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Autumn 2022

THE INSIDE TRACK

Exploring efficiency and fragility in a changing world

With fuel prices at an all time high we look into VAT on electric cars

Biodiversity Net Gain – what is it?

THE INSIDE TRACK

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Welcome to our Autumn Newsletter

It remains a peculiar time, particularly after the turbulence of the recent “mini-budget” and pandemonium within Westminster. Over recent years we have started to adjust to life outside of the EU, commenced recovery from the pandemic, and now we have had a change in both the executive and symbolic branches of government. It will be interesting to observe how the dynamic develops between the new Prime Minister and the new Monarch. Will Rishi Sunak follow through on his campaign promises such as chairing a UK-wide food security summit annually, and reintroduce the role of the UK Rural Advocate to champion the challenges faced and opportunities available to rural communities across the UK?

With an already perplexing mix of issues to fathom, and now change in command at Defra, finding the courage to make decisions for the long term is not easy for those in leadership positions within agriculture. Following her return to the department, time will tell what Therese Coffey has in mind for policy during her tenure and the impact that will have on the years to come.

Whilst most farm gate prices continue to appear strong in a historical context, rising input prices continue to put pressure on the margins many have enjoyed over the last several months. The increased requirement for working capital with higher valued goods will need to be carefully managed as we head into the winter and the uncertainties that 2023 is likely to bring. With stronger trading performance in recent times, consideration should be given to tax liabilities and how the timing of payments will impact on cash flow.

With all that said, a period of challenge and change also provides opportunities for those seeking them out. There would seem to be an increased level of conversation in the industry regarding the future. I notice that for many it feels like a period for observing, to learn more before taking substantial decisions. For others, they are starting to take action, perhaps handing over control to the next generation, or selling out whilst values are strong and giving someone else the opportunity to expand.

The recent IAgrM conference titled “Agriculture’s defining decade: Balancing food and environmental security” encapsulates the current situation. It had an intriguing agenda in a number of key areas, from monetising natural capital to harnessing new technologies to drive productivity. It was great to attend the conference in person this year and listen to the thoughts of the many speakers.

We hope that you enjoy the selection of articles in this edition and hope that it helps prompt conversation around topical issues and emerging opportunities.

Dan Knight

THE MINI-BUDGET - WHERE ARE WE NOW?

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It has been a rather eventful few weeks for the government and the economy! At the time of writing, Rishi Sunak and Jeremy Hunt are at the helm, attempting to navigate the ship to calmer waters. The financial markets appear to be responding positively to the change in power, undoing some of the chaos caused by their predecessors, Liz Truss and Kwasi Kwarteng.

Before losing office, Kwarteng u-turned on the abolition of the 45% tax rate and then Hunt quickly reversed almost all of his other measures set out in the Mini-Budget.

Let’s consider the remaining measures and what they mean for you and your business in the short term:

Individuals

- Reversing the 1.25% increase in National Insurance Contributions (NIC) for employees, employers and the self employed from November 2022. This will save approximately £470 per year for an employee with earnings of £50,000.
- Increasing the Stamp Duty Land Tax (SDLT) nil-rate threshold for residential property to £250,000 immediately, creating a saving of up to £2,500. Greater savings are available for First Time Buyers where the nil-rate threshold has been increased to £425,000 and now properties with a value of up to £625,000 are eligible for relief. A First Time Buyer will now only incur SDLT of £3,750 on the purchase of a £500,000 property, delivering a saving of £6,250.

Businesses

- Reversing the 1.25% increase in National Insurance Contributions for Employers will reduce the cost of employing staff for many businesses. A business employing 3 staff on £30,000 each per year will save approximately £785 per year.
- Reinstating the planned increase in the Corporation Tax rate to 25% for companies with profits of £250,000 or more. Companies with profits at or below £50,000 will continue to suffer tax at 19%. There will be a taper rate on profits between £50,000 and £250,000, so that only businesses with profits of £250,000 or greater will be taxed at the full 25% rate. A company with profits of £100,000 could pay Corporation Tax of £22,750 under the proposals, up from £19,000 under the current regime.
- Permanently setting the Annual Investment Allowance (AIA) at £1m, meaning it will not drop to £200,000 from April 2023 as previously planned. A very welcome announcement, avoiding the headache of carefully timing machinery expenditure when the AIA limit changes and particularly beneficial for those farming businesses with a substantial annual machinery spend.

