



# Moore Thompson

AGRICULTURAL & RURAL AFFAIRS NEWSLETTER

ISSUE FOUR / AUTUMN 2010



## Seminar to discuss future of farming

Moore Thompson will be holding a free seminar this autumn to discuss how agricultural businesses can ensure they continue to thrive over the coming years and remain in good shape for future generations.

We will examine changes in agricultural policy, environmental issues and farming structures, as well as the impact of potential threats such as divorce or incapacity of key family members, and how to pass assets on to the next generation while minimising Inheritance Tax liabilities.

We have teamed up with property and business consultants Brown & Co and Roythornes Solicitors to hold the event, which will also feature a presentation from **John Hayes, Minister of State for Further Education, Skills and Lifelong Learning**.

The event will be held on Thursday 11 November at the South Holland Centre, Market Place, Spalding, Lincolnshire, PE11 1SS from 4pm. The presentations will be from 4.30pm to 6pm, followed by a buffet.

To secure a place, or to find out more, contact **Louise Hildred** on **01775 711333** or email **louise@mooret.co.uk**.

## Restrictions on holiday let tax relief

For more information, please contact Bill Creasey on **01775 711333**



By Bill Creasey

Owners of rural properties used for Furnished Holiday Lettings (FHLs) may have to make them available to let for longer in future – or risk losing the tax relief they currently enjoy.

The previous government had announced plans to abolish the favourable tax treatment of holiday homes, but the proposal was dropped in the rush to push through outstanding legislation in the run-up to the election.

Now the new coalition government has started consulting on its own plans, which would see some tax relief retained, but on less favourable terms. Currently, to qualify as a holiday home and receive the associated tax breaks, properties need to be available for at least 140 days a year and actually let for at least 70 days.

In future, these limits are set to increase to 210 and 105 days, respectively.

In addition, losses made in a qualifying Furnished Holiday Lettings business may in future only be set against income from that business, not general income from elsewhere.

There was better news under the proposals for owners of FHLs elsewhere in the European Economic Area, which would continue to receive the same tax benefits as homes in the UK.

The proposed changes would take effect for companies for accounting periods beginning on or after 1 April 2011, while for individuals they would apply for the tax year 2011-12 onwards.

Consultation on the proposals will run until 22 October, and the government has said it will publish its response by the end of the year, with any changes being implemented in the 2011 Budget.

# New adjudicator to watch supermarkets

For more information, please contact Chris Wright on 01945 465767



By Chris Wright

**A new independent body is to be set up to investigate disputes between supermarkets and their suppliers.**

The move follows a recommendation from the Competition Commission in 2008, which argued that

the power of the large supermarkets was having an adverse affect on suppliers and consumers.

The Groceries Code Adjudicator (GCA) is due to be established within the next 18 months to enforce the Groceries Supply Code of Practice, which was introduced on February 4.

The GCA will sit within the Office of Fair Trading (OFT), although it will be a separate body, and will have the power to 'name and shame' offending retailers.

It is also proposed that the relevant government minister could be given the power to introduce fines for breaching the code if naming and shaming fails to provide an adequate deterrent.

Food suppliers who believe they have been treated unfairly by the large supermarkets will be able to make a complaint anonymously, so as to prevent retaliatory action.

The National Farmers' Union (NFU) gave the new body a cautious welcome, although it expressed disappointment that it was set to have fewer powers than the union hoped, and that it would not be in place sooner.

However, retailers have criticised the scheme, claiming it will result in higher costs for consumers.

# Rural Payments Agency under fire

For more information, please contact Bill Creasey on 01775 711333



By Bill Creasey

**The Rural Payments Agency (RPA), which administers payments to farmers under the Common Agricultural Policy (CAP), has come under fire following an independent review which declared the body 'not fit for purpose'.**

The review was announced by the previous

government in September 2009 to look into the current state of the RPA and its readiness for the prospect of a changed CAP from 2013.

The review, headed by David Lane, concluded that the RPA needed to make significant improvements in the areas of financial controls, customer service, IT and governance.

And farming bodies, including the National Farmers Union and Country Land and Business Association, recently called for a 'root and branch' review of the RPA, including the option of

dismantling the body and starting again if needs be.

Farming minister Jim Paice accepted the report and called for 'radical improvement' at the agency, but resisted calls to scrap it altogether, arguing it was better to make as many changes as possible now, then look to review the system in more detail once the post-2013 priorities were known.

Mr Paice announced that he would now personally chair the RPA board as he sought to improve its performance, and also its efficiency, as part of the government's wider drive to cut costs.

# Coalition to remove annuity requirement

For more information, please contact Trevor Wilshire on 01775 717220



By Trevor Wilshire

**The coalition government has published a consultation paper on annuity reform, which sets out necessary changes to the tax rules in order to fulfil its Budget pledge to scrap the need to buy an**

**annuity by the age of 75 from April 2011.**

Under the new rules pension funds can be invested for longer, with individuals able to choose how much to withdraw each year, subject to annual limits, or whether to take out any income at all. If an individual

has met the minimum income requirements and so can prove they have enough funds not to run out and become reliant on the state, they will be able to withdraw unlimited lump sums.

