Land Family Business
Press Release
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Labour Government Call to Action?

There is a huge amount of speculation regarding tax changes that may or may not affect farming businesses. We are advised that the likely timescales dictate there will not be a Budget before Oct – see our Timescale in this link https://acrobat.adobe.com/id/urn:aaid:sc:EU:fd4b971f-d2e8-4f9a-917b-e61082014233

The main potential changes in question are Inheritance Tax (IHT) and Capital Gains Tax (CGT).
We are fortunate to have the current **IHT** reliefs for farming business; making planning and succession possible and efficient if planned well in advance and importantly, if family relationships are good! The loss of Agricultural Property Relief (APR) would, in many farms, not have a devastating effect as it would be replaced by Business Property Relief, assuming this remains without any major changes. The impact may be loss of relief on the farmhouse and loss of relief on land rented by an FBT. Those with land let on FBT's could consider Contract or Share Farming structures to be eligible for **IHT.**

It is possible to structure partnerships to enable **IHT** relief on let assets under a Balfour structure. At present the several eligibility criteria include the wholly or mainly trading test at 50% and this could be increased to 80% which would have a catastrophic effect on many diversified farming businesses.

There has been a great deal of speculation that **CGT** rates, mainly 20% on larger transactions, may be increased to income tax rates, and therefore could double to say 40%. We also have Business Asset Disposal Relief (BADR) reducing the tax to 10% on gains up to £1m per person which could disappear. Large development transactions require a great deal of planning within the family well in advance of a sale and increased rates of tax will only increase the time taken to plan to retain as much net value as possible.

Overall, there will still be many opportunities for tax and succession planning under any new regime and at this stage there are two points for immediate consideration:

1. Consider passing down land and property to the next generation if it is planned in the future in any case, for example in a Will.
2. If possible, trigger any sale at the current CGT rates before they potentially increase.

HMRC have over the past couple of years increased their scrutiny of all large capital transactions – Labour have announced that this will be further enhanced by additional staff within HMRC.

Director Farms and Estates:	Gary Markham - gary.markham@landfamilybusiness.co.uk
Directors:	Samantha Corner - sam.corner@landfamilybusiness.co.uk Luke Cochrane - luke.cochrane@landfamilybusiness.co.uk