We now await the Autumn Statement, currently set for 17 November, where further tax changes could be made. Detailed plans of how government debt will be reduced and medium term growth plans for the economy are expected which will hopefully provide further reassurance to the financial markets and stabilise the aftershocks of what are now acknowledged as policy mistakes back in September.

EFFICIENCY AND FRAGILITY IN A CHANGING WORLD

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For several decades there has been a guiding principle in the business world along the lines of "one must constantly increase efficiency in order to remain successful".

Efficiency is an interesting term. Having consulted the dictionary it states efficiency is "the quality of doing something well with no waste of time or money" or "producing more with less". I think the reference to "waste" is doing a lot of work in the former definition. How does one establish if time or money has been wasted, over what period of time is that assessed? For example, how does one compare the value of the time taken to feed the calves to time taken to contribute to the PR of the dairy industry? In the short term it may be appealing to feed the calves and reduce labour costs in the pursuit of labour efficiency, but in the longer term it will be important to invest in the brand image of traditional dairy produce, to counter the growing cacophony of protesters to it and advocates of the expanding number of substitutes. So why do so few engage in these activities?

Being efficient does usually result in doing more with less, but is that always helpful? The use of email rather than letters is a useful case in point. Writing and replying to letters used to take a lot longer and cost far more than sending an email as we do now. It must be more efficient to send emails? It is noticeable, however, that we now receive far more emails than we would have received letters. We copy in each other in circumstances where we would not have sent a copy letter, getting involved in matters we may have once delegated. It has become so much more efficient to write an email that we get caught up for hours sending and reading lots of them…

There is a well known adage "there is no such thing as a free lunch", so what is the "cost" of efficiency, and having no "wastage"? Having given this a little thought, I think the answer to this is resilience. There is a fine balance between being efficient and having resilience. Revisiting the dictionary it states that resilience is "the ability to recover from or adjust easily to misfortune or change". In practical terms, having enough "slack" in the system to enable exploration to overcome the challenges that emerge.

I think the optimum balance between having efficiency and having resilience is being effective. With a final look in the dictionary it states that effective is "achieving the results that you want", which feels more complete than merely avoiding "waste" or producing more with less.

As knowledge develops and technologies evolve it can be hard to establish if more is actually being achieved, rather than merely perceived. Let's take a traditional dairy shorthorn as an example. It was once thought of as a wonderfully "effective" animal producing both milk and meat. Wonderfully effective until the market changed and you compare it's milk yield and daily live weight gain to those of purpose bred Holstein and Limousin cattle. With that in mind, we should perhaps reflect on the current view that land can be used for both producing food and conserving the environment – I wonder whether this will turn out to be like the dairy shorthorn once we are better able to understand the global systems that form the environment? Maybe we will need to more often separate these activities in order to be more effective at both?

So what is the significance of being effective and why the long run up in this article?

We coexist with nature within a myriad of overlapping complex systems, all of which have interdependent emerging properties and outcomes that are hard to understand, let alone predict. There is also much going on across the globe which is changing the world order, what we prioritise, and how we want/need to live our lives. This has an impact on all of us and all businesses, but perhaps more significantly for farming.

Democracies appear to be struggling to hold together the breadth of views now held within our communities. The Conservatives have been in power since 2010 but have had four leaders in that time due to infighting and lack of unity. There are similar challenges in the USA and a number of European countries. This makes for unstable, short term, and ineffective policy making, together with an increase in protectionism across national borders and a breakdown in the global supply chains that we have come to rely on. The events in Eastern Europe this year demonstrate the impact this can have on the systems we have come to take for granted, like the global food and global energy systems.

These things, together with climate change and evermore changeable weather patterns arising from decades of over consumption, result in significantly more volatility, and with more volatility there is a much greater need for resilience if a business is to remain effective. The relationship between efficiency and fragility is never more pronounced than in periods of significant uncertainty and volatility.

