CHARTERED ACCOUNTANTS

Agriculture News.

Welcome to spring

As the cold of winter wanes and the warmth of spring emerges, farmers will be looking forward to the year ahead. This season brings a fresh set of opportunities, challenges, and responsibilities within the sector.

In this spring edition of our bulletin, we aim to provide our readers with some useful and thought-provoking features.

Here’s to a productive and rewarding season ahead!

SPRING 2023

Regular News from our Specialist Agriculture Team

Budget highlights

On 6th March Chancellor Jeremy Hunt delivered what was potentially his last budget before the general election. Despite this there was no shameless giveaways aimed at securing electoral advantage, with some less charitable commentators describing the event as more bunny caught in the headlights than a rabbit out of the hat.

Key measures announced were as follows:

- Employee and Class 4 self-employed rates of National Insurance (NI) to be reduced by 2% from 6 April 2024, reducing the main rates of NI to 8% and 6% respectively. This is on top of the cuts announced in the Autumn Statement.
- The threshold for the clawback of child benefit is to be increased from £50k to £60k from the 2024/25 tax year, with the income band taper for withdrawal increased from £10k to £20k.
- Non-dom tax status to end from April 2025 meaning that non-doms will be taxed on their worldwide and not just UK income.
- An additional £5k "Brit ISA" to be introduced to encourage investment in UK listed companies.
- The top rate of Capital Gains Tax on residential property is to be cut from 28% to 24%.
- Compulsory VAT turnover registration threshold raised from £85k to £90k.
- Tax advantages currently enjoyed by furnished holiday lets to be withdrawn from April 2025. We have expanded on this in a separate article.

The cuts to NICs are clearly designed to reward "workers" rather than income taxpayers in general. The cuts also apply across the UK as NI rates are not devolved. Despite these cuts however the overall tax burden is still expected to increase due to the freezing of tax thresholds dragging individuals into higher tax bands through fiscal drag.

Changes planned to furnished holiday let tax regime

Many rural businesses have diversified into furnished holiday lets (FHLs) over recent years to take advantage of the buoyant FHL market and to sidestep the punitive tax and regulatory changes applied to normal residential lets.

Disappointingly, in yet another blow to Britain's hard working entrepreneurial classes it was announced in the Budget on 6th March that the tax advantages enjoyed by the FHL sector relative to other residential lets are to be withdrawn from 6 April 2025.

What this means at this stage is not entirely clear, but the main changes are likely to be as follows:

- **Tax relief on loan interest restricted to 20% rather than the individual's marginal tax rate.**
- **Less favourable Capital Gains Tax (CGT) treatment including withdrawal of the ability to obtain a 10% tax rate on the first £1m of lifetime gains through Business Asset Disposal Relief and the withdrawal of gift Holdover Relief, meaning that lifetime gifts of property down the generations would be subject to CGT. If this is the case, the ability to reinvest gains on sale into replacement property without incurring CGT through Rollover Relief would also be lost.**
- **The loss of ability to claim Capital Allowances on fixture and fitting etc. Instead, relief could only be claimed when the initial asset was replaced.**
- **Currently FHL profits count as "relevant earnings" for pension contributions. Pension contributions over £3,600 gross need to be matched by relevant earnings, potentially leading to a reduction in the ability to make significant pension contributions.**

The finer detail on these details is yet to emerge, but it may encourage FHL operators to exit the sector or, like some have already done in residential letting, move to an incorporated structure to avoid the worst of the tax changes.

Additionally, FHL operators in Scotland will soon have to contend with the Visitor Levy (Scotland) Bill which would give local authorities the power to impose a levy on overnight stays to help fund local infrastructure and services.

The Chancellor is clearly trying to encourage FHL operators to sell up in 2024/25 in the hope that holiday homes will become available for family occupation, alleviating the housing crisis. Building more affordable housing would perhaps be a more sustainable longer-term solution to this problem.

Breaking news. Dog bites man!

