Agriculture

Specialist Agriculture Accountants

Newsletter
Summer 2016

www.hawsons.co.uk

Introduction

Welcome to our Summer 2016 agriculture newsletter.

With Brexit now confirmed no one really knows what's coming next or what it could all mean in the long term. Brexit has created an air of uncertainty for UK farming, particularly in terms of funding, regulation and access to the single market. In this newsletter, amongst other things, we therefore look at the opportunities and challenges that could follow a vote to leave the EU.

In this issue we look at:

- Brexit: possible implications for UK farming
- 4 succession planning tips for the family farm
- Farming diversification – a tax and accounting perspective
- Hawsons launch new exit planning service
- Beware auto enrolment fines – Swindon Town case
- £17m training fund for the Sheffield City Region
- National Minimum Wage to rise again in 2016

We hope you enjoy this edition of our newsletter and, as always, please get in touch if you would like any further information.

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Hawsons are specialist agriculture accountants

At Hawsons our dedicated team of specialist accountants and tax advisors offer a wealth of experience in the agriculture sector. We know that farming isn't just a business; it's a way of life. We act for a significant number of arable farms and assist families in many matters specific to the sector including tax and will and succession planning. We have been able to assist farming clients in adding value to their business including advising on the financial and taxation consequences of property development, green technologies and capital allowance planning. In particular, we can assist in the area of capital taxes planning, which is a significant issue for most farmers following the increase in land values and the availability of development opportunities.

For more information on our agricultural expertise, including the services we offer and our experience, please visit: **www.hawsons.co.uk/agriculture**

HLB International

INVESTORS IN PEOPLE

Brexit: possible implications for UK farming

Now Brexit is confirmed, many farmers may be thinking about how the UK's exit from the European Union may impact them. In the lead up to the EU referendum a Farmers Weekly survey found that 58% of farmers backed an EU exit – but what will happen now?

As for many UK businesses, with so many questions remaining unanswered, it is difficult to predict what may happen over the coming months and years. Sector funding, regulation, labour and access to the single market are likely to be the key affected areas. As well as looking at the potential challenges that Brexit could bring for UK farmers, we also look at how an exit from the European Union could bring about some positive changes for the farming community. It is important to stress, however, that many implications discussed in this short article will depend on the terms that the government is able to negotiate post-exit.

Funding

A large number of UK farmers have benefited from CAP support in recent years. Recent statistics show that, in 2015, UK farmers received almost £2.4bn in direct payments. In the short-term, there is and will continue to be an air of uncertainty about what – if anything – will replace CAP subsidies which many UK farmers receive. Many farmers will be rightly concerned about losing CAP support and the impact that will have on already declining farming incomes. In the long term, much will depend on the terms the UK is able to negotiate post-exit. In theory, as the UK is not tied down to any subsidies the EU budget, there should be scope for the UK government to at least match current CAP support. Whether this comes to pass remains to be seen – the government is of course facing many other demands (from nearly all UK sectors) on how its budget should be spent.

Regulation and red tape

Farming is one of many UK sectors that is affected by a range of EU legislation and, following an exit from the EU, many UK farmers will be hoping for a lot less red tape. A reduction or change in current EU agriculture policy could be of benefit to the sector, giving farmers more time and resources to do what they do best and increase the profitability of their farm. It is however unclear at this stage how regulation and red tape will be affected by the UK's decision to leave the EU; it may be that regulation continues in much the same way as before if the UK is able to obtain access to the single market; it may be that there is significant reform – only time will tell.

The EU has certainly had a significant influence on the UK tax system – but will it result in a complete overhaul of UK tax as we know it? Find out more in our Brexit tax implications article at www.hawsons.co.uk/brexit-tax-implications

Other potential implications

Leaving the EU should give the government the opportunity to shape much of the UK's agricultural policy and continue to raise the profile of British agriculture. UK farmers produce some of the highest quality food in the world, but are often undercut by competitors from the EU (and around the world) who can beat them on price. Once post-exit negotiations and any EU trading tariffs have been agreed, many UK farmers will be hoping for an upsurge in consumers looking for locally sourced, British produce – at a more competitive price. On the flip side, as the UK government looks further afield to strike trade deals, imports i.e. food and produce could actually become cheaper for UK consumers. But what would this mean for UK agriculture and farming? For example, the UK government could allow cheap imports of South American beef which would likely have a devastating impact on UK beef farmers.

