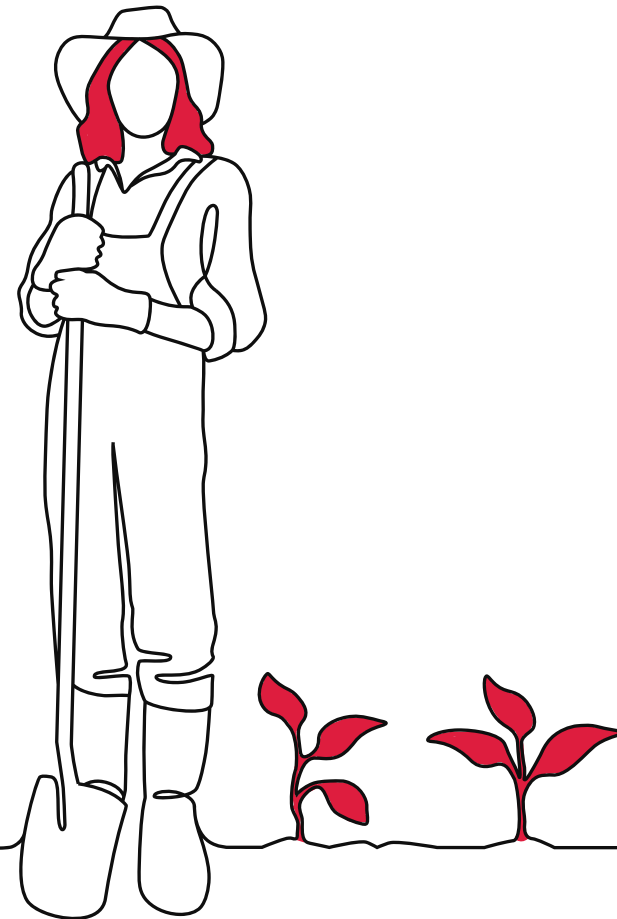




# Farmers

Tax planning opportunities  
& information



## Plant and Machinery purchases

If you are planning to purchase plant and machinery in the near future there are planning opportunities available to ensure reliefs are utilised efficiently.

**A quick guide covering capital allowances in more detail can be found [here](#)**

## Annual Investment Allowance (AIA)

The limit has been raised to £1,000,000 capital expenditure on plant and machinery (subject to certain exclusions)

## The Super Deduction

This is only available to companies for expenditure incurred on NEW qualifying assets from 1 April 2021 until the end of March 2023. It gives a 130% first-year deduction on qualifying main rate plant and machinery investments.

## Plant and Machinery Writing Down Allowance

These are available at 18%.

Integral features:

Many farmers are looking to convert their farm buildings to provide an extra source of income.

If you do, make sure you get a full break down of all costs spent as reliefs are available for integral features, but not for buildings themselves.

Integral features are:

- An electrical system (including lighting system)
- A cold water system
- A space or water heating system, a powered system of ventilation, air cooling or air purification and any floor or ceiling comprised in such a system
- External solar shading

A writing down allowance of 6% is available on these items.

The AIA is available against integral features also.

## Structures and building allowance

Since 29 October 2018, if you have paid some or all the costs towards the purchase, construction or renovation of the structure you may be able to claim 3% (previously 2%) relief for the costs you incurred.

## Energy saving plant and equipment

There is 100% relief available for plant and machinery purchased that is considered to be energy saving. Therefore, it is a good idea to consider carefully when purchasing any equipment as you may be able to claim back the full cost.

For a full list of items that qualify go to [www.eca.gov.uk/etl/criteria](http://www.eca.gov.uk/etl/criteria)

## Vans

There are restricted tax reliefs for the purchase of cars, however vans are considered to be plant and machinery and therefore attract all the reliefs mentioned previously.

The following vehicles actually qualify as vans and therefore may be worth considering for tax purposes: Land Rover Defender and Mitsubishi Warrior.

## Loss relief restriction - Hobby farming:

All UK farming is treated as the carrying on of a trade and due to the nature of this trade losses can occur for which there are various loss reliefs available.

However where losses are sustained in farming activities of an essentially non-commercial nature, i.e. hobby farming, reliefs may fall to be restricted essentially preventing offset against non-farming income.