Provisional statistics released by the Scottish Government in December showed that, as would be expected, 2023 cereal yields were marginally down on the 2022 harvest (when we had excellent weather) but were in line with the 10-year average.

No news here you might think or as journalists would say, it is a dog bites man story (not news) as opposed to a man bites dog story (news). However, the real question that needs answering is why are yields in line with the 10-year average when we are repeatedly told that we are facing an "existential climate crisis". Perhaps disaster is just round the corner?

This disconnect between reality and the official narrative is one of the reasons behind the recent farmer protests across Europe, with farmers increasingly frustrated by green regulations supposedly aimed at tackling a problem they struggle to recognise.

Follow the link below for more details.

www.gov.scot/news/cereal-production-in-line-with-ten-year-average-despite-challenging-weather-conditions/

It's a money thing

As widely promoted within the press, Nationwide's acquisition of Virgin Money has certainly stirred controversy within the financial sector, sparking debates over market competition and consumer choice.

The £2.9 billion deal has raised concerns about reduced competition in the banking industry, potentially limiting options for consumers and small businesses. Critics may well argue that consolidation could lead to less competitive pricing and diminished innovation, as fewer players dominate the market.

As one would expect, there are fears of job losses and branch closures as Nationwide integrates Virgin Money's operations. Supporters of the merger highlight potential benefits such as increased efficiency, expanded product offerings, and enhanced digital banking capabilities. However, regulatory scrutiny looms over the deal, with authorities closely monitoring its impact on competition and consumer welfare.

In related news, NFU Scotland is bolstering support for its members with enhanced financial services.

The organisation's latest initiative is to offer tailored financial assistance, including loans and investment guidance, to its members across Scotland. With a focus on addressing the unique financial challenges facing farmers and agricultural businesses, NFU Scotland aims to provide accessible and flexible financing options to support growth and resilience in the sector.

We watch on with bated breath.

Rishi performs handbrake turn (in a crew cab pickup)!

The crew cab pickup has become a ubiquitous piece of kit on many of our farms. It was therefore slightly alarming in February this year when the government announced that that crew cab pickup trucks would be treated as a normal car for benefit in kind (BIK) rules rather than as a commercial vehicle. This would have caused a serious headache for our corporate farming clients since the farmer is effectively "an employee" of his company and would therefore be subject to a benefit in kind charge.

Currently, crew cab pickups are treated as commercial vehicles meaning that there is normally full VAT recovery on purchase costs and when there is only "incidental" private use no benefit in kind charge would arise.

If they were treated as normal cars then VAT recovery would be blocked, and fuel and vehicle BIK charges would apply to the driver.

BIK charges on a vehicle are based on the list price multiplied by a percentage determined by CO_2 emissions, with 37% being the top rate applicable.

Where fuel is also supplied the same percentage is used to calculate the fuel benefit based on a standard fuel value of £27,800 for the 2023/24 tax year.

Thus, for a pickup with a list price of £60k with fuel available the total BIK charge could be as high as £32,486 (£60,000 list price plus £27,800 fuel @ 37%) which would be assessed on the individual at marginal rates of income tax, most likely 42% for a Scottish taxpayer, resulting in a tax charge of £13,644.

The reaction to the proposal from sectors likely to be impacted by the change such as farming was very predictable; outrage!

Thankfully the proposals were dropped on 20 February 2024, a week after they were floated, the same day *Rishi Sunak addressed the NFU conference and told farmers "I have your back".* Coincidence perhaps?

The proposal would appear to be dead for now but with a change of government likely later this year it is entirely possible that this ill-conceived policy could be revived at some point.

