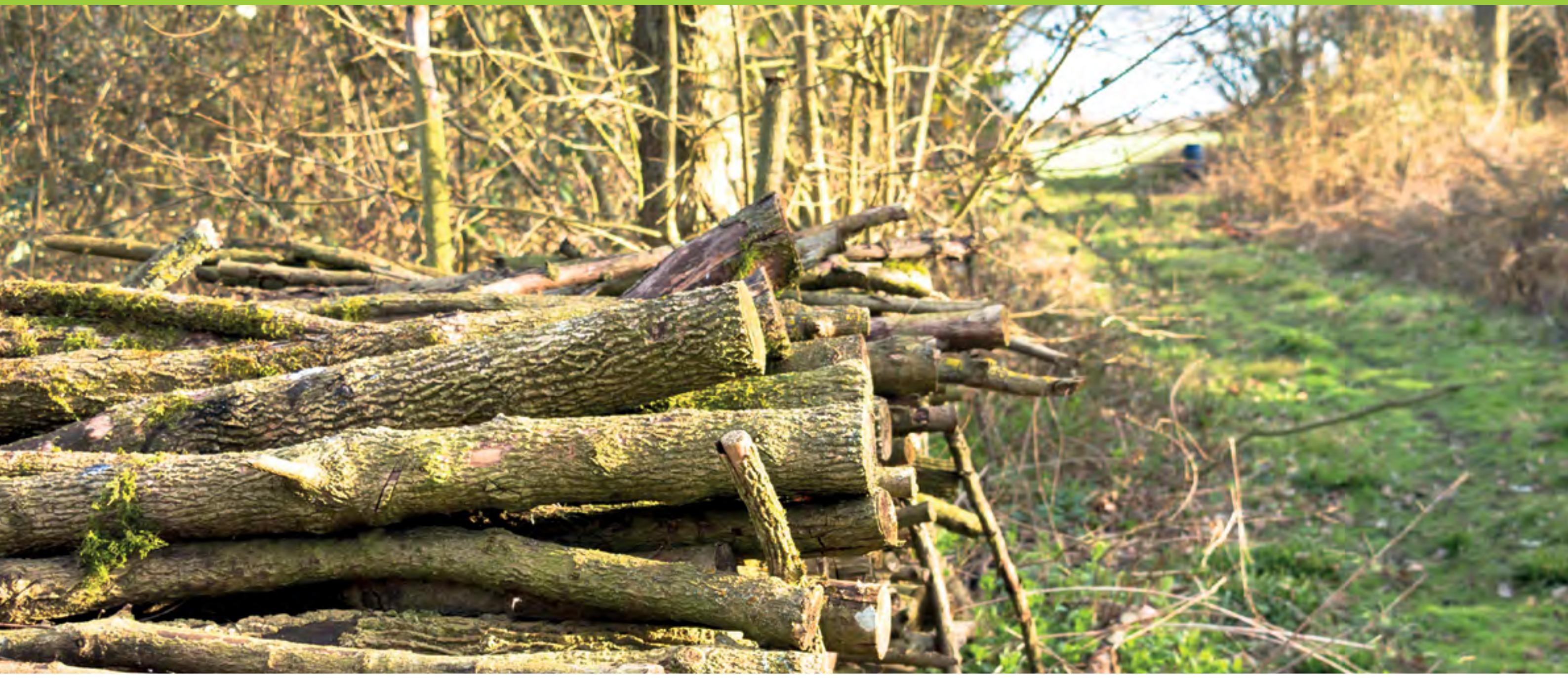

Let’s embrace the future

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It’s always encouraging to have a positive theme and I think we’ve achieved that in this newsletter.

We have reports of fresh entrants into agriculture and that good news is supported by advice on how to encourage more recruits. If you’re considering investment in new buildings then there’s positivity in that area too. This may contrast with many farmers’ view of the Basic Payment Scheme although, despite the administrative mayhem, at least we are still, for now, in the EU and continue to benefit from the Common Agricultural Policy.

Our now annual seminar looking into the prospects for UK farming continues to make its mark in the regional farming calendar. The importance of diversification was a clear message and we’re focusing on woodlands to round off this edition because there are some interesting taxation issues among the trees.

Please enjoy.

Auto Enrolment

Many readers will have received staging dates under the Auto Enrolment legislation. This notification should not be ignored, even if the response is to advise the pension regulator that there are no relevant employees. For those requiring more information we will be holding seminars across the region. Please register any interest in these with your normal Whiting & Partners contact.