Brexit will have far-reaching implications for individuals and business owners across the full spectrum of UK sectors. For agriculture in particular, the challenges and opportunities that are brought about by a vote to leave could be even more significant. Brexit will likely bring about changes for the UK farming sector, and these are likely to emerge over time. The real, practical implications will vary from business to business. Now is the time for calm reflection to assess the implications and the prospects ahead.

4 succession planning tips for the family farm

Have you thought about succession and the long-term plans for your family farm? Succession planning is all about working with your family and is an essential part of running your family farm – used to protect your assets, your business and your family.

This article follows on from the NFU Mutual 'Succession Sunday' which was held on 29 May 2016 to encourage members of farming families to get together start talking about succession planning and the long-term future of their farms.

As agriculture makes up the highest concentration of family businesses passed through the generations, it is no surprise that succession is a central management issue and is something farmers need to carefully consider. When thinking of passing on the business, succession only really succeeds optimally when it is prepared for. It is important succession planning is seen not necessarily about retirement but as a process of creating a long-term plan for the farming business, its goals and a plan of how to achieve them.

Succession planning, particularly in family farms, however, can be a difficult challenge involving multiple generations and a desire to avoid conflict, which is why we have published this article: 4 succession planning tips for the family farm.

Start the conversation early

In our experience it is never too early for families to start having discussions about succession. This isn't easy as it is a very emotive subject, but it is absolutely essential for all sides to get the ball rolling and start this difficult conversation.

This is the main reason for the recent campaign 'Succession Sunday' – to get farming families around the table and start planning to secure the future of the farming business. Insurance firm NFU Mutual, who coined the idea, found that only 40% of farmers currently have effective succession plans in place. Similarly, a recent Farmers Weekly survey of 61 young farmers found that 70% do not have a succession plan in place, citing fear of offending and embarrassment to parents as the main reason for non-discussion.

We strongly recommend you do not put it off. The older you become the more difficult and risky succession planning becomes.

Getting the tax right

While tax should perhaps not be the main driver for succession, there are some important tax considerations when thinking about succession planning for the family farm. These also have legal implications. In particular, the two key tax implications to consider are Inheritance Tax (IHT) and Capital Gains Tax (GCT). The tax aspects of succession planning can be complicated and, as tax laws continue to change, it is essential that you seek sound and proactive professional advice in this area.

Financial planning and protecting your family

Pensions and investments can play an important part in succession planning for the family farm. For example, will you have enough provision to support yourself after retirement? It is also extremely important to consider the impact of major life changes on the business. Birth, marriage, divorce or, in the worst scenario, death can all have a considerable effect on the family business, so it is essential to protect against potential damaging impacts as well as allowing for new opportunities. The need to have adequate financial security and protection in place cannot be overstated. Again, it is essential you seek professional advice in this area.

Seek professional advice

As you can see above, seeking professional advice is very important when succession planning for the family farm.

Involving your accountant (and solicitor) at an early stage in the succession planning process means they can work together to help you identify options as well as potential pitfalls - including tax - to avoid. As Hawsons have a team of dedicated agriculture accountants we are well-placed to work with your family, getting to understand your farming business and help you create an effective succession plan. Working closely with the experts from our in-house tax department and wealth management team, we can help you ensure that your succession plan is tax-efficient and takes into account all of your financial planning requirements.

If you are thinking about succession planning, please get in touch and book a free initial meeting with one of our experts.

Farming diversification – a tax and accounting perspective

Last year we looked at the potential tax pitfalls from farming diversification and, as income from traditional farming continues to fall, this article is a worthwhile reminder of some of the tax and accounting implications of diversifying.

Farming diversification, by definition, involves adding new business activities to traditional farming.

Nearly half of all UK farms use some form of diversified activity, whether that be the conversion of former buildings into a bed and breakfast to attract tourism, opening a shop to sell produce and other products or developments into renewables. Diversifying from traditional farming activities can be very important to a sustainable business model, particularly as most farming businesses have some form of significant resource e.g. land and management skills, making diversification a way for farmers to expand their offering and exploit an appropriate, complimentary niche market.

It must be strongly put, however, that farming diversification is not guaranteed to boost income and can be a detailed and complex process. From a tax and accounting perspective, it is very important that farming diversification is carefully thought-out and all tax implications, in particular, are taken into account. Diversification away from traditional farming activities can cause uncertainty and complicate existing business structures if professional advice is not taken.

