Whitings Chartered Accountants LLP

Farming Group Newsletter



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Welcome to Our 29th Farming Newsletter



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I try to open these newsletters with observations from the last 6 to 12 months, and in recent years that has seemed quite negative with a focus on IHT changes. Of course, there is opportunity to be found in every adversity and today we open with the challenges of this summer's weather.

Paul Wood discusses the trials farmers have faced over summer with the incredibly dry weather but also looks forward to the opportunity of the upcoming Water Management Grant. I then consider a topical subject; Artificial Intelligence in Farming. A useful tool, or a risk to business?

Ben Kilby considers the how the new National Planning Policy Framework might impact farmers, rural landowners and businesses as the government aims to set out plan-led guidelines to be followed across the nation, followed by Mike Blackledge's comments on the taxation of ecosystem service markets.

Finally, we finish with a piece not necessarily unique to farmers but important, nonetheless. As the reporting system for employee benefits changes in April 2027 (and beyond) our Payroll Manager, Ruth Pearson, covers the key headlines and offers insight into what farming businesses need to be considering now to make April easier.

Get In Touch

Our Farming Group are here to help you. If you have any questions regarding the topics we have discussed in this edition and how we can help you and your agriculture business, please do reach out to us or your local Whitings LLP office.



Disclaimer: All information was correct at time of writing. Please contact us for current guidance on any of the topics discussed.

Keeping Your Head Above Water



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This year has been one of the driest on record, with more than half of the country in a period of drought by the end of August, and the rest of England suffering from prolonged dry weather. There has now been three official droughts in the last five years (2022, 2025 and 2026), but also incredibly wet periods as we saw over the autumn and winter of 2023/24.

The lack of rainfall and very high temperatures of the summer gives our agricultural clients real problems, including accelerated crop development leading to early harvests, poor yields and withered crops, whilst the soils develop deep cracks making the next years cultivations harder too.

To combat this, the Government have announced various support through increased SFI funding but also Environmental Land Management scheme flexibility. However, the headline news which our clients are talking to us about is the Water Management Grant coming in autumn. A £15 million fund for on farm reservoirs. Naturally, the question from our clients is focused on the tax implications and what allowances can be claimed on building these reservoirs, and of course, we are more than happy to assist with any queries on this.



Artificial Intelligence in Farming



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The main use of Artificial Intelligence in farming, as it is in all uses, is data collection and analysis, and it is in that analysis where AI tools begin to shine.

Reports of increased yields, reduced chemical inputs and reduced time are inviting, especially as costs continue to rise and margins are ever squeezed. As well as reduced chemical inputs, reductions can often be made in water usage which is becoming increasingly important as we've seen from the recent summer weather. Indeed, coupling AI tools with other methods of water application, such as drip irrigation, can lead to drastically reduced water usage which improves resilience for the farm but also the wider environment.

From a risk perspective, however, care needs to be taken when using various AI tools. The systems are not infallible, and they do sometimes get it wrong (AI failure). Hence, human supervision is critical. Although currently limited, court cases have shown that there is an expectation of human supervision and if this is not given it is generally viewed as negligence on the part of the user, i.e. the farmer.

It is also likely that the AI software provider will have robust indemnity clauses and limitations of liability, and therefore any error that results in a loss of crop, for example, will likely be borne by the user. It is a developing service, but insurance could mitigate losses from AI failure, although policies would have to be thoroughly reviewed to ensure sufficient coverage.

Aside from AI failure, another risk is any unintended consequences. What happens if an AI tool overuses pesticides or nitrogen because it is focusing too narrowly on yield growth? This could have serious implications for run off risk and environmental outcomes. Research of AI tools is therefore key to ensure the correct parameters can be set and monitored.

AI could be incredibly useful to many industries, including agriculture, but care does need to be taken. As with all new technologies, I foresee a cohort of early adopters that will essentially do wide scale testing before tools become more widespread and mainstream.



What Does the National Planning Policy Mean for Farmers?



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The Government's updated National Planning Policy Framework (NPPF) 2026 sets out the planning policies that will guide development across England and has important implications for farmers, landowners and rural businesses.

At its core, the NPPF supports a plan-led approach to development, with local authorities expected to maintain up-to-date plans that identify where future housing, employment and infrastructure growth should take place. For the farming community, this means continued focus on how agricultural land is considered within the planning system and how rural areas can contribute to sustainable economic growth.

The Framework recognises the importance of a strong rural economy and supports the diversification of agricultural businesses where proposals are appropriate and sustainable. This may include opportunities for farm shops, tourism enterprises, renewable energy projects and the conversion of existing rural buildings for alternative uses.

