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Agriculture Insight

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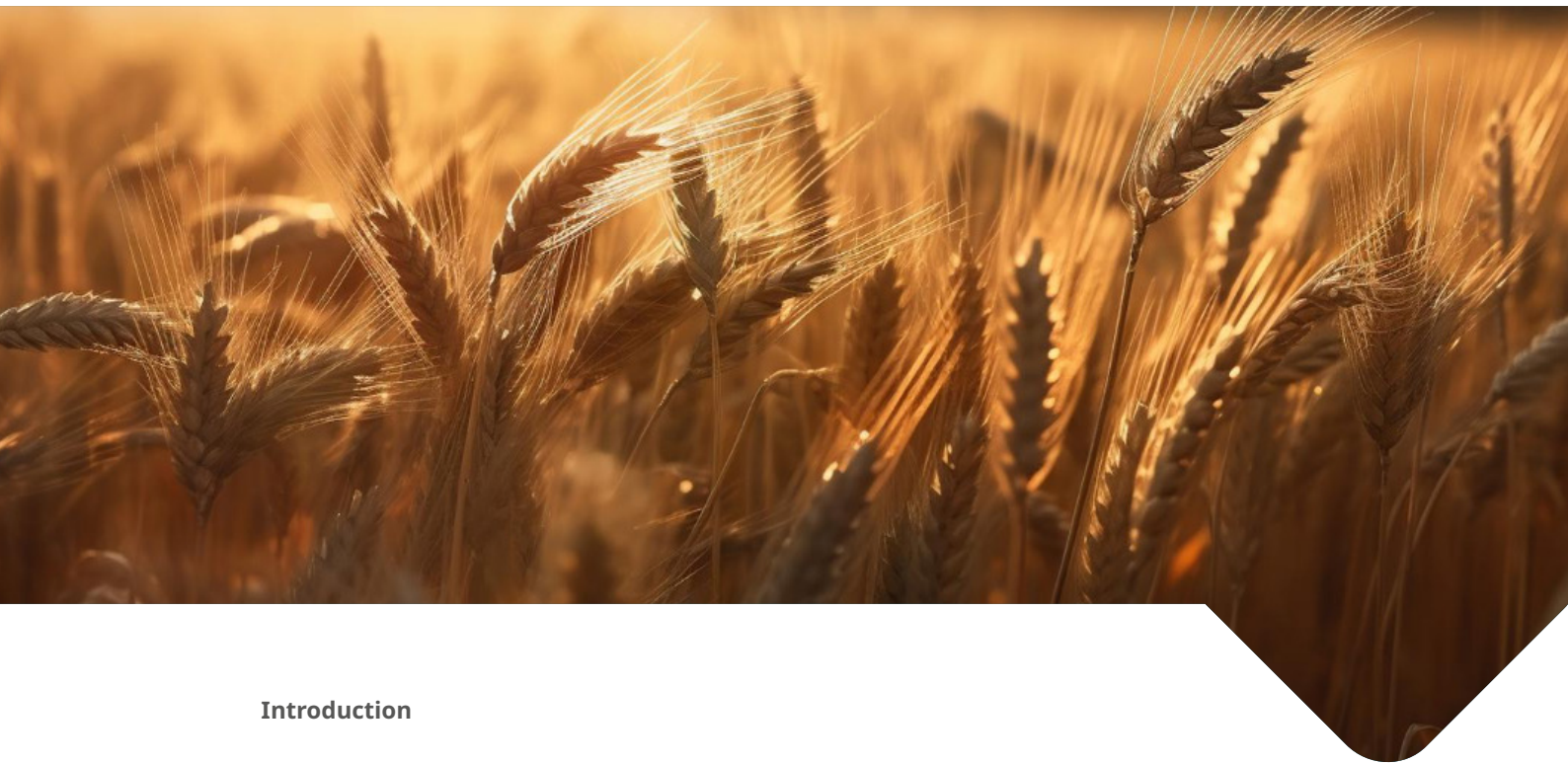


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Dan Wood Partner



Introduction

Welcome to our latest agriculture newsletter. The agriculture sector has faced a number of challenges during 2023 and with harvest fast approaching, the outlook still looks uncertain. Despite the challenges faced, there are a number of opportunities on the horizon.