So a few questions to ponder. Do your procurement strategies take into account security of delivery, or focus on achieving the lowest price? Do you have sufficient infrastructure, individually or collectively with others, to carry the stocks you require at pertinent times of the year? Do you and your teams have enough time to think about and explore new ways of doing things, or is everyone too busy doing what has always been done? Who holds and owns the data that is being generated on the farm, and how might this be used in the future as technology and new markets develop? Are you more efficient at what was, than you are effective in what will be?

It is a defining time for agriculture, both here in the UK and worldwide. Although it can feel like there are more challenges to face with increasing uncertainty, for those courageous enough to try new things, there are as many opportunities emerging.

As Winston Churchill said during challenging times "The pessimist sees difficulty in every opportunity. The optimist sees opportunity in every difficulty".

MAKING TAX DIGITAL

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Making Tax Digital for VAT

Making Tax Digital (MTD) for VAT (Value Added Tax) is now compulsory for all VAT registered businesses as of 1 April 2022. Records will need to be kept digitally and a software used to submit VAT returns. If you have not yet registered for Making Tax Digital for VAT or set up on a software, please contact us as soon as possible.

Making Tax Digital for Income Tax (MTD for ITSA)

As of 6 April 2024, if as an individual you have trading or property income before expenses of more than £10,000 (either combined or generated on an individual business basis) you will be required to submit quarterly returns to HM Revenue and Customs via an MTD for ITSA compliant software. General partnerships (a partnership with individuals as partners) will not be required to join MTD for ITSA until April 2025. If your income from trading or property is less than £10,000 you will have the option to continue with the existing Self-Assessment system.

Any new businesses who exceed the £10,000 turnover threshold for the first time will be required to comply with MTD for ITSA from 6 April in year three, e.g. if your business first exceeds the turnover threshold in 2025/26, you are required to comply from 6 April 2027.

Under MTD for ITSA you will be required to make four quarterly submissions followed by an End of Period Statement (EOPS). Following the end of the tax year you will then have until 31 January to submit a final declaration for all your income which is equivalent to the Self-Assessment tax return. This may seem like a lot of submissions however compatible software will automate many of these submissions for you.

HM Revenue and Customs has been working with software providers to ensure that the software will be available to all businesses and many of the providers are already trialling their MTD for ITSA package to ensure that they will be compatible when the legislation changes in April 2024. It is expected that most of the software packages that are available to purchase now will be compliant so for many businesses already using a software. Owing to this, it is unlikely that you will have to change the software you are using.

For traders who are already VAT registered and compliant with Making Tax Digital for VAT it is unlikely you are going to be required to make any changes to your record keeping system for MTD for ITSA. However, traders or landlords who have income of more than £10,000 you will need to ensure that you are maintaining your records digitally and the start of the next tax year (April 2023) may be the best time to consider using a software to maintain your records so that you are prepared for the new MTD for ITSA legislation.

The quarterly submissions which you are required to make will follow the tax year (6 April to 5 April) rather than your accounting year end of the business. These quarterly submissions will not consider the year end adjustments which will be required, e.g. stock in hand and capital allowances. The quarters will be in line with the tax year and will be the following periods:

	Period	Filing Deadline of Quarterly Submission
Quarter 1	6 April - 5 July	5 August
Quarter 2	6 July - 5 October	5 November
Quarter 3	6 October - 5 January	5 February
Quarter 4	6 January - 5 April	5 May

Alternatively, you may make an election for a business in respect of a tax year, 'a calendar quarters election' which will allow a business to draw up quarterly updates to the end of the previous month. This will affect the quarter periods as follows:

	Period	Filing Deadline of Quarterly Submission
Quarter 1	1 April – 30 June	5 August
Quarter 2	1 July – 30 September	5 November
Quarter 3	1 October – 31 December	5 February
Quarter 4	1 January – 31 March	5 May

The End of Period Statement (EOPS) will include the adjustments that are required to your trading and property income, this statement will include any accounting adjustments and claim any reliefs. You will also be confirming that the information submitted is accurate and complete. The EOPS deadline for submission is the 31 January after the end of the tax year.

