

SMAILES GOLDIE TURNER AND SMAILES GOLDIE

RURAL NEWSLETTER



CHARTERED ACCOUNTANTS

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BASIC PAYMENT SCHEME – DON'T MISS THE DEADLINE!

Registration now open to all farmers
and landowners who wish to
claim rural payments



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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 team running alongside Smailes Goldie Chartered Accountants' own agricultural specialists. 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.



SPECIALISTS IN SUPPORTING FARMING AND RURAL BUSINESSES

As part of the UK200Group, Smailes Goldie Turner specialises in supporting farming and rural businesses.

And with the pressures on agriculture at an all-time high, whether you are a traditional farmer, one looking to diversify or a rural enterprise, it is more vital than ever to have an accountant who understands this sector.

Our team of experts, which includes

four of our partners supported by qualified managers, understands the challenges facing the rural economy and recognises that farms are special businesses that need a specialist approach. They also draw on a wealth of commercial experience across the wider business community.

Our impressive portfolio of clients includes family owned farms, tenanted holdings, landed estates and SME agri businesses.

We also offer our clients independent financial advice through our sister company Smailes Goldie Financial Management Limited. Their trained advisers help with matters such as self-invested personal pension plans, to enable long-term savings to be used within the business, as well as business and personal protection.

We can introduce you to trusted solicitors and we will work with them to advise on Wills and Lasting Powers of Attorney to ensure that family monies are retained and protected.

We are also able to help with the day-to-day accounting needs of a business, for instance VAT returns (including electronic submission) and provide a full payroll service through our specialist division Sigma Solutions, leaving you free to concentrate on your business.

Our partner, Martin Overfield, is currently Chairman of the North East UK200Group. Call him now on Hull (01482) 326916 or Barton (01652) 632927 to book your free initial consultation or email martinoverfield@smailesgoldie.co.uk. Alternatively, request a call back.



BASIC PAYMENT SCHEME – DON'T MISS THE DEADLINE!

The Rural Payments Agency (RPA) is asking farmers throughout England to register and review their details on the new online rural payments application – the Basic Payment Scheme (BPS).

Registration is now open to all farmers and landowners who wish to claim rural payments.

It is important that you complete the registration process and subsequent elements as soon as possible, so that a full BPS claim can be submitted on time. Every information field can be completed from March, including confirmation of entitlements and eligibility.

All full BPS claims must be submitted by the 15th May 2015.

If you choose to enlist the help of an agent, or allow them to complete your BPS claim on your behalf, you are still required to register for the rural payment application process. Once you have registered you will be able to grant access to your claim profile to your agent.

As part of the registration process you will be required to supply a valid email address and answer a number of security questions based on your previous SPS (Single Payment Scheme) claim history, so ensure you have these details ready before you attempt to register.

Once registered, you will be able to use your log-in details to access the rural payments system based on GOV.UK. You can then check the following information:

- “Personal Details”.
- “Business Details” including address, email and phone numbers.
- “High Level Land Details” including the field name, reference number and total size.
- “People and Permissions”, which will also provide the option of granting an agent or third party permission to submit the final claim on your behalf.

It is important that you carefully check all the information held in relation to you. If you notice any errors you must report them to the RPA.

Speaking at an NFU Council meeting in January, Mark Grimshaw (CEO of RPA) said: “The new online service is designed to make it as simple as possible for farmers and landowners to get their money.”

The RPA is urging everyone to register as soon as possible, so they have time to make any necessary changes before the BPS submission deadline.

As this is the first year of the new system being introduced, it is expected that a lot of new information will be required from claimants; however, claims in subsequent years should be much quicker to complete and submit.

To date, more than 82 per cent of farm and land agent firms (a third of RPA's customers) have registered and are equipped to support their clients through the BPS process. More than 22,500 farm businesses have also registered.

RPA has also focused on providing resources to help its customers complete online BPS claims. A national network of 50 support centres is available, where customers will be able to receive help with making a claim. Anyone who thinks they might require help should call the rural payments helpline on 03000 200 301.

The rural payments helpline is operated Monday to Friday, 7am-6pm, except Bank holidays, and Saturday and Sunday from 8am-2pm. The helpline will also allow you to complete the initial registration process.

Important:

- The registration process must be completed within 12 hours of the phone call by logging onto the rural payments website, where contact and land details can be checked and permissions to access a claim can be granted to another party.
- To be eligible for the BPS, a claimant must have at least five entitlements and five hectares of eligible land. If a claimant has less than five entitlements and wants to transfer them to another farmer then they also need to be registered on the new rural payments online service.

Although not our area of expertise, due to the fundamental importance of the Basic Payment to UK agricultural businesses we flag up the issue and the detail above for your awareness and for you to take the appropriate advice.

At Smailes Goldie Turner, we can introduce you to our specialist contacts to help you with all legislative changes and how they can affect you and your agricultural business. For more information, please contact us.





PERMITTED DEVELOPMENT RIGHTS – A NEW INCOME SOURCE?

With many farmers seeking to diversify and benefit from new income streams, converting farm buildings for residential use – thanks to the newly established Permitted Development Rights – can seem like an appealing option.

Introduced last April as part of the reform in planning rules, Permitted Development Rights (PDRs) allow farmers to convert unused farm buildings into dwellings without having to seek planning permission. However, farmers looking to do this still have to register the change of use.