In order to maintain the very tight margins farmers usually work within it is absolutely essential when diversifying that all of the main unique tax reliefs and rules available to businesses within the sector continue to be maximised. There is no blueprint to maximising tax reliefs during diversification, but there are some things that very often need to be considered.

Each situation needs to be considered in its own right, and it largely depends on four things:

- The type of diversification activity planned
- The scale of diversification activity planned
- The current type of farming activity
- The current scale of farming activity

Listed below are some of the potential tax pitfalls of farming diversification:

- Inheritance tax reliefs are put at risk
- Impacts on VAT
- Capital gains tax reliefs are put at risk
- Loss relief claims are not secured
- Potential loss of farmers' averaging

As you can see, there are a number of different tax reliefs that could be affected through farming diversification.

It is fair to say that diversification can be very rewarding for farmers and it is no surprise that nearly half of all farms up and down the UK take advantage, to bring in additional income and make better use of the farm's physical resources. In a time where many farmers are struggling and Total Income from Farming (TIFF) is decline, diversification away from traditional farming activities can provide some very exciting opportunities. However, as with most things, a warning must be given to those looking to diversify. It is absolutely vital to take professional advice as the tax implications can differ significantly to those that which many farmers will be used to.

For more information, please contact your local office specialist.

Hawsons launch new exit planning service

Hawsons are pleased to announce the launch of a new exit planning service. The service is aimed at owner managed businesses looking to realise the maximum value of their business as they exit the business in the next 5 years. It puts a structure to the advice and guidance that we have been providing to clients through our corporate finance function.

Pete Wilmer, Corporate Finance Partner at Hawsons, said: "Our expert exit planning service is designed for businesses of all types and sizes to help them ensure their business is ready for sale, at the best possible value."

"The advantage of our successful exit planning methodology is that it looks at the full spectrum of business functions – from processes, to marketing and intellectual property – to add real value to the business. Sometimes the true value of a business lies with an individual, rather than the business itself, and this is where we can work closely with business owners to set out a proactive plan to lower the risk for the prospective buyer and, in turn, increase the value of the business."

"Typically, selling a business is a once in a lifetime transaction – one shot to get it right – and, whilst the majority of business owners recognise that exit planning is an essential part of any business, it can be quite a daunting task. Our exit planning service is all about executing a plan over a period of time, looking at finances in advance and preparing the business for sale."

As part of our new exit planning service we are also launching a business attractiveness test. The test uses a series of tools to see if there are any areas that could improve the value of your business. Find more information and take the test at www.hawsons.co.uk/exit-planning

Beware auto enrolment fines – Swindon Town

On the back of The Pensions Regulator fining Swindon Town Football Company £22,900 after it failed to put eligible workers into a pension scheme, this article is a worthwhile reminder of auto enrolment fines. Regardless of the size of your business, non-compliance could mean an initial £400 fine, with the possibility of further escalating fines. Escalating auto enrolment fines are daily penalties that are imposed in addition to the initial £400 fixed penalty and could be as much as £50 per employee.

Example: Your business has 10 employees and you miss your staging date. Your auto enrolment fines could be:

- £400 fixed penalty
- £50 x 10 = £500 per day escalating fines

By delaying your staging date by just one week you could face auto enrolment fines of £3,500.

Free auto enrolment workshops

If your business does not satisfy the rules i.e. have a pension scheme in place, have a system to record the relevant information, or you miss your staging date, The Pensions Regulator will send you a statutory notice. In the last quarter of 2015 The Pensions Regulator issued more than 2,500 statutory notices to businesses, over 1,000 fixed penalty notices and 24 escalating penalties.

We recommend that you start talking to your pension adviser as soon as possible to build a timescale and agenda to make sure it all falls in to place. We would welcome the opportunity to work with you and your business and would like to invite you to attend one of our free, no-obligation auto enrolment workshops. We have been running these 2 hour long workshops across each of our three offices in Sheffield, Doncaster and Northampton for the last 12 months, with around 70 small business owners attending so far.

We have now added additional dates for August and September cross our three offices. We expect these sessions to be extremely popular and spaces are limited to 5 per workshop. We recommend you book your place early: www.hawsons.co.uk/workshops

£17m training fund for the Sheffield City Region

Do you know about the new Skills Bank for the Sheffield City Region? The Skills Bank is a government/LEP initiative aimed at workforce training and development in the Sheffield City Region. It is a £17m fund – new for 2016 – comprising of funding from the European Social Fund and Growth Funding.

