Moore Thompson
AGRICULTURAL & RURAL AFFAIRS NEWSLETTER

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Farmland prices hit new high

For more information, please contact **Andrew Heskin** on **01775 711333**.

New research has revealed that the price of farmland is continuing to rise.

By Andrew Heskin

Figures released by real estate consultancy Knight Frank on 1 April for the first quarter of 2015 showed that an acre of bare agricultural land in England was now worth an average of £8,059, going above £8,000 for the first time.

Its farmland index report said that investors were keen to snap up large blocks of arable land – ideally of more than 1,000 acres – driving up prices to as high as £15,000 an acre.

It added: "Although they are still prepared to bid strongly to secure extra land, farmers are becoming slightly more cautious above the £10,000/acre mark."

Knight Frank said it expected prices to rise by an average of six per cent over the next 12 months.

At Moore Thompson, our agricultural specialists can provide expert advice to advise farmers on raising finance for land purchases and on the sale of land, including the tax implications. For more information, please contact us.

Surprise summer Budget on way

Chancellor of the Exchequer George Osborne has announced there will be a surprise second Budget in July.

Following the Conservative victory in the 7 May general election, he confirmed on 16 May that there would be a summer Budget on 8 July. Writing in the Sun newspaper, Mr Osborne said: "I am going to take the unusual step of having a second Budget of the year – because I don't want to wait to turn the promises we made in the election into a reality."

Mr Osborne, who delivered his original Budget on 18 March, also pledged that it would be "a Budget for working people" and would contain "a laser-like focus on making our economy more productive so we raise living standards across our country".

The surprise July Budget may give Mr Osborne an opportunity to resolve uncertainty over the future level of the annual investment allowance (AIA), which enables farmers and other businesses to invest in plant and machinery and deduct the cost from their taxable profits.

It was increased in the 2014 Budget to £500,000 until the end of 2015 after previously going up from £25,000 to £250,000 for a two-year period starting on 1 January 2013.

In his March Budget, Mr Osborne said the Autumn Statement – usually in December – would be a better time to address future levels of the AIA although he did say: "I am clear from my conversations with business groups that a reduction to £25,000 would not be remotely acceptable – and so it will be set at a much more generous rate."

Agricultural and rural businesses thinking about major capital investments now have a limited time to act to take advantage of the current £500,000 AIA limit, ahead of a potential reduction in 2016.

Moore Thompson can provide expert advice on maximising the tax efficiency of investment in plant and machinery as well as assisting with raising finance to fund investments. For more information, please contact us.

‘Moore Thompson works for us – so why would we want to change?’

Paul Johnson has a straightforward reason for why his firm has been a Moore Thompson client for three decades: “If something works for you, why would you want to change it?”

Moore Thompson’s Mark Hildred has been advising Holbeach-based Terry Johnson Ltd since Paul’s father Terry set up the business in 1986 and has seen some significant developments in that time.

While the firm’s workforce has remained at around 20 since it was founded, the firm’s client base has steadily grown and now includes businesses across the UK as well as in Europe and Australia.

In 1993, the company bought another local company, Swift Lift, and under that name manufactures a range of agricultural and industrial elevators and conveyors along with the Todd sugar beet cleaner loaders.

It also carries out sub-contract manufacturing work, including guillotining, drilling, sawing, welding, painting and final fitting, and deals in second-hand machinery.

With plenty going on in the business, Paul, now the firm’s sales director, appreciates the way that Mark and the wider Moore Thompson team “are always at the end of the phone”, particularly when there’s a query or problem.

Moore Thompson also provides year-round support with services including payroll, year-end accounts and looking after the directors’ pensions and Paul expects the firm to become involved in auto-enrolment implementation at Terry Johnson.

Alongside that ongoing support, Moore Thompson also steps in to provide advice on specific or one-off issues. For example, at one point Terry Johnson’s previous bank sought to reduce the company’s overdraft facility, which would have had serious implications for the business, but Moore Thompson provided financial data that led the bank to rethink. It’s that kind of service that leads Paul to say:

> “We cannot fault Moore Thompson – they are always there when we need them with good, sound advice and the skills to back the advice up.”

Inheritance tax set for reform?

For more information, please contact **Chris Wright** on **01945 465767**.

Major reform of inheritance tax (IHT) in on the cards following the Conservatives’ victory in the 7 May general election.

By Chris Wright

The party’s manifesto included a pledge that if it formed the next government, it would take the family home out of IHT by introducing a new, transferable, family home allowance of £175,000 per person, on top of the existing IHT nil rate band per individual of £325,000. Estates valued at above the £325,000 threshold – unchanged since April 2009 – are liable to IHT at 40 per cent.

The Conservatives said that for married couples and civil partners, this would effectively increase the inheritance tax threshold to £1 million. The allowance would gradually be withdrawn from estates worth over £2 million, with those valued at more than £2.35 million losing all the new allowance.

