



Whitley Stimpson

CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS



Agricultural Spotlight

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PARTNERS IN YOUR PROGRESS

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Welcome to the Summer 2023 edition of our Agricultural Spotlight.

In this most recent edition of our Agricultural Spotlight, our tax experts explore some of the implications for the industry following the Spring Budget, along with the changes to EPCs, and how these could impact you. They also discuss the benefits of setting up a dog exercise field, and how the reduction in BPS could cut your CGT bill.

We hope you find this information valuable and we look forward to bringing you the next edition in the Autumn.

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The Rural England Prosperity Fund (REPF) – A Guide

In April this year, the government launched a new fund aimed at levelling up rural areas by offering financial support to local businesses and community groups, to help to boost prosperity in the countryside.

The £110m Rural England Prosperity Fund replaces EU funding that originally benefited rural communities, and gives Local Authorities greater say in how the funds will be allocated.

So, how does this new fund work and will farmers be able to benefit from it, given all the turmoil in the wider farming support payments?

In this guide, we seek to answer these questions and more to help farmers, landowners and rural business owners better understand the opportunities available.

What is the REPF?

The REPF builds on the UK Shared Prosperity Fund to offer similar funding to rural areas in England. The UK Shared Prosperity Fund is a £2.6m package that replaces the European Structural and Investment Programme, which the UK officially left in 2023 after leaving the European Union.

The REPF runs to £110m which has been earmarked to bolster rural prosperity by providing funding for rural businesses and community groups to innovate, diversify, and create employment.



The fund was officially launched in April this year and money will be available until March 2025.

What does the REPF cover?

According to the government, money from the REPF will be spent in two areas. These include:

- Communities and place.

This includes projects to improve community facilities such as green spaces and boost access to arts and culture to grow local tourism economies.

- Supporting local businesses.

The money will also be allocated to help existing rural and agricultural businesses to expand and launch new products and services, and start-ups which will be able to access funding to grow and create employment. Specifically, capital grants are available for:

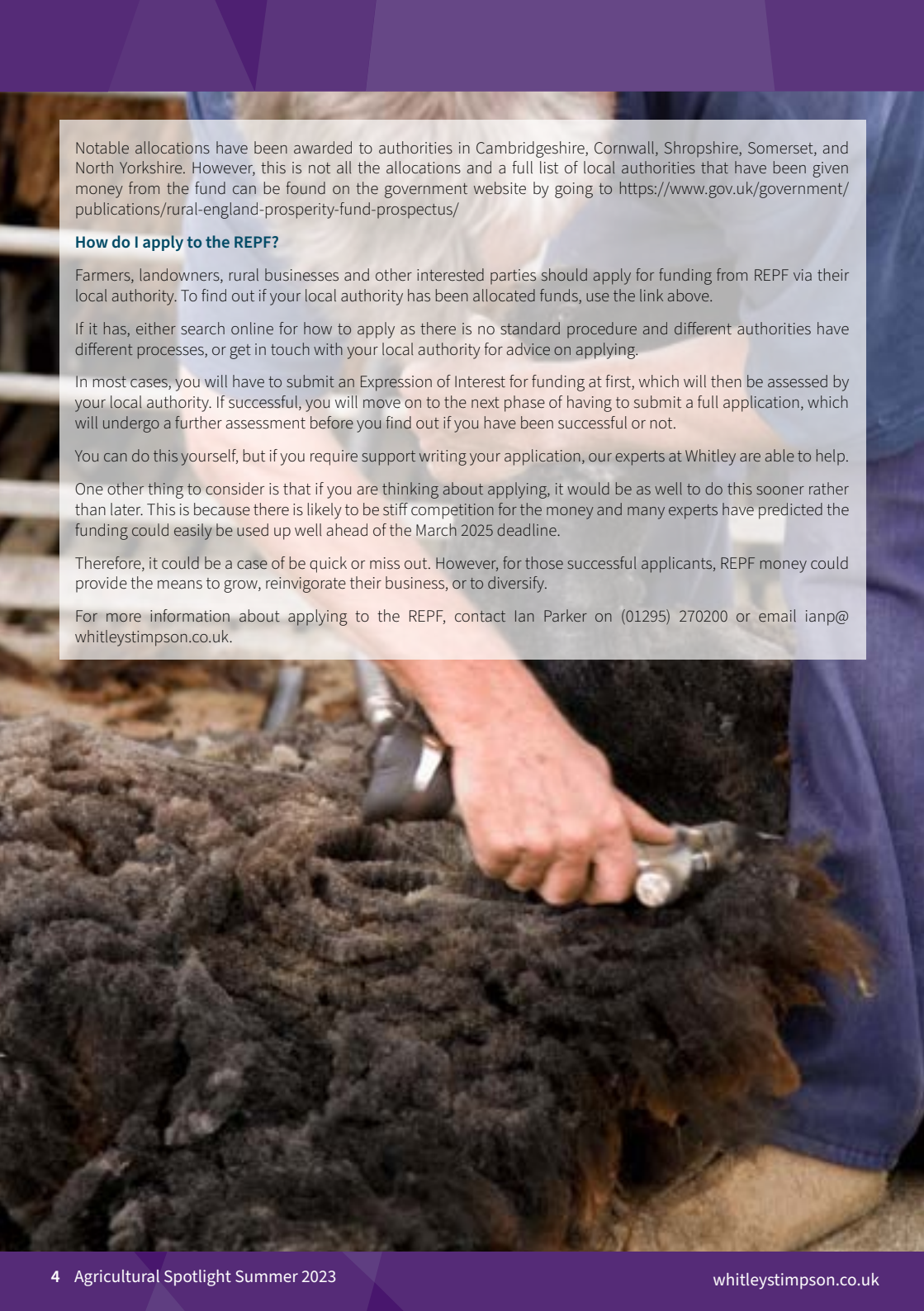
- Farm diversification, including agritourism projects
- The conversion of redundant farm buildings for other uses
- Food processing and marketing ventures
- Boosting rural connectivity through broadband projects
- Community projects such as village halls, public access, etc.