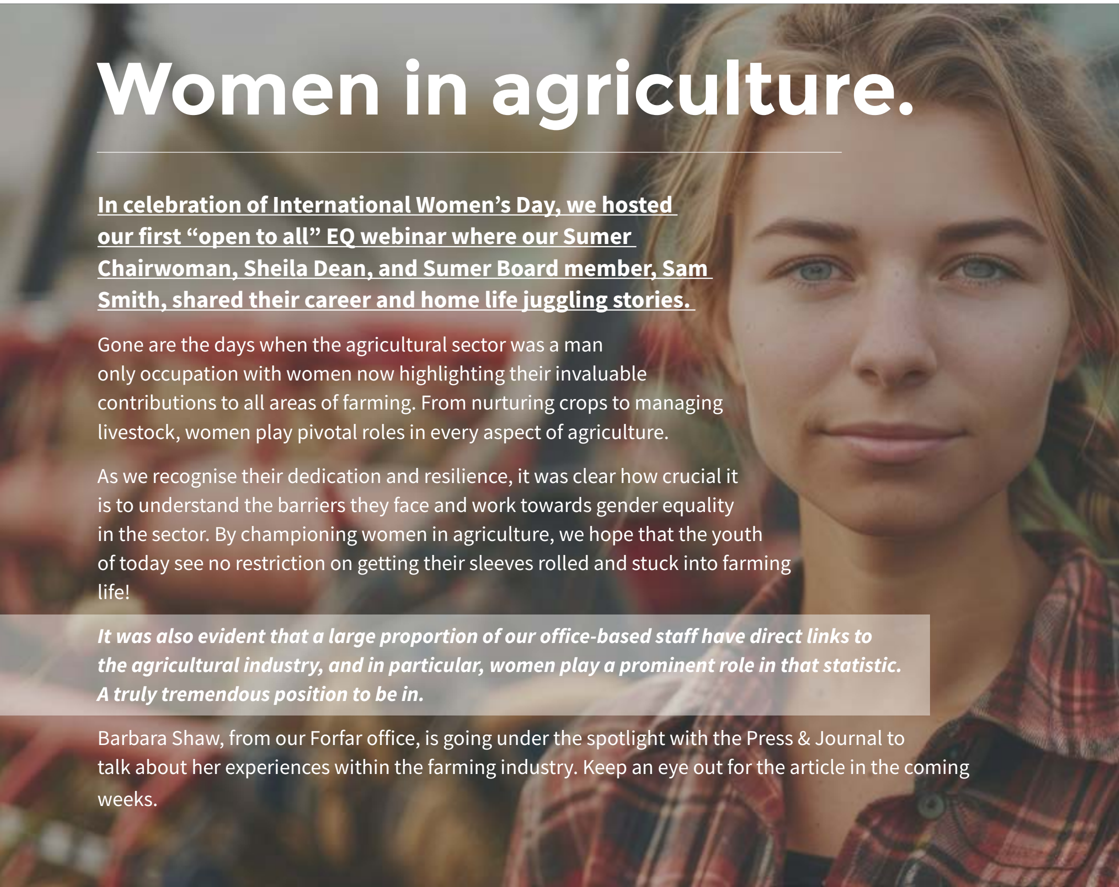
It's show time.

Spring typically sees the beginning of a busy year for our EQ Agriculture team. As well as meeting clients on farm to deal with their service requirements, we will also be out and about supporting various sector events over the course of the year.

If you are planning to attend any of the following shows, please look out for us:

Fife Show	18 MAY
Scotsheep	05 JUNE
Angus Show	08 JUNE
Royal Highland Show	20 - 24 JUNE
Scottish Game Fair	05 - 07 JULY
Arable Scotland	02 JULY
Kirriemuir Show	13 JULY
Perth Show	02 - 03 AUGUST
Turriff Show	04 - 05 AUGUST
Potatoes in Practice, Balruddery Farm	08 AUGUST
Future Farming Expo	DATE TBC
Agriscot, Ingliston	13 NOVEMBER

WE LOOK FORWARD TO SEEING YOU THERE.



Women in agriculture.

In celebration of International Women's Day, we hosted our first "open to all" EQ webinar where our Sumer Chairwoman, Sheila Dean, and Sumer Board member, Sam Smith, shared their career and home life juggling stories.

