

# Farming Group Newsletter

Issue 24

## ‘Change is Inevitable. Growth is Optional’ - John C. Maxwell



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Welcome to our 24th farming newsletter.

As the title suggests, and you all know anyway, change is inevitable. It surrounds us every day, and as I pen my first opening article as the new Chair of our Farming Group, I am reminded that growth does not just come with time. It is not guaranteed. It is optional. We have to be able to see the opportunities, the wood for the trees, and constantly push forward.

Agriculture has always faced challenges and changes. I think it's fair to say that since September last year UK farming has certainly faced some of the worst weather challenges in recent history. We also have continuing reductions to Basic Payment Scheme (BPS) receipts, changes to environmental schemes and all the associated changes that come with a general election

to contend with. In this edition of our newsletter we consider some of those challenges facing the industry, but also look for possible opportunities to grow.

Firstly, Mike Blackledge fills us in on the changes announced in the March 2024 budget and the full expensing regime for companies which was announced in the Autumn Statement, followed by Ben Kilby's take on rural crime and some steps to mitigate this.

Amanda Newman looks at a topical diversification option in dog exercise parks and examines the various aspects to consider before making any firm decisions, while Nick Edgley covers 'The Ultimate Eventuality' and I contemplate the opportunities of environmental schemes including Biodiversity Net Gain (BNG).

Winston Churchill once said *'the pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty'*. So, turn off the tractor, grab a cuppa and take five minutes to consider whether all these challenges will be a stumbling block or whether they could actually be an opportunity for you.

# The 2024 Budget Review



**Mike Blackledge**

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There was little room for manoeuvre in the March 2024 Budget, however as with any recent Budget's there is always the matter of the detail which provides some surprises which are both good and challenging.

Following on from the National Insurance reduction in January we had a further reduction of 2p, however both personal allowances and tax bands have remained the same and are due to continue for the next few years.

For those with children claiming Child Benefits there was some good news with the increase in the allowable income limits before the benefit is reduced and eventually lost.

Perhaps one of the biggest surprises was the abolition of the Furnished Holiday Lettings regime from April 2025, this will affect many of our clients, and we, together with the profession, are awaiting the details of this change.

For Limited Companies there is some good news with confirmation of the extension of full expensing for capital allowances, however this will be for qualifying plant and machinery only. This relief is very good news, as the cost of the item will be deducted in full in the accounting year that it has been purchased (subject to conditions), this of course reduces the overall tax liability.

Although if this asset is sold, then the sale value will be considered to be income in the year of sale, and this will increase the taxable profit position for the accounting period.

For partnerships and sole traders, full expensing isn't available, however the annual investment allowance of £1 million does remain.

As with all areas of taxation, it is led by legislation, and from time-to-time H M Treasury do seek consultations on specific matters, and between April and September 2024 they are seeking opinions on issues surrounding the complexity of Capital Allowances, so there is an expectation of changes in the future.

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## Top Tips to Prevent Rural Crime



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Rural crime, in its many different forms, is affecting businesses and communities on a 'grander' scale than ever before with estimates saying it cost the UK economy £49.5m in 2022. Increases in fly-tipping, unauthorised encampments, poaching, livestock worrying and theft (which remains a significant issue) are on the rise. With evolving technology in GPS equipment and the use of drones, this equipment is becoming more attractive for criminals to steal. Whilst insurance is there to cover you in the event of a loss, what are some tips to prevent crime from occurring:

- Store equipment and vehicles in secure, well-lit buildings
- Remove keys and store them separately
- Remove GPS systems when left unattended
- Activate PIN security on GPS systems. If your system is not PIN-enabled, mark your postcode to deter thieves and trace your property back to you
- Consider installing CCTV and intruder alarms
- Report suspicious use of drones over your property

Prior to the event of a theft or loss, it would be wise to review your existing insurance policies. Are you covered for theft or loss of equipment? What values are vehicles and equipment insured for? With the ever-changing British weather, you may wish to consider business interruption insurance for the loss of farming income due to perhaps fire, hail or flooding. The loss of rental income if a let building is damaged for the period it takes to repair it.

When it comes to recording insurance claims in your business accounting records, insurance claims are exempt for VAT purposes and these would need to be considered closely when preparing your partial exemption calculations, if applicable.

Who knows what tomorrow may bring as time and unforeseen circumstances befall us all.



# Dog Exercise Parks: An Opportunity for Diversification



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Dog Parks are becoming increasingly popular, as they give you the opportunity to pay to allow your dog to exercise in an enclosed area, with the safety of them not running away. Farmers with well-located marginal land for such a venture have been looking at this as another area of diversification.

But what does it involve? The first thing that needs to be obtained is planning permission for change of use from agricultural land, which in itself can be a lengthy process. However, if obtained correctly, could give you the opportunity to open more than one area to this line of revenue.

The next consideration is VAT, if the farm is already registered. This would come down to the service that you are offering. If it is purely the access to the field with no services, so there is exclusive use by the walker during their allotted slot, then it would be treated as an exempt supply (granting of a licence to occupy). However, if there are charges for anything other than

the exclusive use of the field, then the VAT status will change.