Who administers the REPF?



The funding is administered by local authorities in England and allocations have already been made based on the government classification of what constitutes a rural area, which is areas consisting of settlements below 10,000 people or in open countryside.

For this reason, many local authorities – those encompassing large towns or cities – are not eligible for funding.



Notable allocations have been awarded to authorities in Cambridgeshire, Cornwall, Shropshire, Somerset, and North Yorkshire. However, this is not all the allocations and a full list of local authorities that have been given money from the fund can be found on the government website by going to <https://www.gov.uk/government/publications/rural-england-prosperity-fund-prospectus/>

How do I apply to the REPF?

Farmers, landowners, rural businesses and other interested parties should apply for funding from REPF via their local authority. To find out if your local authority has been allocated funds, use the link above.

If it has, either search online for how to apply as there is no standard procedure and different authorities have different processes, or get in touch with your local authority for advice on applying.

In most cases, you will have to submit an Expression of Interest for funding at first, which will then be assessed by your local authority. If successful, you will move on to the next phase of having to submit a full application, which will undergo a further assessment before you find out if you have been successful or not.

You can do this yourself, but if you require support writing your application, our experts at Whitley are able to help.

One other thing to consider is that if you are thinking about applying, it would be as well to do this sooner rather than later. This is because there is likely to be stiff competition for the money and many experts have predicted the funding could easily be used up well ahead of the March 2025 deadline.

Therefore, it could be a case of be quick or miss out. However, for those successful applicants, REPF money could provide the means to grow, reinvigorate their business, or to diversify.

For more information about applying to the REPF, contact Ian Parker on (01295) 270200 or email ianp@whitleystimpson.co.uk.

Setting up a dog exercise field? Here's what you need to know

Anyone who spends even a short time in the British countryside can't fail to have noticed the rise in the number of dog exercise fields.

These are one of the fastest growing forms of farm diversification and it is easy to see why. They can utilise small pockets of marginal land, they take very little investment to establish, they are very low maintenance, and they introduce a new revenue stream for farmers which can add up to a significant income over time.

So, what factors do farmers need to consider when setting up a dog exercise area? In this article, we take a look.

Planning requirements

Because creating a dog exercise field involves a change of use of the land away from agriculture, you will need planning permission.

However, the good news is that because there is no physical, permanent development on the land, planning authorities tend to look favourably upon such applications.

Couple this with the fact that converting the field back to agricultural use is very easy, so achieving planning consent, unless there is a specific set of circumstances that could prevent it, should just be a rubber stamping exercise.



Where to place a dog exercise field

Generally, dog exercise fields work best on marginal land with the least agricultural value. However, there are a few other factors to consider when deciding on the location for such a diversification project. These include:

Public access

Whereas low value, marginal land is preferred for such a project, such a field might not be close to a public highway. And as dog exercise areas can be very popular, you don't want to have to direct members of the public through your stack yard.

So, the site must be easy to find, easy to access, and have room for parking in all weathers. Details of the location and access considerations will need to form part of your planning application.