Environmental considerations remain central to planning policy, with greater emphasis on climate change mitigation, biodiversity enhancement, flood risk management and the protection of valued landscapes. Farmers are increasingly involved in delivering these objectives through land management practices and environmental schemes that support both agricultural productivity and environmental outcomes.

The NPPF also reinforces the need for infrastructure improvements, including transport, utilities and digital connectivity, which are essential for supporting rural communities and businesses.

As local plans are reviewed and updated, landowners should remain engaged with the planning process. Understanding how national planning policy influences future development can help farmers identify opportunities, protect their interests and make informed decisions about the future direction of their businesses.

Further Information:
The National Planning Policy Framework 2026 is available on GOV.UK.

HMRC Brings Clarity to the Taxation of Ecosystem Services



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The growth of environmental markets has created new opportunities for landowners, farmers and developers, but it has also raised important tax questions. HMRC's recent Ecosystem Services Technical Note, published on 14 May 2026, provides welcome guidance on how a range of ecosystem service arrangements should be taxed. These include biodiversity net gain (BNG), nutrient neutrality schemes, woodland carbon credits and peatland carbon projects.

The guidance confirms that there is no single tax treatment for ecosystem service payments. Instead, the outcome will depend on the specific facts and circumstances of each arrangement. HMRC considers that many payments received by landowners are likely to be taxable as income, particularly where the activities form part of an ongoing farming or land management business. However, in some cases a capital treatment may apply, meaning careful analysis is essential before agreements are entered into.

The note also highlights wider tax considerations, including VAT, inheritance tax and SDLT. For developers and businesses purchasing biodiversity units, nutrient or carbon credits, the availability of tax deductions and the treatment of associated expenditure will be key factors in assessing project viability.

For Our Clients, the Message Is Clear
Tax should be considered at the planning stage rather than as an afterthought.

Ecosystem service agreements can involve long-term commitments, changes to land use and significant commercial value. Understanding the tax consequences from the outset can help avoid unexpected liabilities and ensure that environmental opportunities deliver the intended financial benefits. As environmental markets continue to develop, obtaining specialist advice remains crucial to achieving both commercial and tax-efficient outcomes and we here at Whitings LLP can provide that expert assistance.



Benefits in Kind Are Moving Into Payroll



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Is Your Farm Ready?

Vehicles, fuel, medical cover and staff accommodation are part of everyday working life for many farming businesses. They can also create benefits-in-kind obligations—and the way some of those benefits are reported is about to change. From 6 April 2027, employers will have to process certain benefits through payroll in real time instead of relying on year-end P11D reporting. With varied workforces and benefits that are not always straightforward to value, farms should begin preparing now.

What Is Changing?

Payrolling a benefit means adding its taxable value to the payroll calculation so that the employee pays the tax during the year. This should make deductions easier to understand and reduce later tax-code adjustments. For employers, it promises a more streamlined year-end process.

Dates for Your Diary

- **From 6 April 2027:**
  Mandatory payrolling will cover company cars, car fuel, vans, van fuel and employer-provided medical benefits.
- **From 6 April 2028:**
  It will extend to most other benefits in kind.
- **Loans and Accommodation:**
  These will remain voluntary for now, with any future mandatory treatment to be confirmed.

Why Farming Businesses Need to Pay Attention

Farming businesses often provide a wider and more varied mix of benefits than other employers. Classification and valuation are therefore critical. A vehicle's status can materially affect the tax due and not every instance of farm accommodation creates a taxable benefit.

Seasonal and Overseas Workers

Short-term and fluctuating workforces add another layer of complexity. Accommodation, meals and transport provided to seasonal, overseas or harvest workers must be reviewed carefully.

Family-Run Businesses and Private Use

In family partnerships and family-owned companies, the line between business and personal use can be easy to blur. Benefits provided to directors or family members who are employees—including vehicles, accommodation, utilities and private use of equipment—should be identified, documented and valued consistently.

What Could the Change Mean for Your Business?

Done correctly, payrolling can mean fewer year-end forms, fewer unexpected tax bills for employees and clearer payslips. The challenge is getting there. Payroll software must be ready, benefit values must be correct, and information must reach payroll providers on time. Employees will also need a clear explanation of why their tax codes or take-home pay may look different.

The Takeaway

The message for farming employers is simple: do not leave this until the end of the 2026/27 tax year. An early review will give you time to resolve awkward valuation questions, close gaps between benefits and payroll records, test your systems and communicate confidently with employees. A little preparation now could prevent a difficult transition later.



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