Some local authorities are yet to approve any applications and some farmers are only winning their case after an appeal. Many councils across the country have been rejecting farm building conversion proposals on the basis that they are not near local amenities, despite this generally being the case in the countryside, whereas other councils seem much more prepared to give their consent.

Present the best possible application you can, with as much detail as possible, to ensure that you get change of use permission. Keep positive and remember that a large number of applications are automatically approved because the local authority fails to respond within 56 days of submission.

Things to remember:

- **Match the rules.** (For example: equestrian units are not eligible, but if a farm has horses and makes and sells hay it may then qualify as an agricultural unit – make sure you are clear in your application and seek guidance if you need it.)
- **Submit a supporting statement as to why it is an acceptable place for a private dwelling.**
- **Read the guidance.** There is a 450 sq m limit on the size of any potential dwelling, which is the total floor space, not the footprint of the house.
- **Keep a record of all correspondence.**

The main reasons Permitted Development Rights applications are unsuccessful:

- The building is not technically classed as an agricultural unit.
- The site was not in sole agricultural use on 20th March 2013.
- Most of the original building is not retained in the concept for a new dwelling.

- The site is at a location with restricted access, away from local amenities.

Finally...

Changing an asset's use can have significant tax implications. Farmers considering any form of diversification project must think about the tax implications first, especially VAT, to avoid being hit with any unexpected bills.

At Smailes Goldie Turner we have experts who can advise on all aspects of agricultural business, including:

- Developing strategies for passing the family farm to the next generation in a tax efficient manner
- Minimising Capital Gains and preserving Agricultural Property Reliefs
- Advising on Diversification Schemes, whilst preserving Agricultural Property Reliefs
- Utilising farming losses against other taxable income.

Please contact us for more information about how we can help you.

FARM-BASED AD AND HYDROPOWER SCHEMES GET THE GREEN LIGHT FROM UK LENDERS

Hydro and anaerobic digestion (AD) presents a huge opportunity for UK farmers considering renewable energy sources.

Though they have traditionally been seen as higher-risk investments, when compared to simpler technologies such as solar and wind power, as more AD and hydropower projects become operational a larger number of banks are willing to consider lending the money to implement them.

When considering a loan application, a bank or lender will now take future earnings from hydropower and AD (such as electricity sales, Feed-in Tariffs or income from the Renewable Heat Incentive) into account when assessing repayment sources, while the remainder will have to be covered by existing income, such as the main farming business.

Previously, the potential income from AD and hydropower would not have been considered as part of a loan application – other business income would have had to cover the loan repayment under a standard credit policy.

NatWest/RBS recently announced an update to its small-scale renewables policy (up to 1MW or max £5m lending) to take the future earnings from AD and hydro projects into consideration. Barclays has taken a similar stance and vowed that any savings made by the power and heat being generated on-site would also be considered.

The Agricultural Mortgage Corporation (AMC) says it will take the forecast income of any hydropower or AD scheme into account, while HSBC says it will consider up to 50 per cent of a loan being calculated on future earnings from projects, with cash from other income streams covering the remaining half.

Every proposed project offers a unique set of circumstances that will be assessed by any lender – for hydropower the greatest risk is river flow and ensuring that the minimum required flow can be guaranteed for at least the loan duration. One of the biggest risk factors for AD is feedstock availability. Anyone looking to implement an AD energy scheme will need to demonstrate they have a secure supply of feedstock for the period of the loan (typically ten years) or more.

The costs associated with renewable projects can potentially restrict the borrowing capacity of the main farm business, especially when loans have been secured on existing land or buildings. Many banks will still require a loan to be secured against existing assets so this is something to bear in mind.

National head of agriculture at Barclays, Mark Suthern, has reiterated the bank's commitment to helping farmers develop alternative revenue streams and advises anyone interested to carefully assess whether hydro or AD are right for them.

Mr Suthern said: "We'd expect any client to do their own due diligence and feasibility first. In particular, look carefully at the experience and track record of your technology supplier; make sure the business plan reflects the true costs and returns and consider how well it fits with the core business; and finally consider how you will monitor performance of the project."

At Smalles Goldie Turner we are experienced in preparing business plans and advising on the financial implications of diversification projects. For more information about how we can help you, please contact us.



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ENVIRONMENT SECRETARY: FARMING IS KEY TO BRITAIN'S ECONOMY

Environment Secretary Elizabeth Truss said that Britain has the land, technology and entrepreneurial flair to lead the world in food and farming, in a speech delivered at the Oxford Farming Conference in January.

The Environment Secretary said the food chain of farmers, manufacturers, scientists and retailers is worth £100 billion to the UK economy.

Farming is central to the Government's economic plan for recovery and for the long-term future. A number of significant actions have been taken to ensure a

prosperous future for British food and farming such as promoting British exports (British food and drink exports have gone up 7% since 2010 to £19 billion), increasing sales on British soil instead of importing certain products, removing red tape, and protecting the countryside from animal and plant disease to help farmers do their work.

Ms Truss said: "Growing and selling more British food in this country matters. It matters because food and farming employs one in eight people. It matters because food is our biggest manufacturing industry. And it matters because 70% of our landscape is shaped by farming. It is a vital part of our national life."

The Environment Secretary concluded her speech by saying that "Food and farming is a core part of our long-term economic plan and it is at the heart of this government's agenda for Britain's economic future."

At Smailes Goldie Turner, our experts can advise on all legislation changes and how they can affect your agricultural business. For more information, please contact us.



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