What is the Skills Bank?

The Skills Bank is an exciting new service which invests in skills and expertise to drive business growth, and will run from Spring 2016 until March 2018 to help local businesses develop skills and grow.

The Skills Bank is a facility to help improve the skills base of the workforce in the Sheffield City Region, whilst also changing the way the skills system operates – placing the purchasing power for skills in the hands of employers. The £17m support will be used to either fully fund or partially fund the training and development needs of local employers.

The employer (i.e. you) may be eligible for funding, but will still likely be required to make a cash contribution towards the cost of training. The employer's cost of the training and development will depend upon the number of learners, the duration of course, the method of delivery and the course content.

The Skills Bank is an opportunity for employers in the Sheffield City Region, comprising of nine local authority areas: Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, North East Derbyshire, Rotherham and Sheffield.

What does the Skills Bank mean for employers?

The Skills Bank will support employers who have training and development needs in the Sheffield City Region.

The process of the Skills Bank works as follows:

- Identify what training and development you need to grow your business;
- You can do this by completing the "skills assessment" on the Skills Bank's website;
- Visit the Skills Bank's "online marketplace" to find the training courses that suit your needs;
- There are over 1200 courses already available;
- If you are unable to find a course for your needs, the Skills Bank will help you find a solution;
- The solution could mean a new course option becomes available, depending on demand;
- Consider how, where and when you want your training delivered;
- You will work with the Skills Bank to build a "skills deal" for your business;
- This will involve agreeing your Skills Bank funding, your own costs and your training provider;
- Complete your training and development with your training partner;
- Submit feedback and a review on the learning that has taken place.

This is an exciting opportunity for all employers in the local region, particularly for those who have very specialised training and development needs, which may not be cost-effective to provide in-house.

Can the Skills Bank support your business?

A new website has been launched for the Skills Bank in the Sheffield City Region. Please take the time to visit the website to understand how the Skills Bank can support your business and check whether you are eligible for a skills deal.

You can quickly complete the "eligibility checker" and register your business for training opportunities.

Find more information at www.sheffieldcityregionskillsbank.co.uk

Sheffield City Region SKILLS BANK

National Minimum Wage to rise again in 2016

The government announced increases to the National Minimum Wage, effective 1 October 2016, after accepting recommendations for the new rates from the Low Pay Commission (LPC). The main National Minimum Wage rate (for 21- 24 year olds) will rise by 3.7% from £6.70 to £6.95 per hour. This is an important issue for the agriculture sector and follows the recent introduction of the new National Living Wage, from April 2016, and a rise in the National Minimum Wage in October 2015.

The National Minimum Wage rates will increase from 1 October 2016 as follows:

	Current rate	Rate from 1 October 2016
21-24 year olds	£6.70	£6.95
18-20 year olds	£5.30	£5.55
16-17 year olds	£3.87	£4.00
Apprentice rate*	£3.30	£3.40

**This apprentice rate is for apprentices aged 16 to 18 and those aged 19 or over who are in their first year. All other apprentices are entitled to the National Minimum Wage for their age.*

A four-step checklist for employers following the announcement:

- Know the correct rate of pay (including the National Living Wage)
- Find out which staff are eligible which rates
- Update the company payroll in time for 1 October 2016
- Communicate the changes to staff as soon as possible

Moving forward – more compliance for employers

A government review has concluded that both the National Minimum Wage and the National Living Wage rates will increase from the same effective date come April 2017, rather than the usual October change for the National Minimum Wage.

This is a positive change, but does mean that the above rates will only be effective up until 31 March 2017.

Following the introduction of the new National Living Wage in April 2016, this will see be the fourth round of wage increases (in some form) in just two years. It is therefore unsurprising to see that many small (and indeed large) business owners are finding running their payroll an increasingly complex and time-consuming task. The compliance obligation on employers has never been greater and there has never been a better time to consider outsourcing your payroll.

If you are looking to outsource your payroll, please get in touch with your local office specialist. Alternatively, please visit our website at www.hawsons.co.uk/payroll where you can meet our payroll team and request a free initial payroll quote.

www.hawsons.co.uk

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Registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

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