

The challenges farmers face due to changes to Agricultural Property Relief



Agricultural Property Relief (APR) has traditionally provided vital support to farmers in the UK, helping to reduce the tax burden associated with transferring agricultural assets. However, recent proposed changes to these reliefs have raised concerns among

farmers who rely on these provisions to ensure the sustainability and viability of their operations. Understanding the implications of these changes is crucial for farmers navigating a rapidly evolving agricultural landscape.

One of the primary challenges posed by the adjustments to APR is the potential increase in tax liabilities during property transfers. In many cases, farmers may find themselves subjected to higher inheritance tax (IHT) when passing their farms down to the next generation.

Prior to these changes, APR offered a certain level of protection, allowing farmers to transfer land without worrying excessively about IHT penalties. With the tightening of eligibility criteria and limits on what qualifies for relief, many farmers could see a significant financial impact, threatening the endurance of family-run farms and leading to costly restructuring efforts.

Moreover, the recent suggested policy alterations will introduce a layer of complexity that requires farmers to engage in more careful planning and consultation. For many in the agricultural sector, the traditional expertise has been focused on crop yields and livestock management, not on navigating tax law or estate planning. As a result, there is an urgent need for farmers to invest in professional advice or tax planning services to avoid unintended consequences that could arise from these regulatory changes. This added expense can be daunting, especially for smaller farming operations already burdened by rising costs elsewhere.

Another challenge is the uncertainty that these changes bring. The agricultural sector often operates on thin

margins, and any additional unpredictability can hinder farmers' ability to invest in their businesses. The prospect of greater tax liabilities may lead to hesitancy in making essential investments in technology, equipment, or sustainability initiatives that are pivotal for remaining competitive in a challenging market. This caution could stifle growth and innovation at a time when modernisation is critical for meeting environmental goals and consumer demands.

Lastly, the changes in APR may disproportionately affect younger and aspiring farmers who are looking to enter the industry. The financial implications of increased tax liabilities can deter new entrants from taking over established farms or starting their own operations, effectively limiting opportunities for fresh thinking and innovation in agriculture.

In conclusion, while changes to Agricultural Property Relief aim to align the tax system with broader fiscal objectives, the unintended consequences on farmers underscore the necessity for ongoing dialogue between policymakers and agricultural communities. As farmers tackle these challenges, leveraging available resources for financial and estate planning will be paramount to ensuring the resilience and continuation of farming enterprises for generations to come. The agriculture sector's adaptation to these challenges will define its landscape for years ahead.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief is dependent on individual circumstances.

Effective succession planning is about helping to ensure your farm remains a thriving legacy for future generations. Early and transparent family discussions are essential for creating a lasting plan.

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