The level of the cap and the minimum income requirements will be discussed during the eight-week consultation period, which ends on 10<sup>th</sup> September 2010.

Retirees will still be able to use some or all of their funds to purchase an annuity at any time. As a result of these measures, alternatively secured pensions (ASPs) will be scrapped.

Transitional measures have been introduced

for those who will turn 75 before the legislation comes into force, but who have yet to secure a retirement income, which will enable them to defer their decision until the new rules are finalised.

*For more advice on pension provision and other personal finance matters, please contact our expert team at Moore Thompson Financial Management. Our highly-qualified professionals offer expertise in all areas of financial planning including business and personal financial planning and advice, Inheritance Tax and estate planning, investment portfolio management, pension and retirement planning and trust reviews.*

# DEFRA cuts quangos to save cash

For more information, please contact Andrew Heskin on 01775 711333



By Andrew Heskin

Major changes have been announced at the Department for Environment, Food and Rural Affairs (DEFRA), with the axing of 30 'arms length' bodies which administer various schemes relating to agriculture and rural matters.

Among the quangos to be scrapped are the Agricultural Wages Board, the Agricultural Dwelling House Advisory Committees, the

Committee on Agricultural Valuation, the Commons Commissioners and the Inland Waterways Advisory Council.

Many of their functions will now be brought 'in house' to DEFRA, as part of the department's contribution to cutting the government's overall budget deficit.

The abolition of the wages board, which has set farm wages since 1948, was welcomed by the National Farmers Union as a pleasing reduction in red tape, but unions representing farm workers were highly critical of the move, which they argued could lead to exploitation by employers.

Environment secretary Caroline Spelman argued that many of these bodies performed functions that were now carried out by the government as a matter of course.

She also said that reducing the number of quangos would make DEFRA a "leaner, stronger" department with a clearer focus on its priorities and a robust science base.

The Sustainable Development Commission, which advises the Prime Minister and the First Ministers in Scotland, Wales and Northern Ireland on environmental matters, will lose the two-thirds of its budget which it currently receives from DEFRA.

# Uncertainty over coastal path plans

For more information, please contact Chris Wright on 01945 465767



By Chris Wright

The Country Land and Business Association (CLA) has criticised moves by the government to partially shelve plans for a coastal path around the UK, which would give walkers the right to access the coast across farms and

other privately-owned land.

While the CLA has always opposed the scheme – which it argues would provide poor value for the taxpayer and adversely affect landowners – it called for the government to go further and scrap the plans altogether, rather than prolonging the uncertainty for those affected.

Government quango Natural England, which has responsibility for England's natural environment, had intended to implement the new path within a

ten-year time frame, but now accepts it does not have the money to do so.

Natural England said that it would continue to roll out the scheme in pilot areas, but the fate of the remainder of the proposed route depended on the results of the government's Comprehensive Spending Review, due this autumn.

The CLA argued that, with 84 per cent of the coast already accessible and eight per cent set to remain out of bounds as it was covered by ports or military bases, spending £50million to provide access to the remaining eight per cent would be a waste of taxpayers' money.



## Agricultural services:

- ◆ Raising finance
- ◆ Succession issues
- ◆ Taxation planning
- ◆ Outsourcing
- ◆ Land transaction planning
- ◆ Tax legislation
- ◆ Property transaction planning
- ◆ New ventures and diversification

# Budget is mixed bag for farmers

For more information, please contact Andrew Heskin on 01775 711333



By Andrew Heskin

**This year's second Budget contained both good and bad news for farmers, with the sector escaping some of the swinging cuts experts had predicted.**

Although Capital Gains Tax did go up, the increase – to 28 per cent for higher-rate taxpayers only – was lower than many people had feared, while the Annual Investment Allowance was retained, albeit at a lower level of £25,000 from April 2012.

The Corporation Tax rate will be cut to 24 per cent for large firms over the next four years and the rate for small firms will remain at 20 per cent, which is likely to benefit many rural businesses, while the employers' National Insurance (NI) threshold will rise by £21 per week, in an effort to take the sting out of the already-announced increase in NI contributions.

This Budget also had the rare advantage of no increase in fuel duty, while alcohol duties have also remained unchanged, benefiting producers and growers in that sector. A proposed tax on landlines to fund the rollout of high-speed broadband has also been scrapped.

However, the increase in VAT to 20 per cent from 4 January 2011 is set to increase private costs for farmers, as well as potentially dampening customer spending.

In addition, the Department for Environment, Food and Rural Affairs will, like most departments, have to reduce its budget by 25 per cent over the coming years,

with details set to be announced in this autumn's Comprehensive Spending Review. It remains to be seen what effect this will have on support for agriculture.

## WWW.MOORETHOMPSON.CO.UK

### Spalding Office

Bank House, Broad Street, Spalding,  
Lincolnshire, PE11 1TB

Tel: 01775 711333 Fax: 01775 711307

### Wisbech Office

Monica House, St Augustines Road,  
Wisbech, Cambridgeshire, PE13 3AD

Tel: 01945 465767 Fax: 01945 476692

### Market Deeping Office

Bank Chambers, 27A Market Place, Market Deeping,  
Peterborough, Cambridgeshire, PE6 8EA

Tel: 01778 380850 Fax: 01778 380757