



Regular News from our Specialist Agriculture Team

SPRING 2019

Farming in "A Changing Climate"

'A Changing Climate' was the theme for the sixteenth annual Farming Scotland Conference where a record number of delegates heard how agriculture policy, weather patterns and business practices are likely to change and adapt over the coming years.

Leading agriculture policy adviser and Secretary of the CAAV Jeremy Moody began proceedings with an incisive talk covering the possible decisions government could take on land tenure issues and support funding. He suggested that there may be no alternative but to move financial support from Region 1 'up the hill' to address the shortfall in LFAAS funding.

A thought provoking talk from Dr Mike Rivington, Land Use System Modeller from James Hutton Institute followed, and Mike presented some alarming data on climate change and the impact that will have on the UK's ability to continue to farm the way we do at present.

The conference then gave a warm welcome to BBC's Countryfile Farming Heroes 2018, Kirsty and Aimee Budge. Since their award the sisters have gone on to become young leaders in the Scottish agriculture sector. Their monitor farm on Shetland is taking on new ideas and farming practices, they are re-establishing Shetland Young Farmers and they have also

been announced as Young Farmer Climate Change Champions. Add to that TV stardom in the new series of This Farming Life and it's clear that the sisters have grasped their opportunity to share Scotland's positive farming story. Their own story, on their journey from sisters to business partners, was told from the heart and captivated the conference hall.

Fittingly, the conference was rounded off by Ben Pugh, founder and CEO of Farmdrop, the ethical grocer. Ben's vision for his business is to re-invent the supply chain, changing the dynamic between consumer and producer whilst changing the share of the financial rewards from that of the typical supermarket model. Supplying farmers market quality food, with supermarket convenience is how Farmdrop aims to operate.

Thanks to everyone who made the sixteenth Farming Scotland Conference a huge success, and we hope that delegates went away with much to think about and take into their own farming businesses.

Talk to the EQ Taxperts



At EQ we've always operated a little differently to other accountancy practices. Each of our client facing teams are trained to a very high level in tax, which ensures that each individual client receives reliable tax planning solutions tailored to them.

Our rural business clients benefit from our tax focussed approach across a range of issues. Our partners and senior staff are all highly experienced in Private Client tax matters including inheritance tax, capital gains tax and income tax planning, as well as business succession planning matters.

We also have specialists in areas such as VAT, business restructuring exercises, and Research & Development Tax credits. We are seeing more and more of these specialist tax areas forming a key part of the advice we are providing to rural business clients.

To highlight the tax services we provide we have launched our new website – www.eqtaxperts.com. Please have a look and tell us what you think. Our new tax app is also available and you can find it by searching for 'EQ Accountants' in Google Play or the App Store.

Tax advice has always been at the forefront of the services we deliver to rural sector businesses and that will continue. We're delighted to showcase these services to our clients and potential clients through these new online resources.

Visit us online [eqtaxperts.com](http://www.eqtaxperts.com)



Be mindful of Inheritance Tax (IHT) trap

Farmers enjoy a very privileged status when it comes to IHT. In general, the value of the farmhouse, farm buildings and farm land is covered by Agricultural Property Relief (APR), while the value of any other assets such as stock and machinery is covered by Business Property Relief (BPR).

The position however changes dramatically when a farming business ceases and the farm is sold when a farmer retires. Assets which were formerly covered by APR or BPR are converted to cash, which attracts no IHT relief other than the IHT nil rate band of £325,000, with any assets above this figure being potentially subject to IHT at 40%.

Married couples have an advantage in that on first death assets can pass IHT free to the surviving spouse and on the eventual death of the second spouse it will be possible to deduct £650,000 (2 x £325k nil rate band) from the chargeable estate provided that all assets were passed to the surviving spouse on first death.

How you address the potential IHT issue on retirement from farming will depend on personal circumstances. The first priority should always be

your own economic security, ensuring that you have sufficient capital for the rest of your days.

Possible IHT mitigation strategies include:-

- Make lifetime gifts and provided you live for seven years post gift any gift will be outwith your estate for IHT.
- Take out life assurance to cover the potential tax liability.
- Invest in assets which would qualify for BPR after just two years of ownership such as AIM listed shares or commercial forestry.
- Make use of trust schemes to make a gift of capital, whilst still enabling you to enjoy any income from the capital.