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Whiting & Partners
Chartered Accountants & Business Advisers

Can't see The Wood for the Trees

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From a tax perspective, commercial woodlands occupy a privileged position. Profits are wholly free of both corporation tax and income tax although, as a quid pro quo, no relief is available for losses.

Specific machinery for a forestry business does not attract capital allowances but where forestry activities form part of a wider farming enterprise dual use of equipment should enable capital allowances to be secured. If woodlands are let to a third party the rent is taxable.

Where capital gains arise from the sale of woodland the amount attributable to the trees is exempt. However, any gain on the underlying land is chargeable. Rollover relief would be available. Curiously where there is a capital gain on amenity woodland each tree is treated as a single 'chattel' and only subject to capital gains tax if sold for more than £6000.

Business property relief can be available for inheritance tax purposes for commercial woodlands, usually at 100% unless the letting is to a partnership including the owner when the rate halves. Woodland occupied ancillary to agricultural land can attract agricultural property relief on its agricultural value.

Stamp duty land tax is payable on the purchase of woodlands including on the price of the trees. This is despite their treatment as 'chattels' for Capital Gains Tax purposes.

The sale of timber is subject to VAT but sales of domestic solid fuel, whether wood, charcoal or woodchip is only liable at the 5% rate. Sales to businesses attract the 20% rate as do sales of fencing, stakes, sawdust and wood for pulping and the sale of standing trees.

Commercial occupation with a view to profit has to be demonstrated to obtain these treatments. Short rotation coppice - the intensive cultivation of trees planted at high density with the stems being harvested at intervals of less than 10 years - is not treated as forestry but as farming.

Head in the Cloud!

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Just as collecting up-to-date management information may be disregarded by some, for others it could be a prerequisite. For one of our farming clients, albeit with diversified activities, available time did not consistently match requirements. Obtaining help with his bookkeeping offered relief.

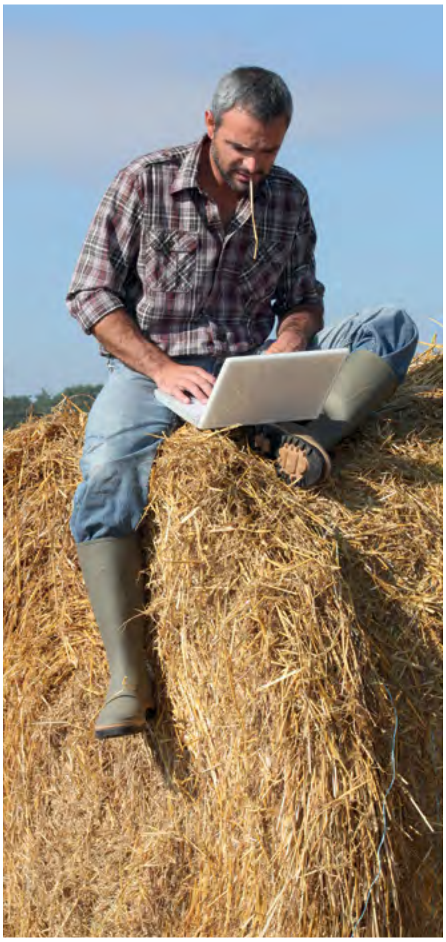
The solution was not, in this case, regular visits from one of our bookkeeping staff but instead an exploration of advances in technology. Instead of upgrading his electronic bookkeeping package he has opted to use the Cloud accounting software, Xero.

Cloud computing technology and its programmes are designed for the remote storage of data which can be accessed, securely, through the Internet. Our client now benefits from the option of being able to access his data anywhere that he can get Internet access. This may be at the farm office but could be at home, from a hotel room or, if he chooses, his nearest McDonald's.

He delivers his documents to us and we undertake his bookkeeping from our office. Indeed, as increasing numbers of invoices are e-mailed and his banking is online, even a visit may not always be necessary.

In addition to easing his workload there are potential cash flow benefits for him.

Last year he fell behind with his VAT returns by up to 6 months. As he normally claims repayments HM Revenue & Customs were not too concerned but he was shocked when he finally caught up, at the level of funding which he had been providing to the government, free of charge!



Holding Out For Success

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I am pleased to congratulate two of our clients who have been successful in applying for County Council holdings since our last newsletter was published. In a third case another client is waiting daily for the postman hoping for a positive outcome.

One holding, part of the Norfolk County Council estate, went to an established farmer but the other, part of the Cambridgeshire CC estate, favoured a new entrant to the industry by a succession in a tenancy from a father alone to father and son jointly.

Because the succession application was outside the normal tendering process my clients and I first met with the county farms representative to explore the level of detail required in the application. I then assisted in preparing 5-year projections and the applicants were subject to in-depth interview.