In 2013-14, around five per cent of estates were estimated to have an IHT liability but last year the independent Office of Budget Responsibility suggested that this would rise to 9.9 per cent by 2018-19, chiefly due to rising house prices. In 2014-15, the government collected £3.7 billion in inheritance tax, just below its 2007-08 peak of £3.8 billion.

While there was no mention of the changes in the 27 May Queen’s Speech – setting out the new government’s legislative plans for the next parliamentary session – the July Budget may move matters forward.

Meanwhile, Chancellor George Osborne’s March Budget included an announcement of a review into the use of deeds of variation in relation to inheritance tax. If all the beneficiaries agree, such a deed can be used to change the terms of a will to help to reduce inheritance tax bills and they can be a useful tax planning tool.

Expert advice can help ensure that all relevant inheritance tax reliefs and allowances are claimed, to maximise IHT efficiency. The sooner inheritance tax planning starts, the better.

If you would like more advice on IHT, please contact us.

Watchdog tackles farm insurance disputes

For more information, please contact **Trevor Wilshire** on **01775 717220**.

The body that deals with complaints about financial services providers has turned the spotlight on farming and insurance.

By Trevor Wilshire

The Financial Ombudsman, which issued a special bulletin in March highlighting the issue, said: "Each year we receive a number of complaints from people working in rural and agricultural communities. Many of these complaints involve specialist insurance policies that are designed to cover the machinery, produce and livestock.

"Insurance disputes can be stressful and upsetting – whatever the claim is for. Where businesses are concerned – in these cases, farming businesses – significant amounts of money can be involved."

The bulletin featured several examples of complaints the ombudsman had recently investigated. They included an insurer who rejected a claim after a combine harvester engine froze over winter and another who refused a claim for cattle stolen from a farm. In both cases, the ombudsman told the insurers to pay up.

In another case, a farmer turned to the Financial Ombudsman after his pick-up truck was stolen from outside the local church where he was cutting the grass. He had hidden his keys under a jacket inside the truck, to stop them falling out his pocket while working, but the insurer refused to pay, saying his policy excluded claims where keys had been left "in or around the vehicle".

The farmer told the insurer he had not known about the condition and would have taken his keys with him if he had. He complained to the ombudsman after his insurer said he should have read all the policy terms and conditions.

The ombudsman found that his specialist farming policy, which covered the buildings and machinery at his farm, his livestock and his truck, did mention the keys exclusion – 130 pages into the 150-page policy document.

It decided it was unreasonable for the insurer to expect people to read such a long document to find the exclusion. It also disagreed with the insurer that the farmer had been reckless in leaving the keys in the truck and told it to pay his claim.

Protecting business assets, like vehicles, livestock and machinery, is important but your most important asset is you. While insuring your property is a priority, you may be less likely to insure yourself – or other key people who work for you – in case of a short-term illness, longer term disability or death.

Taking out personal and business protection will ensure that your business and family will have the financial support they need if you are no longer able to work. MT Financial Management can advise on a range of protection solutions – for more information on how we can help, please contact us.

Moore Thompson
Chartered Accountants

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Tax changes highlight value of advice

For more information, please contact **Chris Wright** on **01945 465767**.

Expert tax planning advice is likely to be important than ever for farmers in the wake of the 2015 Budget... and the summer Budget to come.

By Chris Wright

The 18 March Budget contained several measures relevant to the farming sector, with an increase in the period over which self-employed farmers can average profits for income tax making the biggest headlines.

With effect from April 2016, profits can be averaged over five years instead of two, which is likely to be welcome although it will need to be considered carefully alongside sideways loss relief, to maximise tax savings. The detailed design of the scheme will be decided following consultation with stakeholders later this year.

Meanwhile, a change to Entrepreneurs' Relief (ER) – which reduces capital gains tax on the sale of all or part of a business to a rate of ten per cent on a lifetime limit of £10 million in gains – could affect farmers' retirement planning.

The Budget revised the rules on associated disposals, which have enabled people who personally owned assets used by a company or partnership to benefit from ER.

In a fairly common scenario in farming, for example, the taxpayer may want to sell land that he personally owns and has allowed to be used by a farming partnership or company in which he has an interest. ER does not normally apply to personal assets, but provided the sale of the land is accompanied by a sale of some of the taxpayer's interest in the company or partnership, he can claim ER.

Until now, there has been no minimum amount for the interest in the business they have to sell to be eligible for ER but from 18 March, this has been set at five per cent.

Farmers will need to proceed with caution if they want to sell personal assets as part of a gradual withdrawal from a business, for example as they prepare for retirement.

The message coming across loud and clear from all these measures – and others that may be announced in the July Budget – is that expert tax planning advice will be more crucial than ever to help farmers organise their finances in the most effective way. For more information on how Moore Thompson can help, please contact us.

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