In this edition of the newsletter we discuss the following:

- Defra to allow farm buyers to claim delinked payments
- Landscape Recovery Scheme to support sustainable food production
- New rules regarding Biodiversity Net Gains
- Tax incentives for capital investment

We hope you enjoy the contents of this newsletter and as ever if you have any questions please do not hesitate to get in touch.

Dan Wood
Partner



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Defra to allow farm buyers to claim delinked payments

Defra has published updated guidance regarding farms that have recently been sold.

New Defra guidance

From 2024 Basic Payment Scheme payments will be delinked which means that new farm owners will not need to apply for BPS, instead this will be calculated based on the farmers BPS receipts from 2020, 2021 and 2022 as these receipts can be transferred to the new owner.

However, eligibility requirements mean that the farmer will need to have claimed Basic Payment in 2023 on more than 5 hectares of land.

Previous guidance stated that when a farm had been transferred during or after the reference period and the seller failed to claim in 2023 the previous claim history would be lost. However, the new guidance states that all or part of the reference can be transferred to another business. Exceptions to this include if they have claimed the Lump Sum Exit Scheme if the receiving business made a valid BPS claim in 2023. This does not apply if the land was inherited.

Furthermore, Defra have confirmed that these changes may also be applicable to those that have changed the structure of their business since BPS 2022. For example, those that have merged or split businesses, or have incorporated, entered a partnership or have changed their Single Business Identifier (SBI). Details regarding this are not yet available but Defra has confirmed that there will be a transfer period in early 2024.

If you would like to find out more detail regarding this announcement please visit the government website [here](#).

If you have any questions regarding the contents of this article please do not hesitate to get in touch.



Landscape Recovery Scheme to support sustainable food production

Second round of the Landscape Recovery Scheme

The Department for Environment, Food and Rural Affairs (Defra) has announced a second round of the Landscape Recovery Scheme which was initially launched in 2022. Farmers and land managers can apply for a share of the £15m development fund. The second round of funding aims to increase sustainable food production, create new habitats and benefit protected sites. The funding process will be conducted by Natural England and the Environment Agency who will ultimately decide which projects receive funding. It is believed that up to 25 projects could be supported during the second round of the scheme.

Eligibility

If you are considering applying, it is worth noting that funding will be granted depending on the following criteria:

- Impact on the environment and society
- Value for money
- Scheme suitability
- Projects must be large scale (500-5000 hectares)

Furthermore, the scheme has added food production criteria to ensure projects that aim to create more sustainable food production will be taken into

consideration.

Land management schemes

The Landscape Recovery Scheme is just one of three new land management schemes that have recently been introduced, the other two schemes are the Countryside Stewardship and Sustainable Farming Incentive (SFI). These three schemes are designed to replace the EU's Common Agricultural Policy (CAP) post Brexit. These new land management schemes aim to support farmers through some of the most significant changes in legislation that the agriculture industry has seen in generations.

How to apply?

Defra has announced that details regarding applications and full legislation will be published in due course.



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New rules regarding Biodiversity Net Gains

New rules regarding biodiversity net gains have been announced by the Department for Environment, Farming and Rural Affairs (Defra). The main announcement is regarding a mandatory uplift of a 10% minimum biodiversity net gain (BNG). It is believed that this will be mandatory from November 2023 under the Town and Country Planning Act.

There are going to be some exemptions from this mandatory uplift including:

- Householder applications
- Small scale self-build
- Custom housebuilding
- Developments impacting habitats of an area below a threshold of 25m², or 5m for linear habitats.
- Biodiversity gains sites where habitats are being enhanced for wildlife.

What about smaller sites?

Furthermore, BNG requirements for smaller sites will not be mandatory until April 2024. This includes sites with less than 10 houses or 0.5 hectares.

Defra has also announced in their guidance that these rule changes provides an opportunity to combine BNG with nutrient neutrality mitigation.

Biodiversity gain plan

When putting together a planning application it is a requirement for applicants to include a biodiversity gain plan. It is believed that Defra will provide a template and further guidance on off-site offsetting in due course.

What does this mean for farmers?

Farmers should consider if they have any land which could be used as biodiversity net gain mitigation.

These new rules could present farmers with an opportunity to work with developers with as new policies look to incentivise farmers to work towards more environmentally focussed farming.

However, at this stage the process still looks complicated and more guidance for Defra is required to gain a better understanding. We would recommend seeking specialist advice if you are considering a Biodiversity gain plan.