If you have retired from farming recently or are planning to retire in the near future then please consider your IHT position.

Attractions of commercial woodland

We are currently seeing increased interest in forestry, with investors attracted to the sector by a combination of attractive tax reliefs and a buoyant demand for timber, brought about in part by the increase in biomass installations.

From a tax perspective, any trading profits from commercial woodland are free of income tax (although no income tax relief is available on costs), the value of timber sold as a standing forest is free of capital gains tax and for inheritance tax any investment in forestry qualifies for full business property relief after two years of ownership.

An investment in forestry could also prove attractive for a farm business that has a high wood requirement due to investment in biomass. If commercial woodland can be acquired nearby then this could provide some comfort regarding

future security of wood supply and give some protection against any further rises in timber prices.

High net worth individuals may also wish to consider commercial woodland along with any other private investments held outwith the farm. Depending on circumstances, the IHT shelter afforded could prove attractive and any timber harvested could be sold tax free to the farming business, with the farming business claiming a tax deduction for the cost.

Forestry is a specialist area and appropriate advice should always be sought before proceeding with any investment.

Increasing employer costs

The Scottish Agricultural Wages Board have set new minimum rates for agricultural workers pay, effective from 1 April 2019.

The minimum hourly rate is £8.21, a 4.85% increase on the previous minimum rate of £7.83. Workers with a NVQ Level 6 or apprenticeship certificate are entitled to an additional £1.25/hr or more on top of this. Apprentices should be paid a minimum of £5.30 per hour, a 6% increase from the rate of £5 which applied previously.

Full details can be obtained from The Agricultural Wages (Scotland) Order (No. 66) 2019.

Also, from 6 April 2019, employer minimum contributions to auto-enrolment workplace pension schemes increase to a minimum of 3% (which together with the staff contribution must total a minimum of 8%).

If you are unsure about any aspect of payroll and your obligations as employers, get in touch with us.

Making Tax Digital – are you ready?

Making Tax Digital (MTD) is a new set of rules being introduced by HMRC on 1st April 2019 and will affect all VAT registered businesses with an annual turnover over £85,000.

MTD dictates how regular VAT returns will be submitted to HMRC. All VAT returns must be submitted via MTD compliant software or by using a bridging software solution, with the traditional Government Gateway submission no longer being available.

Under MTD, older desktop accounting systems and manual accounts records will no longer be an acceptable form of record keeping and this is an issue which all VAT registered businesses will need to address.

Whilst business owners may be tempted to delay any changes it is important to realise that should a business not be compliant with this new scheme there may be a resulting delay in processing of VAT returns and even penalties levied by HMRC.

It is important that you consider your current bookkeeping provision and ensure that it is suitable for your record keeping and reporting needs and complies with the MTD rules. Even if you are only part way through your business financial year, you may need to make a change to ensure that your systems are compliant.

Contact us now if you are unsure and need guidance on the steps to take to be compliant.



Focus on what you can control

As Brexit negotiations rumble on without any real clarity regarding the potential outcome, it is easy to become despondent and put off any business decisions until uncertainty abates. However, whatever outcome is reached on Brexit there is still likely to be a demand for home produced food and farmers need to position their businesses now to ensure the best chance of success and prosperity in the future.

We list below five action points to consider to help secure this objective whatever the outcome on Brexit.

Action	Points to consider
Enterprise choice	You decide what to grow or rear. Which enterprises are giving you the best return on your time, capital and land? Can performance be improved by ceasing loss making enterprises? Are new enterprises appropriate?
Technical efficiency	How efficiently are you using your crop or livestock inputs? Is there scope to improve yields, growth rates etc for no extra cost?
Cost structure	Is there scope to reduce the overhead structure of the business? Is it possible to achieve economies of scale through expansion? Can costs be reduced by investment in new technology?
Finance	Is the business being financed in the most appropriate and cost effective manner? Is the debt repayment profile appropriate for the business?
Tax	Is your existing trading structure still optimal for your circumstances? Are you paying more tax than you need to?

There is much that we cannot control, but there are also many factors that we can still influence. Make sure you make the most of the opportunities available to you.

Working with you.

We are always happy to offer free, no obligation, initial consultations, and often act on a consultancy basis only.

For more information on any of the services outlined in this brochure, or to discuss a particular issue with one of our advisers, please contact our Agriculture specialists.

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