The undecided case also involved a potential new entrant where the more usual 3-year projections were prepared in support of the tender. A rigorous interview process followed from which my client awaits a decision.

Although it is not unusual for clients to apply for tenancies of county council farms for two to be successful in such a short period gives us great satisfaction. Traditionally these holdings have been the springboard for many successful farm businesses.

Succession Planning

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How do we ensure that the best of tomorrow's farmers get access to the land that they will require? The popular consensus is that our farmers are an ageing population and that younger more entrepreneurial farmers are needed to take commercial risks and harness new technology. Reading between the lines the suggestion is that many of these will not be farmers' sons. How will they access land and capital?

Over recent decades share and contract farming agreements as well as farm business tenancies have enabled many farmers to expand. At the recent Oxford Farming Conference joint-venture structures were promoted as flexible early entry-level arrangements. Whilst a joint-venture structure is an ill-defined entity existing legal arrangements can provide a framework on which a joint-venture can be hung.

Company legislation easily facilitates both limits on liability and differential profit arrangements. Shareholders Agreements can further fine-tune the basis on which such marriages can be arranged. I look forward to helping address these issues and challenges in a supportive way when first one of my ageing clients embraces these sentiments and gives youth a chance.

Inheritance tax reliefs favour the retention of agricultural property so there should be no shortage of retirees needing someone to exploit their land. Our farming colleges generate an annual crop of graduates. Where is the dating agency to match retiring Farmer Brown with would-be Farmer Green in order to produce a brighter future?

Agricultural Building Allowance - Minefield

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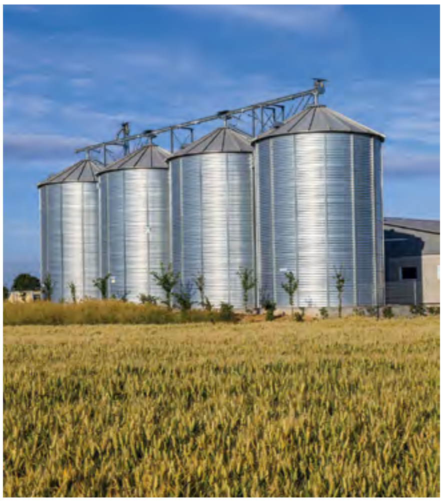
How easy it was when Agricultural Buildings Allowance could be claimed on farm buildings. The abolition of this allowance has severely restricted tax relief on new investment in agricultural buildings. Even greater attention should now be focused on those elements of the structure which can be claimed as plant.

This area can be a minefield and both a visit to the premises and a full breakdown of the costs may often be required.

On occasion the purchase invoice will give no detail and only a total amount payable. If this is the case then it may be necessary to engage a specialist qualified to apportion the costs who is prepared to negotiate, if necessary, with HM Revenue & Customs.

Whether a claim is framed by reference to a bundle of invoices or by expert dissemination is secondary, the main thing is to ensure that the matter is taken into consideration.



Prospects for UK Agriculture Seminar

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Over 40 farmers and farm-related professionals were warned that their profits could drop again in 2015 hit by the 'diverging paths' of the UK and EU economies with many sectors of the industry in a cyclical downturn.

The warning came from Richard King of The Anderson Centre, one of the country's leading farm business consultancies, as he delivered our annual seminar 'Prospects for UK Agriculture'.

Gabriel Bliss and James Cater.

Among his conclusions - UK agriculture needs to embrace technical improvements to become more efficient and productive which, in turn, will lead to increased profitability.

Our seminar attracts farmers and other agriculture-facing professionals from Cambridgeshire, Norfolk and Suffolk. It is a key date in our Agricultural Group's diary. If you would like to hear Richard King explain his message in greater detail please go to http://www.whitingandpartners.co.uk/blog/Farming-Seminar-2015

L-R: David Fountain (C J Fountain & Son Ltd), Andrew Band, Jim Clarke (J T Clarke, March).

Payment Scheme

The Single Payment Scheme has ceased but in England single payment scheme entitlements have been rolled forward to the Basic Payments Scheme and so will not be deemed of negligible value for tax purposes.

In Scotland, Wales and Northern Ireland the Single Payment Scheme Entitlements no longer exist and a capital loss may arise for Sole Traders and Partners.

Milk quota has been abolished and a loss can be claimed for Capital Gains Tax purposes. It is unlikely that this relief will be available for companies where the expenditure will already have been relieved through the profit and loss account.

Any Sole Trader or Partnership that has purchased entitlements in the past should retain records of their expenditure as there may be opportunity to make a negligible value or loss relief claim in the future, as the Common Agricultural Policy evolves.

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