Landlords advised to review tax affairs ahead of new database

Renters Reform Bill

As part of the new Renters Reform Bill the Government is planning to launch a new landlord database. This database has the potential to provide HMRC with large amounts of information regarding landlords which they will be able to identify landlords who have not properly declared rental income and gains.

When the new private rented sector database is introduced, landlords that want to rent out properties in the private sector will be required to register to the database. Although HMRC have not said they will use this data for compliance activities it is assumed that they will considering the database will be publicly accessible. Furthermore, they will be able to combine this data from the private rented sector database with data they already have. This will shine the light even brighter on those landlords that do not currently comply with tax rules.

Landlords should check taxes are in order

With the new Renters Reform Bill on the horizon we would certainly recommend that landlords who have any concerns should review their tax affairs and take steps to bring them up to date. Declaring any mistakes and correcting your tax position voluntarily will result in lower penalties compared to being identified by HMRC. For those that wish to voluntarily correct mistakes they can do so via the Let Property Campaign.

If you are a landlord and are unsure regarding your tax position with HMRC we would certainly recommend reviewing your position. If you are unsure speak to our tax advisors who will be able to assist you to check your tax position and guide you through the process of correcting your tax position voluntarily.



Tax incentives for capital investment

The introduction of the super deduction from April 1, 2021 was beneficial to capital intensive industries such as logistics in that it provided companies with a deduction from taxable profits equal to 130% of the cost of qualifying brand new plant and machinery (excluding cars). This gave an effective rate of tax relief of 24.7% based on the 19% rate of corporation tax that was in force.

However, the super deduction was a temporary measure and expired on March 31, 2023. In addition, the annual investment allowance (AIA) limit which provides 100% relief for qualifying expenditure was set to reduce from its temporary £1m limit to £200,000 on April 1, 2023.

Given the increase in the rate of corporation tax to 25% from April 1, 2023 many logistics businesses were rightly concerned about the impact of this increased rate on capital investment against the background of rising costs.

If the government was not going to take any action, this would have left logistics business with a capital allowances regime which was not providing adequate incentivisation.

However, the Spring Budget brought welcome news on this front as the government announced Full Expensing, a 100% First Year Allowance (FYA), which allows

companies to deduct the cost of qualifying plant and machinery from their profits straight away with no expenditure limit. Qualifying expenditure will include most plant and machinery, as long as it is unused and not second-hand, but will not include cars. Full expensing will be effective for acquisitions on or after April 1, 2023 but before April 1, 2026. The impact of full expensing is that companies will get tax relief at an effective rate of 25% in the year of purchase.

A 50% FYA for other plant and machinery including long-life assets and integral features (known as special rate assets) will operate along similar lines. Full expensing and the 50% FYA are only available for companies and not for unincorporated businesses.

In addition to this, the government have announced that the annual investment limit will remain at £1m and that this limit will be made permanent.

Given rising costs and pressure to invest in more efficient and environmentally friendly vehicles the introduction of full expensing and permanent introduction of the £1m AIA limit will hugely benefit the logistics sector.



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Our agriculture experts

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The rural and agriculture sector is a specialist sector, with unique practices and conventions. We act for a significant number of arable farms and assist farming families in many matters specific to agriculture and farming. This includes tax, will planning and succession planning.

We have been able to assist our farming clients to add value to their businesses. We have advised on the financial and tax consequences of property development, green technologies and capital allowance planning. In particular, we can assist in the area of capital taxes planning. This is a significant issue for farmers following the increase in land values and the availability of development opportunities.



Chris Hill
Senior Partner
0114 266 7141
cih@hawsons.co.uk

Sheffield Office
Pegasus House
463A Glossop Road
Sheffield, S10 2QD



David Cairns
Tax Partner
01604 645600
davidcairns@hawsons.co.uk

Northampton Office
Jubilee House
32 Duncan Close, Moulton Park
Northampton, NN3 6WL



Dan Wood
Partner
01302 367 262
dw@hawsons.co.uk

Doncaster Office
5 Sidings Court
White Rose Way
Doncaster, DN4 5NU



HLB UK is a member of HLB International. A world-wide network of independent accounting firms and business advisers.



Sheffield: Pegasus House | 463a Glossop Road | S10 2QD

Doncaster: 5 Sidings Court | White Rose Way | DN4 5NU

Northampton: Jubilee House | 32 Duncan Close | Moulton Park | NN36WL

www.hawsons.co.uk