Once you have an exempt supply you then need to consider the partial exemption rules for VAT. This would involve considering whether you are able to reclaim the VAT on the expenses that relate directly to the establishment of the Dog Park. Costs such as fencing, parking and establishing a website. If in most cases your input tax is insignificant, to your total input VAT, then you can treat it as recoverable if the total value is less than the de minimus limit. This is set at £625 per month on average or half of your total input tax in the relevant period.

You will also need to take into account other tax implications of change of use such as the loss of agricultural relief for Inheritance Tax as the field is no longer being used for agriculture.

If you are considering setting up a Dog Park, please do get in touch and we can advise further on all of the tax implications that may impact you.



## The Ultimate Eventuality



**Nick Edgley**

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The one eventuality that we all know is death, but the death of a farmer can be particularly challenging. Not only have you got the usual matters of informing everyone, be that family and friends or various authorities, but you have a business to continue to run. Farming is unlike any other business. You can't just close the shop door for a few days. The crops will still need tending, the animals feeding, and the very nature of farming means it's likely there will be significant amounts of assets to resolve.

Did you know we can help ease the burden?

Licensed to carry out the reserved legal activity of non-contentious probate in England & Wales by the ICAEW we can assist with the legal, tax and administrative processes involved in dealing with an estate and applying for probate. We can offer advice and guidance every step of the way.

Where the deceased is an existing client of the firm, we will usually have an in depth knowledge of their financial and

taxation affairs, business interests and family circumstances giving us a head start in giving the personal representatives the best advice and the most cost-effective service.

The services required will vary according to the particular circumstances of the deceased. In some cases, all that is required is to collate all the necessary information to make the application for probate on behalf of the personal representatives, complete the relevant Inheritance Tax forms and advise on the payment of any tax liability. Once probate has been granted, and the tax paid, the personal representatives can proceed with the administration of the estate themselves, although we can also deal with this aspect if you wish.

In more complex cases, such as where the deceased owned or had an interest in a business or a family company, we can advise on tax reliefs, the scope for mitigation of tax liabilities and valuation of the business or company shares. Working with, or instructing, solicitors on any legal work required.

In addition our partners, named in a personal capacity, can act as Executors within your will.

Please do get in touch if you would like to discuss any of the above aspects further.



# Environmental Schemes keep Growing



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We have now reached the year where BPS receipts are to be de-linked from land. Any landowner who was eligible for and claimed BPS for 2023 and has a reference amount (equal to the average BPS receipts in 2020, 2021 and 2022) will now receive de-linked BPS receipts until 2027 when the scheme ends entirely. We know that these de-linked receipts will be reduced over time like the 2020-2023 BPS receipts were, but the reduction amounts are currently unknown.

Whilst uptake was initially slow, momentum appears to be growing and it seems many farmers are now looking to the Sustainable Farming Incentive (SFI) to try to fill the gap in funding, at least in part, with over 15,000 applications to date as of 25 March 2024. Once additional costs are factored in financial returns may not be as lucrative as under the old BPS scheme, although some payment rates are significant, but hopefully the added environmental benefit will assist in terms of added biodiversity and improved soils.

The 2024 SFI offering has fifty additional new actions centering around precision farming, agroforestry, moorland and grasslands and payment rates have increased by an average of 10% across the board. DEFRA are also introducing new maintenance actions to reward those farmers already protecting the environment through, for example, maintaining wetlands and scrub.

As well as SFI and Countryside Stewardship, we also have large groups of farmers and landowners now working together up and down the country on large landscape recovery projects.

Together they are restoring and protecting 700km of rivers and waterways and creating or protecting 200,000 hectares of woodlands, peatland and salt marshes.

For those unaware, these are long-term schemes aimed at supporting large scale land use change, but any landowner, farmer, local authority, or groups of those people can apply if there is a viable project in their locality. The Landscape Recovery program opens in rounds and there will be another one opening later this year.

Biodiversity Net Gain offers another potentially lucrative way to plug the BPS gap, and whilst there is still uncertainty around how any potential income may be taxed, announcements in the Budget at least alleviated Inheritance Tax worries. Agricultural Property Relief (APR) will be extended from April 2025 to include land managed under an environmental scheme, both on death and on lifetime transfers. The extension also goes as far as including land that has been in an environmental scheme which has since ended, so long as the land continues to be managed in line with the original scheme agreement. As ever, APR only applies to the agricultural value, so any value above this will be at the mercy of Business Property Relief (BPR) and the overall balance between trading and investment activity (Balfour test).

We then have the long-established UK Woodland Carbon Code and Peatland Carbon Codes, alongside various productivity grants falling under the Farming Investment Fund.

Whilst the research may prove time consuming, it is clear that there is funding available to those who wish to seek it, and this is before considering any private finance initiatives or on farm R&D projects.

Threat or opportunity - I'll let you decide.



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