Dog Management Plan

When it comes to dogs, as with any other animal, expect things to occasionally go wrong. So, your planning application will need to include a detailed health and safety plan, as well as a dog waste management plan, as a minimum. Your planning authority will be able to advise on other factors you will need to include to achieve planning consent.

Secure fencing

Nobody knows better than farmers the havoc loose running, untrained dogs can wreak. So, good fencing is an absolute must, especially if there is livestock in the area. The fence must be high enough so even the biggest dogs can't jump it, and with no gaps so the smallest dogs can't get through it.

Security



One of the benefits of dog exercise fields is they can be operated unmanned, leaving you to get on with the day-to-day running of the farm. However, this does mean there is a requirement for onsite security. CCTV is a useful addition, and coded padlocks that prevent anyone using the field who hasn't booked and paid are also a great idea.

Booking arrangement

Other details that will need to be included in your planning application are the number of dogs you will be able to have on site at any one time, and your opening hours, so these will need to be considered before you progressing any application.

Public Liability Insurance

Although not part of the planning application, Public Liability Insurance is essential to operating the facility. For a pet business, which a dog exercise field is classed as, the good news is it is relatively inexpensive. Cover of up to £2m pounds can usually be obtained for around £150 annually.

Marketing your dog exercise field

Of course, once the site is established, you will need to market it. In areas close to urban settlements, this might be as simple as erecting a sign at the field, advertising it for use. These facilities are becoming very popular, so this might be enough to generate word of mouth awareness of the field and entice customers.

However, online marketing such as social media channels – Facebook and Instagram are particularly effective – offer inexpensive ways of promoting your field. An advantage of these channels is that they have facilities to take bookings, as well.

Creating a website might seem extravagant for such a diversification project, but some farmers have done this. Often, these are established sites that offer more than just an exercise area, such as picnic areas for people to eat while their dogs play, or even dog grooming services. So, a website might be something you want to consider further down the line. But if you plan on growing your exercise field into a larger concern, it could definitely be worth considering.

Tax implications

Once your field is set up and making money, of course you will have to consider the tax implications of the venture.

Ian Parker, tax expert and director of Whitley Stimpson, recommends that a dog exercise field should be set up as a separate entity to the farm as this avoids having to charge VAT, meaning fees can be kept competitive.

Ian said: “The best arrangement is for the dog exercise field to be rented from the main farm for a nominal fee. This way, it can be kept separate from the farming operation.”

He added that although the change of use could have implications for IHT, these could easily be reversed by putting the land back into agricultural use when required.

For more information about starting and operating a dog exercise field, contact Ian Parker on (01295) 270200 or email ianp@whitleystimpson.co.uk.

How the reduction in BPS could cut your CGT bill

Many people with large houses have considered selling off part of their garden to a developer, to realise some value from their property without completely selling up.

This is only possible if farmers did not claim for all of their BPS entitlements by May 15 this year. Any unclaimed entitlements, whether bought, traded, or inherited, will now have no value and cannot be traded.

As a result, it may be possible to submit what is called a negligible value claim for the unused entitlements, enabling farmers to offset CGT on other asset sales or other disposals, or a claim for a loss on the extinction of an asset, should that asset be irreparably damaged.

In the case of BPS entitlement values, 100% of the purchase price can be offset against other gains, along with any agents' and legal fees directly attributable to the transaction.

In cases where entitlements were gifted or inherited, the value of entitlements at the time of the gift or inheritance will form the basis of the claim.



Making a Claim

Claims for both negligible value and loss on the extinction of an asset are made on the self-assessment tax form, so now is the time to consider getting this sorted out.

CGT losses can be carried forward to offset other CGT liabilities, but they cannot be carried back to set against income, so if you have made gains in 2022-23 and all previous losses have been brought forward already, a claim is likely to be the most effective way of reducing your future CGT liability.

However, Ian Parker, tax expert and director of Whitley Stimpson, said care must be taken when considering who owns the entitlements.

Whereas this is easy in the case of a sole trader, partnerships can be more complicated to determine.

Ian said: "In farming partnerships, the assets are often owned outright by one partner, and it is only the profits from the business that are shared. Therefore, questions might arise around who owns the entitlement, and that might have to be dealt with carefully."

Ian added that in the case of farms that are limited companies, the situation is clear and simple.

"Limited farming businesses can offset capital losses against capital gains in the standard way," he said.

For more information about offsetting unclaimed BPS entitlements, get in touch with Ian Parker on (01295) 270200 or email ianp@whitleystimpson.co.uk.

APR and Foreign Properties – Spring Budget Changes


Since 2009, UK farmers who own land abroad have been able to claim Agricultural Property Relief (APR) in the form of inheritance tax relief for lifetime transfers of that land, or on death.



