



Regular News from our Specialist Agriculture Team

SUMMER 2021

## Cultivate your career at EQ

At EQ, our people are at the heart of what we do. It's our passion, drive and understanding of real farming issues that can make a difference to our clients. As a firm, we pride ourselves on offering a fantastic training experience with an emphasis on practical learning that suits those that prefer to be more hands on. We can help you develop a range of skills that will allow you to grow both professionally and personally – and understand that nothing can beat practical experience.

A large proportion of our team come from an agricultural background, with many starting with us as trainees with little knowledge of accountancy, but a passion for farming. Two of our Partners in the Forfar office,

Mark Smeaton and Robert Young, both joined us as trainees and run their own farms, so we spoke to them about their experience. You can read their stories [here](#).

# Can money really grow on trees?

**Forestry is one area of the rural economy that has seen significant investor interest in recent years.**

The tax benefits of commercial forestry are well known and have remained the same for some time. Essentially, the proceeds of timber sales are free from Income Tax or Corporation Tax, although no tax deduction is allowed for associated costs. Commercial forestry also qualifies for Business Property Relief (BPR) after two years ownership, meaning that it is exempt from Inheritance Tax (IHT).

On top of the tax advantages, the actual returns from forestry as an asset class have been very respectable. Figures from Forest Research released in May 2021 show that prices in Great Britain for standing coniferous sales have increased by 115.80% (71.81% in real terms) over the past 10 years, no doubt aided by new demand for biomass along with more traditional construction markets.

The Scottish Government is also keen to support new woodland creation, with an annual target to create 13,500 hectares in 2021/22, rising to 15,000 hectares from 2024/25. Funding to assist in new woodland creation is available under the Forestry Grant Scheme, which provides funding of £2,960 and £5,520 per hectare for the establishment of conifers and broadleaves respectively.

In addition to grant funding and timber sales, there is also potential for additional revenue streams under future carbon offsetting agreements.

The above factors all create a healthy demand for new planting land, with agricultural buyers being outbid on more marginal agricultural land. Forestry is helping to put a firm base on land values.

However, the drawback with forestry has always been the long timescales involved but perhaps it is time to take a second look at this asset class given the long-term growth drivers now in play.



## Figured it out yet?

**At EQ, we were early adopters of online accounting solutions for our clients and are proud to be a Platinum Champion Partner and one of Scotland's leading advisors of Xero. We are also Gold Partners of Figured, a Xero add-on specifically for agriculture which provides livestock, dairy and crop budgeting, production tracking, forecasting, and reporting.**

We have worked closely with Figured since they launched in the UK and are delighted to see them announce their latest product development this spring – British Cattle Movement Service (BCMS) integration.

Cattle movements can be pulled through to Figured on a daily basis, eliminating double

data entry and ensuring consistency of records across platforms for accurate and seamless monitoring and reporting. This also helps advisors, giving confidence in the data provided.

Speak to our team about how online accounting solutions like Xero and Figured can help you and your business.



# Scottish Agricultural Show - Online

**We are delighted to be involved as main sponsor at this year's Scottish Agricultural Show - Online, which will take place on 31 July 2021.**

For more than a year now, opportunities to see clients and contacts from the Scottish agricultural community have been restricted and it is disappointing that most shows have had to cancel their usual plans again in 2021, as they did in 2020.

Agriculture shows up and down the country provide an opportunity for communities to come together and celebrate what is great about farming and rural life.

We've all adapted and shown that we can still come together to share ideas and celebrate the best of agriculture in innovative ways and the Scottish Agricultural Show will do that once again this year.

As one of the leading advisory firms providing services to rural Scotland, we see, first-hand, the financial impact on businesses as they have adapted since March 2020. Some have found that easier to do than others and some have been impacted more than others. However, rural businesses always thrive on the interaction between people and therefore we are delighted to have the opportunity to support an event



## Scottish Agricultural Show Online

which does that at this time when the agricultural community needs it more than ever.

We hope that Scottish agriculture will engage fully with this year's Scottish Agricultural Show - Online, as they did last year and give the sector a boost. The timing of 31 July 2021 couldn't be better as everyone gears up for what will hopefully be a successful 2021 harvest. We look forward to a successful show and thank DC Thomson for organising this fantastic event.

You can follow the event at [www.scottishagriculturalshow.co.uk](http://www.scottishagriculturalshow.co.uk) and on social media channels.

## Commodities boom!

**Despite earlier concerns over the potential impact of Brexit, 2020/21 may go down as a relatively profitable year for many farm businesses.**

If you take the three major commodities produced by Scottish Agriculture - wheat, beef, and lamb - by way of example, then prices are buoyant and significantly ahead of the previous year.

At the time of writing, wheat is currently trading at over £200 per tonne, beef is making over 400p per kg dead weight and the tail end of the 2020 lamb crop was selling for £140 per head earlier this year.

Those who managed to get a decent output and timing of sale correct could be looking at a significant uptick in profitability this year. This can of course lead to a significant increase in associated income tax liabilities.

However at EQ we appreciate that farming profitability can be highly cyclical and

are primed to make full use of farmers averaging, which now allows us average profits either over two or five years, thereby minimising exposure to higher rates of tax and ensuring that full use is made of the tax free personal allowance over the relevant period.

If you think your farming profits are going to be significantly higher this year, then please speak to our farming experts to allow you to retain as much of the increased profits as possible.



# More planning required for supply chain management



One of the recurring themes that has cropped up in conversations with clients over recent weeks is the difficulty of acquiring certain farm inputs, be it building materials, new machinery or labour.

It is unclear whether this is an effect of COVID or Brexit, or if it is down to resources being diverted elsewhere as part of the Governments 'build back better' strategy.

What is clear however is that we cannot always rely on the just in time supply chains that we have got used to over recent years.

The long lead times on machinery will also have a knock on impact on any tax planning initiatives that involve either claiming the Annual Investment Allowance (AIA) or the new Super-deduction. If the purchase is delayed due to lack of supply, then capital allowance claims will also be deferred.

The best advice in the current circumstances is therefore plan well ahead.

## Land Court and Lands Tribunal

The Scottish Government has recently published an analysis of the responses it received to its consultation on the future of the Scottish Land Court and the Lands Tribunal for Scotland. The main questions were around whether the two bodies should be amalgamated and what any subsequent body should look like.

The consultation period closed last year, and the Government will now consider the responses before making decisions. The full report can be viewed [here](#).



## 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.

### DUNDEE

14 City Quay, DD1 3JA  
01382 312100

### Mark Wilken

[mark.wilken@eqaccountants.co.uk](mailto:mark.wilken@eqaccountants.co.uk)

### FORFAR

Westby, 64 West High Street, DD8 1BJ  
01307 474274

### Graeme Davidson

[graeme.davidson@eqaccountants.co.uk](mailto:graeme.davidson@eqaccountants.co.uk)

[www.eqaccountants.co.uk](http://www.eqaccountants.co.uk)

