective rate outside but 40% within?

Final thoughts

Essential to keep calm, don't panic/over react

Don't let the tail wag the dog! What has changed for you?

Look after each other – mental health

Get proper advice, not what you read in the papers or (some) social media

SUCCESSION PLANNING

Frank Collins
Agricultural Partner



Succession planning – what's changed?

We used to;-

- Rely on 100% APR
- Get as much covered by 100% BPR as possible
- Fret over Farmhouse
- Wait till death



Where are we now

- The old way won't work after April 2026 – potential for big IHT bills
- Rely on what we know not what we don't
- 'Do nothing' is not an option
- Succession planning has never been so important



Starters for 10

- Full Asset Audit
- Understand the size of bill you might be facing
- Understand the impact of that on your succession plan and your business – have a plan to deal with it



Succession plan

- One Size does not fit all
- Be clear on your objectives for;-
 - The Business
 - The non-farming members of the family
- Don't do it just to save tax



Future planning – the basics

- £1m per person combined APR/BPR exemption
- £325k per head Nil Rate Band in addition
- Spouse exemption
- The Residence Nil Rate Band trap
- Nil Rate Band transferable – the £1m exemption isn't



Maximise allowances

- £1m per person combined APR/BPR exemption
- £325k per head Nil Rate Band in addition
- Spouse exemption
- Debt
- The Residence Nil Rate Band trap
- Nil Rate Band transferable – the £1m exemption isn't



Plan long term – plan ahead

- Involve the next generation
- Lifetime Gifts
- Beware the Gift with reservation
- Remember the 7-year rule



Concerns

- Divorce
- Commitment to the Business
- Uncertainty
- Death within 7 years
- Affording the Tax



Takeaways

- Get a Partner
- Partnership Agreement –
 - have you got one,
 - is it up to date
 - does it work with new arrangements
- Shareholders Agreement
- Wills
- Life Insurance – is it in Trust



A scenic landscape at sunset. The sun is low on the horizon, casting a warm glow over a rolling green field. A large tree with some autumn-colored leaves is in the foreground on the left. The sky is a mix of blue and orange.

Stephen Dennis

FCN Southwest Lead

What is your retirement plan?

- Is your house in order?
- What are you locking away?
- Planning v escapism



What is FCN?

- The Farming Community Network (FCN) is a voluntary organisation and charity
- Founded in 1995 as the Farm Crisis Network
- We support farmers and families through difficult times and in preparing for the changes ahead
- FCN has over 350 volunteers located throughout England and Wales, many of whom are involved in farming, or have close links with agriculture
- We operate a confidential helpline (03000 111 999) open 7am-11pm every day of the year and an e-helpline (help@fcn.org.uk)

What does FCN do?

- FCN provides practical and pastoral support to anyone in agriculture.
- Most FCN volunteers have a farming background or close links to agriculture.
- Helpline volunteers are on hand to listen, support and connect.
- All cases that come to FCN are treated with complete confidentiality.
- Our volunteers will “walk with” those who seek our help and support them.



Where we can make a difference...

- Encourage planning and resilience
- Provide compassion, care and support when needed
- Reduce loneliness and isolation
- Walking with people through change
- Champion good health and wellbeing
- Support those retiring/exiting the industry
- Family mediation
- Offer hope.

FarmWell

- **FarmWell** is an initiative by FCN to help farmers look after their personal wellbeing and plan ahead
- Helps to ensure useful information is all in one place and is written in simple, easy-to-understand language
- Free to use and comprehensive online resource
- Proactive rather than reactive
- Contains bespoke content and also signposts to externally developed content
- English and Welsh versions available



Can we help you or someone you know?

If you would like someone to talk to, then The Farming Community Network is here for you, no matter what your concern is.

Helpline: 03000 111 999

e-Helpline: help@fcn.org.uk

Helpline is open 7am-11pm every day of the year

FCN | THE FARMING
COMMUNITY
NETWORK

Here for *you*

Local Contacts

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