This is a result of a Finance Act 2009 amendment of the Inheritance Tax Act 1984 (IHT 1984) which extended APR to the European Economic Area (EEA).

It came about because the European Commission felt that IHT 1984 was not compatible with the free movement of capital as set out in the Maastricht Treaty. Despite coming into effect on April 22, 2009, it applied to IHT due or paid on or after April 23, 2003.

However, the eagle-eyed amongst you might have spotted that in this year's Spring Budget, the government announced it is seeking to reverse this legislation.



If you didn't, don't worry, it hardly attracted much in the way of headlines. But for those UK farmers who do own land abroad, it could have far-reaching consequences.

What Changes Are Due?

The change is coming about in the wake of Brexit. Although Britain opted out of much of the Maastricht Treaty, the government of the day did amend IHT 1984 due to the Commission's stance. Now, having left the EU and with the promise to further tax revenues from those holding land abroad, this particular tax break is destined for the scrap heap.

The change will take effect from April 6, 2024, and will mean that all land and property located in the EEA, the Channel Islands, and the Isle of Man, will be treated the same as any other land or property held outside the UK, which means APR will no longer apply.

What Can UK Farmers Do?

Unfortunately, with the decision made to remove the tax relief and a relatively short window in which to plan, there are not many options for UK farmers who own land or property overseas. One solution might be to consider a lifetime transfer of the land or property before the new rules come into play, or of course, decisions about divesting of overseas assets might want to be considered. This creates its own tax challenges, however.

Ian Parker, director of Whitley Stimpson and agricultural tax specialist, encourage farmers with overseas assets to start planning for the change as soon as possible.

Ian said: "This change in regulations is likely to impact a relatively small number of UK farmers, but those that it does affect could end up considerably out of pocket.

"Our advice is to work with your accountant to find the most tax efficient solution for your business."

For more information on the changes, contact Ian Parker on (01295) 270200 or email ianp@whitleystimpson.co.uk.

Changes to EPCs and how these impact on farmers

In its bid to become carbon net zero by 2050, the UK government is tightening the rules around Energy Performance Certificates (EPCs).



EPCs grade a property's energy efficiency and carbon emission from A to G with A being the most energy efficient. Currently, landlords must ensure all of their rental properties meet the Minimum Energy Efficiency Standards (MEES), which stands at grade E. Failing to do this means the property cannot be legally let.

But this is changing. From 2025, properties will need to meet an EPC rating of C to be legally let, which means landlords might have to carry out significant maintenance work to meet the new standard.

What does an EPC include?

EPCs are carried out by a Domestic Energy Assessor. They take around an hour to complete and usually cost up to £120. They are valid for 10 years. The assessor will routinely consider the following when grading a property:

- Windows
- Roofs, walls, and insulation
- Boilers and heating systems
- Any renewable forms of energy regeneration
- Lighting
- Fireplaces
- Building dimensions and age.

EPCs and farm tenancies

The changes in regulations have a number of impacts on farmers.

In regard to farm tenancies, if a landlord lets a property on a Farm Business Tenancy or Agricultural Holdings Act agreement, and the farmer lives in the principle farmhouse, the farmhouse is not defined as a domestic property and is therefore not required to meet the MEES.

If the property was let post-October 1, 2008, it will require an EPC, but it does not have to be grade E or above to be legally let. This status is not forecast to change under the 2025 update in legislation.

However, if the tenant farmer were to sub-let a farm cottage to a third party on an Assured Shorthold Tenancy agreement, or they were to sublet the cottage to a farm worker on an assured agricultural occupancy, the regulations do apply in full.

Listed Properties

The position for listed buildings, and those in conservation areas, is more complicated.

If a listed building or one in a conservation area was let after October 1, 2008, it will require an EPC.

However, to be granted one, only works that either don't require listed building consent, or works that already have listed building consent, can be carried out on the property. If an EPC report recommends double glazing, new doors, or external wall insulation, these are likely to be considered unacceptable changes for such a property and won't be made even to achieve a higher EPC rating.

Commercial lets

Letting non-domestic buildings for uses such as offices or retail use is a common way for farmers to make extra revenue. These are subject to slightly different rules to domestic properties.

Currently, non-domestic buildings that have a heating or cooling system must have an EPC and must comply with MEES – that is, to let them, the EPC grading must be E or above.



In line with domestic properties, this will change in future, and properties will need to have a rating of C or above to be legally let. Unlike domestic properties, however, the change for non-domestic is not due to come into force until April 1, 2027. A further change is expected on April 1, 2030.

Property types that could fall under the scope of the regulations include farm buildings that have been converted into offices, retail space, studios, show rooms and gyms.

