

SMILES GOLDIE TURNER AND SMAILES GOLDIE

RURAL NEWSLETTER



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A recent ruling provides farmhouse owners
with greater scope for tax planning

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WELCOME

Welcome to our rural newsletter, bringing you news from our firm and updates on tax, finance and other issues affecting farming and rural enterprises.

Smailes Goldie Turner is the specialist agricultural arm of Smailes Goldie Chartered Accountants. We work with a wide range of farming and other agricultural businesses, with a focus on providing practical, proactive advice and support to help clients achieve their full potential.

For more information on any of the issues covered in this newsletter, please contact us.



INHERITANCE TAX BOOST FOR FARMING FAMILIES

A recent ruling in a landmark tax case regarding the inheritance tax (IHT) relief available on farmhouses provides owners with greater scope for tax planning.

Following a decision last year by the Upper Tribunal, which hears appeals on tax issues, agricultural property relief (APR) – which provides 100 per cent IHT relief – can now apply where a farmhouse and farmland are not owned by the same person, but are in common occupation.

The case involved a farmhouse that had been occupied by Joseph Hanson until 1978, when his son moved in. Mr Hanson continued to own the property but it was his son who lived there and actively farmed the 215 acres of land.

Of the 215 acres, 25 acres were owned by Mr Hanson, with 128 acres belonging to his son and the rest either rented or owned by third parties.

While HM Revenue & Customs (HMRC) agreed that the property was occupied for agricultural purposes, it argued that because the farmhouse had a different owner to the surrounding land, APR did not apply.

However, the Upper Tribunal said that HMRC needed to take into account the whole area farmed by the son, which meant the property and land were connected by common occupation, even though there was no common owner.

The question of whether APR can be applied has traditionally had many grey areas. With the ownership of property



and land often spread across different family members and generations, correctly assessing the IHT liabilities of a particular estate can be complicated.

While this ruling provides some clarity and could lead to more APR claims where the ownership is either unclear or disjointed, the Upper Tribunal added that common occupation would not

always be a sufficient connection, so it is vital to seek expert advice before taking any action.

Early planning will enhance the value of inheritance tax planning in mitigating liabilities. For further advice on APR or any other inheritance tax issues, please contact the Smailes Goldie Turner team.

RED DIESEL CHANGE GETS GREEN LIGHT

A permanent change to the law is to be introduced so that agricultural vehicles can use red diesel when gritting roads.

Last year, HM Revenue & Customs (HMRC) consulted on extending legislation that currently only allows vehicles specifically built and used for gritting roads to run on red diesel to tractors and agricultural material handlers. Announcing its response to the consultation, HMRC said: "Agricultural vehicles are often the only vehicles capable of both clearing

and gritting roads in rural communities and their use could make a difference in maintaining road access for supply vehicles and the emergency services during extreme weather."

Following what HMRC called an "overwhelmingly positive" response in favour of the change, it began the process of amending the Hydrocarbon

Oil Duties Act 1979 in September, in time for the changes to come into effect this winter.

HMRC's common-sense decision is welcome news, which also highlights the need to stay up-to-date on changes to tax rules and regulations affecting farmers and rural businesses. For more information, please contact us.

FARMERS WARNED TO BE ALERT ON NEW WAGES REGIME

Farmers are being urged not to get caught out by new rules governing the way agricultural workers are paid.

Following consultation, the government abolished the Agricultural Wages Board (AWB) on 25 June 2013. It said the move would "simplify employment practices and remove an unnecessary regulatory burden" on the farming sector, enabling it to adopt "flexible working practices".

The National Minimum Wage (NMW) was introduced in the agricultural and horticultural sectors as of 1 October 2013. Until that date, all agricultural and horticultural workers should have been paid in line with the Agricultural Wages Order 2012, which remained in force until 30 September.

The new NMW rates that took effect on 1 October are:

- £6.31 an hour for employees aged 21 and over
- £5.03 for those aged 18-20
- £3.72 for under-18s
- £2.68 an hour for apprentices aged 19 and under in their first year of employment. Apprentices aged 19 or over and past their first year receive the rate appropriate to their age.

After 1 October, most existing agricultural workers will retain rights to pay and other conditions set by the AWB, although this will depend on whether their employment contracts incorporate these benefits.

The National Farmers' Union, which has compiled an information pack on the issue, has urged employers take legal advice before making any changes to existing workers' terms and conditions and when taking on new employees.

NFU chief economist Phil Bicknell said: "It is all too easy when running a business to overlook updates in legislation and changes in practice, but the penalties for doing so can be severe.

"We are urging members to make sure they are aware of the implications of the changes."

Our outsourced payroll service Sigma Solutions provides a fast, efficient, cost-effective alternative to handling payroll in-house, for a single employee upwards, to ensure that staff are paid correctly and on time and that employers stay compliant with payroll obligations and legislation, including the new Real Time Information reporting requirements for PAYE. For more information, please contact us.





