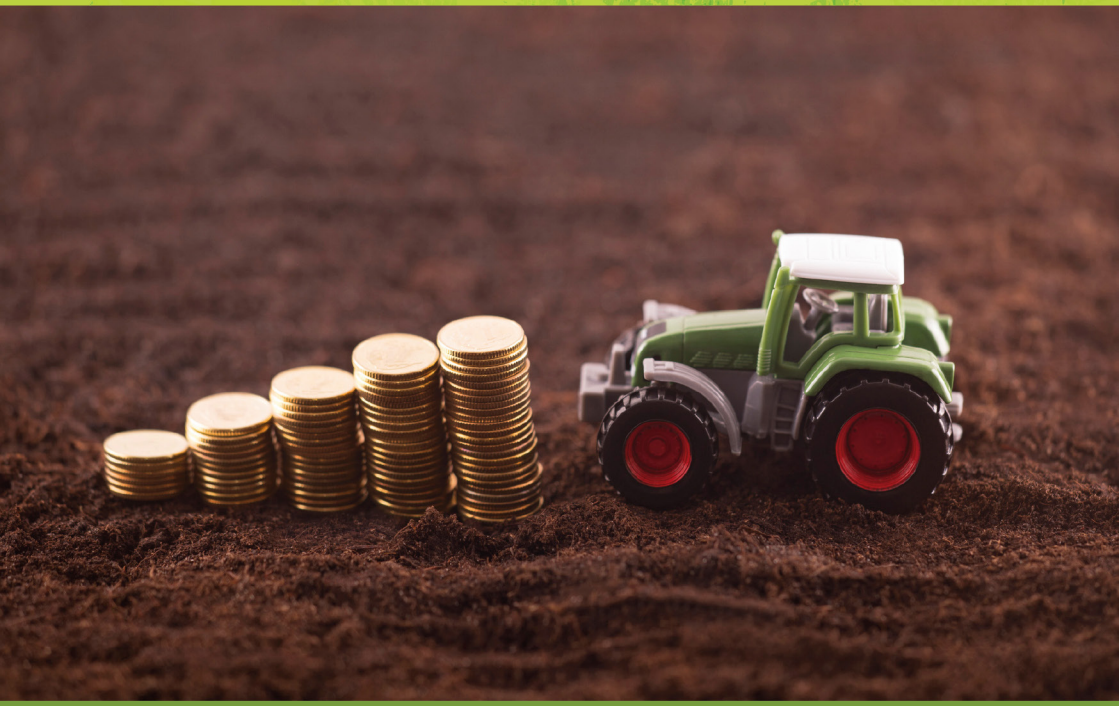
Agriculture News

CHARTERED ACCOUNTANTS



Regular News from our Specialist Agriculture Team

WINTER 2021

Pre year-end tax planning

Over the next quarter we look to ensure that our clients are making the best use of all the available tax reliefs prior to the tax year end on 5 April.

Key areas to review are as follows:

- If you trade as a company, consider whether you can make use of the £2k dividend allowance per shareholder to extract profits tax free from your company
- Pension contributions are still very attractive, especially if you have exposure to higher rates of income tax, where the tax relief on offer is potentially in excess of 40%
- If you can, make use of your £20k ISA savings allowance to shelter future investment returns from income and capital gains tax
- Company directors may wish to pay themselves a salary to make sure they have enough income to utilise their tax free personal allowance of £12.5k, while enabling their company to claim a 19% corporation tax deduction on the cost.

These are just some of the areas to consider and those with more complex tax positions are likely to benefit from a more detailed review.

New bank launched to exclusively serve the agricultural sector

January saw the launch of a new challenger bank dedicated to serving the farming sector. Oxbury Bank Plc is to offer saving accounts, farm loans and credit to fund input supplies, and aims to challenge the dominance of the big four banks in providing finance to the sector. Whether the new venture is successful remains to be seen but there would appear to be little downside from increased competition and choice.

Self-employment Income Support Scheme (SEISS)

SEISS has been extended to enable a third grant to be claimed. If you were not eligible for the two previous grants based on the information in your Self Assessment tax returns, you will not be eligible for the third.

HMRC expects you to make an honest assessment about whether you reasonably believe your business will have a significant reduction in profits.

To make a claim for the third grant your business must have had a new or continuing impact from coronavirus between 1 November 2020 and 29 January 2021, which you reasonably believe will have a significant reduction in your profits.

The third taxable grant is worth 80% of your average monthly trading profits, paid out in a single instalment covering 3 months' worth of profits, and capped at £7,500 in total.

The online service to claim the third grant is open – www.gov.uk/guidance/claim-a-grant-through-the-self-employment-income-support-scheme.

If you are eligible, you must make your claim for the third grant on or before 29 January 2021.

The grant does not need to be repaid if you are eligible but will be subject to Income Tax and self-employed National Insurance and must be reported on your 2020 to 2021 Self Assessment tax return.

Extension to the Annual Investment Allowance

The Annual Investment Allowance (AIA) was temporarily increased to £1m for a two-year period and was due to revert to £200k on 31 December 2020. However, the Treasury has announced that the £1m limit will be extended by a further year, until 1 January 2022.

The increase to the AIA allows businesses to obtain 100% tax relief on qualifying capital expenditure such as plant and machinery in the year of purchase.

The conclusion of a Brexit trade deal might provide some businesses with renewed confidence to invest for the future and the existence of the £1m AIA can be one way to manage tax liabilities by accelerating the tax relief available on qualifying capital expenditure.

Where financial year ends straddle the 31 December 2021 cut off, complex transitional rules apply to calculate the relief available and those contemplating significant capital expenditure should seek advice to ensure that they obtain all the tax relief they are anticipating.

Farming Scotland Conference

Unfortunately, Coronavirus and the associated restrictions have forced us, and our fellow sponsors, to cancel plans for the 2021 conference, which would have taken place in February.

The conference will return, in its usual format, when it is safe to do so. Feedback from delegates over the years emphasises that the format and networking opportunities are a huge part of the conference's success, so we want to retain that for all future events.

Look out on social media and the conference website (www.farmingscotlandconference.co.uk) for some special content on 11 February when the conference would have taken place.

Results from June 2020 census

The annual census of Scottish agriculture published in October, as always, provides a useful snapshot of the direction of travel for the sector. The full report can be found at www.gov.scot/publications/provisional-results-scottish-agricultural-census-june-2020/.

A key takeaway from this year's publication is the continued decline in cattle numbers, which have fallen from a high of 2.68m in 1974 to just 1.71m. The decline is mainly due to the reduction in beef cows as the number of dairy cows has remained stable. BSE, foot and mouth and, latterly, the decoupling of support payments in 2005 with the introduction of the Single farm payment, will all have played their part.

The other key trend was the increase in the area of vegetables grown for human consumption, which increased by 13% to 21,100 hectares.

Farming for 1.5°C

November saw the publication of a report, jointly sponsored by NFUS and Nourish Scotland, on how the Scottish farming sector can help in the fight against climate change and achieve net zero carbon emissions by 2045. Details of the full report and the 15 associated recommendations can be found by following the attached link www.farming1point5.org/reports.

Farming and the wider rural economy are well placed to help achieve a net zero target as sequestration of carbon in woodland and soils is likely to play a major part in this.

Although directly affected by climate change, the farming industry is potentially, perhaps, likely to be a major beneficiary, as farming policy is oriented away from production and towards environmental goals. Farmers, whatever their views on this matter, should familiarise themselves with the issues raised as these are likely to shape agricultural policy for the decades ahead.

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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