Certainly buildings are exempt from EPCs altogether, however, and these include industrial sites, workshops and non-residential agricultural buildings with low energy demand.

Holiday lets

Another property type of relevance to farmers are holiday lets, as these are also a popular form of farm diversification.

Holiday lets require an EPC if you let one out as a furnished holiday let for short term rentals of less than 31 days per let, or for a combined total of more than four months.

However, there is an odd exception to this rule which means in all likelihood, a holiday let won't need an EPC. The Government's own guide to energy performance certificates states that an EPC is only required if the occupier of the holiday let – the guest – is responsible for paying the energy bills.

But as most holiday home owners will be responsible for paying them, an EPC isn't required.

However, it is possible to argue that the occupier, or guest, indirectly pays the energy costs as part of their payment for the holiday.

This is a situation which has never been satisfactorily resolved with the Ministry of Housing saying in 2020 that it was not able to provide an interpretation of the law. Instead they advise contacting your local Trading Standards Office to clarify if they need an EPC.

Mixed picture

Ian Parker, director of Whitley Stimpson, said the regulations and the proposed changes, presented a mixed picture.

He said: "As different regulations govern different types of properties, and the proposed changes impact in different ways, negotiating EPCs and how they apply to agricultural buildings is no mean feat.

"Anyone concerned about the changes should speak to Trading Standards, or else get in touch with us and we will be able to advise on the right option, as well as the best way to fund any remedial work needed to bring a property in line with the new regulations."

To contact Whitley Stimpson, call (01295) 270200.

Gearing Up for the Basis Period Reforms

In a previous Agricultural Spotlight edition, we talked about the forthcoming Basis Period Reforms and how these could impact disproportionately on farmers.

This is particularly the case for livestock farmers, many of whom will be in the middle of lambing or calving, or both, at the end of the tax year – either March 31st or April 5th – which are the dates the government want everyone to fall in line with.

So, with that in mind, we felt the topic was worth revisiting as transitional arrangements are coming into play in the current tax year, and the rules will take full effect in the 2024/25 tax year.

What is Basis Period Reform?

Your Basis Period is essentially your business's financial year, which for many companies, particularly farmers, is different to the standard tax year.

Traditionally, this has helped many farmers out. It has enabled them to have their year-end, and all the work that incurs, at their quieter times of the year.

But as part of the Making Tax Digital for Income Tax agenda, the government now wants this to change, to bring all businesses in line with the tax year so they all report their financial performance at the same time.



How will the plans affect farmers?

As well as placing extra burdens on farmers trying to manage lambing and calving, changing the Basis Periods could raise further, more troublesome issues, specifically in relation to how farm incomes are generated.

According to Ian Parker, director of Whitley Stimpson and agricultural tax expert, there is a risk of increased tax burdens for farmers undergoing the transition to the new yearend date, which could put a strain on cash flow.

This is because during the transitional period, farmers will be taxed on the 12 months to their current yearend, and then on the months from their yearend to the end of the tax year (the transitional tax component).

An example might would be a farm business with a yearend on June 30th. The business would pay tax on the 12 months of trading profits to June 30, 2023, and then on the trading profits from July 1st, 2023, to April 5th, 2024.

With the entire burden coming due at the same time, this could constitute a considerably larger tax bill than normal, placing a hefty burden on the farmer affected.

Ian said: "If a farm's current accounting date does not conform to the tax year, then profits will need to be apportioned across two accounting periods. Depending on a business's accounting date, that could lead to overlap profits where several months end up being taxed twice in the same year.

"Given the way farm payments are structured, that could have a devastating impact on cashflow and the viability of the business."

Planning is Key to Negotiating the Changes

Ian added that with the transitional component of Basis Period Reform beginning at end of this tax year, farmers with a year-end that is different to the tax year need to start planning now.



He said: "It's vital farmers discuss the best way forward with their accountants. Failure to do this could lead to huge tax bills that in the worse cases, could put them out of business.

"Yet with a bit of planning, such a scenario can be managed and avoided."

For more information on Basis Period Reform, contact Ian Parker on (01295) 270200 or email ianp@whitleystimpson.co.uk.

Talk to someone who understands the real issues

Accounting for agriculture, farming and rural business is a specialist area that requires expertise and an understanding of the industry. Our dedicated team come from farming backgrounds and offer a clear understanding of the issues facing farmers.

We provide professional knowledge and hands-on experience in the agricultural sector. We have worked with agricultural businesses for over 90 years, providing the expert advice that is required to help you enhance the potential of your farming business.

Meet our agricultural experts



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