The five year rule restricts relief where tax adjusted losses before capital allowances were incurred in each of the five previous years of assessment.

## PAYE - Harvest workers:

Some farmers take on large numbers of workers at harvest time. Some of these casuals turn up for work without prior agreement or receive piece work payments.

In brief, employers should keep records of the names, addresses and amounts paid to employees concerned, so that a return can be made when required.

## **VAT**

### **Cash accounting:**

It is usual to calculate VAT on a quarterly accruals basis, but if you are in a position where there are bad debts or cashflow is tight the cash accounting scheme may appeal – in order to be eligible to use these your taxable turnover must be below £1.35m.

The cash accounting scheme means that you only account for VAT actually received and paid as opposed to invoiced. This means that if you suffer a bad debt you get immediate relief in terms of the VAT element.

### **Monthly returns**

If you are regularly in a repayment position ensure you have applied for monthly returns to enable you to receive your VAT refunds quicker.

### **Inheritance tax**

Modern farming trends are leaning towards the use of farm buildings for non farming activities e.g. renting. This can affect the property's entitlement to Agricultural Property Relief (APR) and Business Property Relief (BPR).

For example, a cottage or farmhouse that is occupied by someone not employed in farming won't qualify as agricultural property unless the occupier is:

- a retired farm employee
- the spouse or civil partner of a deceased farm employee
- living there under a lease granted as part of their former employment contract; or
- a protected tenant with statutory rights

## **Agricultural Property relief (APR)**

This relief was essentially set up to assist the passing down of farming property through the generations.

APR is available on the agricultural value of agricultural property which is transferred. The agricultural property can be owner-occupied or let. Relief is only due if the transferor has owned the property and it has been occupied for agricultural purposes for a minimum period.

The relief operates by reducing the value transferred by a transfer of qualifying agricultural property.

Relief is available for transfers in life, on death and when agricultural property is chargeable as settled property. However if a partially exempt transfer becomes chargeable APR conditions still have to be met at death for retention of the relief.

## **Business Property relief (BPR)**

BPR is similar to APR but is not restricted to agricultural property.

Again, the value of the transfer of relevant business property is reduced by BPR in lifetime and if a gift becomes chargeable this relief is retained if the conditions are still met in death.

## **Capital Gains tax - Business Asset Disposal Relief**

If you plan on exiting your farming business through a sale, then entrepreneurs' relief will be available, subject to certain conditions. This relief will reduce the gain either on the sale of the shares in your farming company or on assets disposed of as part of the sale of the farming business.

## **Business asset roll over relief**

Roll over relief is a further capital gains tax relief available when business assets are sold.

If you've reinvested all of the proceeds from the sale or disposal in new business assets, you'll be able to 'roll-over' (or postpone) all of the gain and there'll be no tax to pay until the replacement asset is sold.

# Let us Introduce Ourselves



Email: [contact@ouryclark.com](mailto:contact@ouryclark.com)

**Oury Clark London:**  
10 John Street, London WC1N 2EB

**Tel: +44 (0) 20 7067 4300**

**Oury Clark Slough:**  
Herschel House, 58 Herschel Street  
Slough SL1 1PG

**Tel: +44 (0) 1753 551111**



**Disclaimer:** This note does not contain a full statement of the law and it does not constitute legal advice. Please contact us if you have any questions about the information set out above.

You may still be able to postpone part of the gain if you only reinvested part of the proceeds – or if your old asset has only partly been used for your business, e.g. you rented out a property for a time and then started using it in your trade.

## Profit averaging

Individuals carrying on a qualifying trade (intensive livestock or fish rearing to produce food) are able to claim average profits over two or five consecutive years if certain conditions are met. This can result in a lower tax bill across the period.

The two-year averaging provisions can be used where profits of one year are less than 75% of the profits of the other year or where the profits of one year are nil.

The five-year averaging provisions can be used where the 'volatility' condition is met. The volatility condition is that:

- one of the following is less than 75% of the other:
  - the average of the relevant profits of the first four tax years to which the claim relates;
  - the relevant profits of the last of the tax years to which the claim relates; or
- The relevant profits of one or more (but not all) of the five tax years to which the claim relates are nil.

If a loss is made one year this is treated as a nil profit for the purposes of the above.