NEW £3M FUND AD-S UP FOR FARMERS

Farmers are being offered access to loan funding to help them set up small anaerobic digestion (AD) plants under a new government scheme.

The £3 million initiative, announced by Environment Secretary Owen Paterson on 10 October, will allow farmers to apply for up to £400,000 to help them finance on-site AD technology.

The government says the technology can save farmers money on energy costs and even create a new income stream if they export electricity to the grid. They will also be entitled to government incentives for producing renewable energy while the AD process produces bio-fertilisers as an alternative to buying artificial fertilisers.

Mr Paterson said: "This funding provides an opportunity for farmers across the country to consider whether AD technology is right for their farms, in order to cut waste, reduce greenhouse gas emissions and recycle valuable nutrients back to the land."

The On Farm AD Fund, which will be administered by WRAP (Waste & Resources Action Programme), is split into two phases.

Farmers can apply for funding to develop a business case to find out

if anaerobic digestion is the right solution for them in dealing with manures and slurries. They can then apply for a loan of up to £400,000 to fund up to 50 per cent of the overall costs of the AD plant. More information on the application process is available at www.wrap.org.uk

Smailes Goldie Turner's agricultural specialists can provide expert advice to support farmers in developing their business case and making applications to the On Farm AD Fund. For more information, please contact us.

CAP IN CONSULTATION SPOTLIGHT

Farmers have been putting forward their views on how the Common Agricultural Policy (CAP) should shape the future of farming and the rural economy in England.

New EU rules have established a framework for how CAP funding may be spent but the UK government successfully pressed the European Commission to agree that each country within the UK can make choices on how the CAP is implemented from 2015.

The Department for Environment, Food and Rural Affairs (Defra) asked for views on how the CAP should be implemented in England in a consultation that opened on 31 October and closed on 28 November.

Farming Minister George Eustice said: “The UK ensured that we have choices in how we implement the Common Agricultural Policy, rather than having to work with a one size fits all approach from the European Commission.

“This gives us the flexibility to target funding in ways that will deliver real benefits to the environment, boost the competitiveness of our farming industry and grow the rural economy. It’s vital that the new system is designed with the input

of the people whose lives it will affect.”

The consultation looked at areas including growing the rural economy, improving farm competitiveness, protecting the natural environment and protecting pollinators.

The Smailes Goldie Turner team can expert advice on all aspects of farm funding, including CAP, to assist agricultural business to maximise financial efficiency. For more information, please contact us.

THINK LONG-TERM ON TENANCIES, SAYS NFU CHIEF

A thriving tenanted land sector is crucial to growing successful, flexible and profitable farm businesses, says the leader of the National Farmers’ Union (NFU).

Speaking at the largest ever NFU Tenants’ Conference in Harrogate on 7 November, NFU president Peter Kendall urged all parties involved in tenant farming to think long-term.

He said: “We’ve seen the rental market spiralling upwards over the past few years. While I firmly believe in market forces, I am also calling on landlords and tenants to think hard about the long-term sustainability of these agreements. We need a functioning rental market that creates profitable outcomes for all parties.

“It is right this should be a competitive industry and it is also right that agents get a good deal for their clients – but the rapid growth in rent levels is making it increasingly difficult for tenants to cover their costs, or even access new land.

“Government’s ambition to increase food production means all farm businesses should be investing in the productivity of their farms, and we need the tenanted sector to be able to plan investments for the longer term.

“I’d also like landlords to think about longer leases. The average Farm Business Tenancy agreement period



of four years offers little incentive for tenant initiative or investment.

“When the tenant can invest and grow their business, it’s the landlord and the tenant that profits – surely the win-win that we all want to see?”

Smailes Goldie Turner is experienced in working with tenant farmers and can provide expert advice to assist them in operating in the most cost-effective way to develop and grow their businesses. Please contact us for more information.

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WHEAT HARVEST SETS NEW RECORD

A new UK wheat yield record was set in 2013, although by the narrowest of margins.

Lincolnshire farmer Tim Lamyman set the new record with a yield of 14.31t/ha off 8.95ha at Lamyman Worlaby Farms in Louth, beating the old figure, set in 2011 at Long Sutton, Lincolnshire, by just 0.01t/ha.

He told Farmers Weekly on 6 September:

"It's been very exciting – we had two independent referees who watched the combining and the weighbridge, so it's

an official Guinness record."

The record was set with a crop of KWS Kielder.

Farmers Weekly reported that across Mr Lamyman's farm, the worst yield was 11.2t/ha for wheat drilled December 2012 and across the farm, the average was around 13t/ha. The world record is 15.63t/ha, set in New Zealand in 2010.

At Smailes Goldie Turner, we understand the complexities of fluctuating yields and crop prices, as well as the potential impact of weather, disease and vermin on market demand, cash flow and profitability.

Our experience in farming cycles contributes to our expertise in supporting clients to deal with peaks and troughs effectively. For more information, please contact us.



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