



Regular News from our Specialist Agriculture Team

WINTER 2019

Farming Scotland Conference 2020: People. Product. Knowledge.

We are delighted to confirm the details for the seventeenth annual **Farming Scotland Conference**, which will take place at **Carnoustie Golf Hotel, Angus**, on **Thursday, 13 February 2020**.

The conference is sponsored and organised by EQ Accountants, along with Bell Ingram, Thorntons and RBS, and aims to bring together individuals from throughout Scottish agriculture to discuss and debate key issues facing the sector.

Full details and bookings can be accessed at www.farmingscotlandconference.co.uk. Under the title **People. Product. Knowledge** our speakers all play key roles in the agriculture sector and will bring their expertise to the conference:

Marion MacCormick – Food sector consultant, former ALDI Buying Director, member of the National Council of Rural Advisors and the Farming and Food Production Policy Group.

Kate Rowell – Chair of Quality Meat Scotland, a qualified vet, farmer, Rural Leader.

James Peck – MD, PX Farms, a large innovative agribusiness in Cambridgeshire.

Simon Haley – SRH Agribusiness, founder of @AgriChatUK, @FarmersOfTheUK and @EatFarmNow

We look forward to welcoming delegates to Carnoustie on 13 February to hear from our speakers and to contribute to discussion and debate. Book via the web address above or contact Mary Campbell on 01307 474274 or mary.campbell@eqaccountants.co.uk.

Inheritance tax

A recent tax case before the First Tier Tribunal (FTT) found in favour of the taxpayer.

The case, *Charnley v HMRC* [2019] UKFTT 650 (TC), involved a farmhouse occupied by the taxpayer, a small yard and outbuildings, 21 acres of permanent pasture and 87 acres of grazing land.

HMRC had allowed Agricultural Property Relief (APR) on the land on the basis that the grazing licences allowed for vacant possession within 12 months and the land was used for agriculture.

However, HMRC had refused to allow APR on the farmhouse and outbuildings as they argued there was no connection between the use of the house and agriculture, and that the buildings had not been occupied for agricultural purposes by the taxpayer in the two years prior to death. They also refused Business Property Relief (BPR) because

they argued that the taxpayer's business consisted mainly of holding investments.

The FTT found that the farmhouse was occupied by the taxpayer and was "of a character appropriate to the property". It also found that the taxpayer's occupation was for the purposes of agriculture, on the basis that he was directly involved in various works including cropping and reseeding, fencing, drainage, harrowing, livestock checking and handling. In short, based on the facts of the case, the taxpayer's level of activity in relation to husbandry of the land was sufficient for his claims for APR and BPR to be allowed.

If you are unsure about your ability to qualify for APR and/or BPR please speak to your usual EQ contact.

AgriScot

We were delighted to receive an excellent response to our Farm Financial Management seminar at AgriScot 2019. A packed room heard about the advantages of using cloud accounting solutions to better maintain and manage farm financial data, to keep that data up to date and make it useful for management decision making.

We were joined in delivering the seminar by our partners from Xero (www.xero.co.uk) and Figured (www.figured.com) and the collaborative approach that is possible between farmer and advisor was demonstrated, aided by the accounting and farm management tools provided by the software.

If you would like to use your farm financial data in a more constructive way to help you manage your business please speak to us.



Tax payments on account

The end of January sees the next instalment of personal tax payments become due. But have you talked to your accountant about the amount payable and if that can be reduced?

2018 harvest produced good financial results for many farming businesses and by and large it is those results on which 2018/19 tax payments are due, with any balancing payment to be made by 31 January 2020.

Also due by 31 January 2020 is a first instalment for the 2019/20 tax year, which for many farm businesses will reflect the financial year which

covers the 2019 harvest year. How did it compare to 2018? Did you have significant capital expenditure in the financial year? Ultimately, will the taxable profit be more or less than it was in 2018/19?

If you have not had this conversation with your advisor now is the time to do so, before you pay more than you need to at the end of January.

Predictions for the next decade ...

Prediction is very difficult, especially if it's about the future. 2020 will mark the beginning of a new decade and at these junctures it is often useful to take stock and consider the issues and trends that will impact on the sector over this period. At the risk of getting it badly wrong Mark Wilken, Partner, has noted his top predictions below.