Gone are the days when the agricultural sector was a man only occupation with women now highlighting their invaluable contributions to all areas of farming. From nurturing crops to managing livestock, women play pivotal roles in every aspect of agriculture.

As we recognise their dedication and resilience, it was clear how crucial it is to understand the barriers they face and work towards gender equality in the sector. By championing women in agriculture, we hope that the youth of today see no restriction on getting their sleeves rolled and stuck into farming life!

It was also evident that a large proportion of our office-based staff have direct links to the agricultural industry, and in particular, women play a prominent role in that statistic. A truly tremendous position to be in.

Barbara Shaw, from our Forfar office, is going under the spotlight with the Press & Journal to talk about her experiences within the farming industry. Keep an eye out for the article in the coming weeks.

A Sumer update

2024 is poised to be an exciting year for EQ as we celebrate our 20th anniversary and kick off our next phase of growth. Securing investment to fuel our expansion was a significant milestone, one that will not only support our vision for growth, but also create opportunities for our clients, our team, and our firm.

Craig Nicol, CEO, said

"We're thrilled to partner with the Sumer Group. As part of the group, we gain enhanced access to skills, technology, and resources, bolstering our ability to build upon the great firm we've cultivated over the past two decades.

As the first Scottish representatives of the Sumer Group we are looking to become the accountancy firm of choice for growing businesses on the east coast of Scotland and beyond, and we will develop a people & culture strategy to be an employer of choice in our geographic areas."

Everyone at EQ is also looking forward to connecting with fellow agricultural specialists throughout the Sumer group. Given their extensive knowledge within the sector, we are sure to provide first class, quality advice, to all our farming clients.

You can find out more about Sumer by visiting their website: www.sumer.co.uk/

The Land Reform (Scotland) Bill

The Land Reform (Scotland) Bill was introduced to the Scottish Parliament on 14 March and looks to increase restrictions on the largest landholdings in Scotland.

The bill seeks to impose additional restrictions on larger landholdings, including:

- **Enabling Ministers to prohibit land sales of more than a 1,000 ha until the impact on the local community can be assessed, potentially requiring land to be lotted in smaller lots.**
- **Requirement for advance notice of certain sales.**
- **Legal responsibilities on the owners of the very largest landholdings to show how they use their land and how that contributes to key public policy requirements, such addressing climate change.**

In addition, the bill includes further measures to reform tenant farming.

For full details follow the link below:

www.gov.scot/news/land-reform-bill/

REGISTER OF PERSONS HOLDING A CONTROLLED INTEREST IN LAND

Readers are reminded that the deadline for complying with the Register of Persons Holding a Controlled Interest in Land is 1 April 2024. A link to the Scottish Government press release can be found below.

www.gov.scot/news/register-of-persons-holding-a-controlled-interest-in-land/

With taxes likely to rise in future years extracting money tax efficiently from your limited company now is vital.

When paying more tax is the right thing to do.

At EQ, we spend a great deal of time ensuring that our clients pay as little tax as legitimately possible. It might come as a surprise therefore that paying more tax in some circumstances can be the right thing to do. How so?

As readers will be aware, income tax is a devolved tax, with rates of Scottish income tax now devolved to Holyrood. UK rates and bands of income tax, however, still apply to dividend and interest income.

After allowing for the tax-free dividend allowance of £1,000 for 2023/24, basic rate tax on dividends amounts to 8.75% and applies to income levels up to £50,270 in contrast to general income in Scotland where 42% tax and more applies once income exceeds £43,662.

Clients who control their own limited company might therefore want to top up their income to £50,270 by issuing a dividend even though this will involve paying more tax.

A dividend taken at basic rate income tax of 8.75% is still likely to be the most tax efficient way of extracting value from a company. The next best alternative would be 10% capital gains tax which would only be available on either sale or liquidation of the company, not an option that everyone has or even wants to consider.

With taxes likely to rise in future years extracting money tax efficiently from your limited company now is vital.

Please speak to your exiting EQ contact for more information on tax efficient value extraction, dividends are only one route for achieving this.

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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