Climate change

We are probably nearing peak climate change concern and, assuming the world does not end, we will likely have moved on to worrying about something else in ten-year's time. Nevertheless, the current debate is likely to shape agricultural policy, with support payments linked to combating climate change. Expect the smart money to ruthlessly exploit the gullibility of virtue signalling politicians on this issue.

Taxation

With all political parties making new spending commitments on a daily basis don't expect the tax burden to fall. Expect more tax by stealth. Top predictions include the ending of Entrepreneur's Relief, capping the inheritance tax relief available through Business and Agricultural Property Relief, along with further tax relief restrictions on pension contributions.

Social trends

Go into any book shop today and you will be struck by the sheer number of vegan cookbooks on offer. Whether this is just a minority fad, or the start of a long-term cultural shift is open to debate. However, with the majority of Scottish agriculture engaged in the rearing of livestock or the growing crops for livestock, if it is the latter then there are profound implications.

Oil price spike

At the current price of c. \$64 per barrel oil is cheap. With green activism likely to discourage new exploration, thereby reducing supply, it would only take a minor geopolitical event to produce a price spike. We may be on the road to electrification, but the black stuff could still throw up a few surprises.

Structural change

While many older farmers are extending their shelf life through contract farming agreements such arrangements cannot continue indefinitely if there is no business succession. Expect to see significantly higher volumes of farms coming to market.

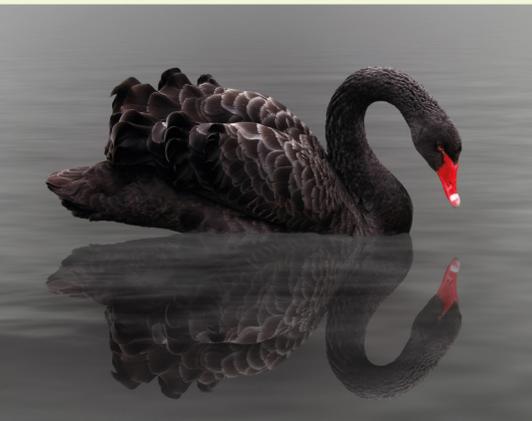
Finance

The last decade has been generally very favourable, with banks viewing agriculture as a safe bet and competition for the best business driving down margins. Will this continue? Unless we end up with a hard-left government, we don't anticipate a significant increase in bank base rates. If, however lenders take a less rosy view of the sector then that may well translate into increased lending margins and more scrutiny for new borrowing. Now may be a good time to review borrowing structure for those businesses with significant long-term debt to take advantage of the current benign climate.

Black swan events

The "unknown unknowns" as Donald Rumsfeld would say. What about the black swan events, the ones no one can foresee? In terms of political events, could another major country such as France or Italy decide to leave the EU? Is the Euro robust enough to withstand a major recession?

Predicting the future is always a mugs game and if we were to return to this article in 10 years' time many of our predictions will be proved wrong and there will be other events that I have omitted which will seem blindingly obvious with hindsight! As always, the best advice is to look at your own business and take charge of the things that you can control and influence.



Wishing all our readers a happy new year and a prosperous decade.

Women in Agriculture Taskforce

The taskforce was established in 2017 and asked by the Scottish Government to explore gender inequality issues within Scottish agriculture. The Taskforce's final report was published on 28 November 2019 and can be accessed here: www.gov.scot/publications/final-report-women-agriculture-taskforce/

The report identifies practical recommendations under the following themes:

- Leadership
- Training
- Equality Charter for Scottish Agriculture
- Childcare in rural areas
- Succession
- New entrants to farming
- Health and Safety
- Crofting

Among the recommendations are for the Scottish Government to develop a Women in Agriculture Development Programme (WiADP) to support women in agriculture to build their confidence, enhance their business skills and develop their leadership abilities. The report also recommends that agricultural organisations and businesses who seek to participate in Scottish Government agricultural stakeholder groups commit to an Equality Charter, aimed at achieving gender equality by 2022.

It is hoped that the recommendations will make a real difference. Equality and diversity will make the agriculture sector more successful and recognising women's full contribution will make it stronger.



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 bulletin, or to discuss a particular issue with one of our advisers, please contact our Agriculture specialists.

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Contact us at agriculture@eqaccountants.co.uk or 01307 474274 for specific advice on how the issues discussed could affect you.