The final declaration replaces the Self-Assessment tax return and will also need to be submitted by 31 January after the end of the tax year. This final declaration will include any personal income such as dividends and interest and will also calculate the amount of tax which is payable. The tax which be due for payment by 31 January as it is with the current Self-Assessment system.

Abolishment of Basis Periods and Transitional Period

With the introduction of the MTD for ITSA legislation basis periods will be abolished and all income will be required to be reported on a tax year basis. If your business is currently not trading with a year end which is in line with the tax year (either 31 March or 5 April) you will be required to make apportionments to cover the tax year. Although businesses remain free to choose any period of account.

HM Revenue and Customs have announced a transition year in 2023/24 for those who are required to change their basis periods. In this transition period 2023/24 this basis period will consider of the 12 months from the end of the basis period in 2022/23 plus the transitional period from that point to 5 April 2024 less any overlap relief available.

A trader may make an election to assess the transitional period over five tax years to spread the potentially additional income tax payable on the transition. In each of the four tax years beginning with 2023/24, an amount equal to 20% of the amount of the transition profits is treated as arising and chargeable to income tax. In the fifth tax year, the balance of the transition profits is treated as arising and chargeable to income tax.

If the deduction of the overlap profits in the transition year creates a loss for the trader, then terminal trade loss relief apply as if you had permanently ceased to trade on 5 April 2024. Terminal loss relief allows losses to be set against trading profits of the current and earlier three tax years.

Making Tax Digital for Corporation Tax

Making Tax Digital for Corporation Tax is expected to be introduced in the future however it is not expected to be a requirement before 2026.

SUPER DEDUCTION

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For corporate businesses that are planning investment, a reminder that the Capital Allowance Super Deduction relief is only available until 31 March 2023. The relief enables companies investing in qualifying Plant & Machinery to claim 130% Capital allowances in the year of purchase. This means that for every £10,000 invested in qualifying assets a £13,000 deduction is allowable against the Companies taxable profits. This allowance is available in addition to the usual Annual Investment Allowance (AIA).

The relief only applies to assets purchased new, not second hand and will cover assets which would normally qualify for the Annual Investment Allowance such as Vans, Tractors, Equipment and Tools if the contract was entered into after 3 March 2021.

There is a requirement to keep a record of the date and details of any assets purchased on the basis that if any assets are disposed of which have claimed the Super Deduction before 31 March 2023, a balancing charge is generated to claw back the relief granted earlier. This will be between 1.0 and 1.3 times the actual disposal value depending on your accounting period dates. For disposals of assets after 31 March 2023 you are not required to apply any multiplier.

If you would like further clarification, then please contact us.

TRUST REGISTRATION SERVICE

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Many of our clients and other readers will be involved with trusts of some sort, many of which were required to register with HM Revenue and Customs' Trust Registration Service by the deadline of 1 September 2022.

Whilst there are penalties for non-compliance of up to £5,000 per matter, HM Revenue and Customs have indicated that they will adopt a 'light touch' approach to penalties for the first few months. This is particularly welcomed as there is significant uncertainty with regards to the circumstances in which land-owning partnerships need to comply with the Trust Registration Service. Whilst further guidance is expected from HM Revenue and Customs on this, if you have any concerns regarding your individual position, it would be sensible to speak with your accountant and/or solicitor as there are many factors to consider, particularly regarding land ownership and Partnership Agreements. We are of course happy to assist wherever we can.

NEW VALUATION DATE FOR ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

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Annual Tax on Enveloped Dwellings (ATED) is an annual tax payable mainly by companies, partnerships with at least one corporate member, and certain collective investment schemes owning a UK dwelling valued at more than £500,000.

There are several ATED reliefs available, however even if 100% relief is available and no tax is due, annual returns must still be made to claim the applicable relief.

Where relief does not apply, the amount of ATED payable is calculated based on the value of each dwelling. The rates from 1 April 2022 are as follows:

Value of dwelling	ATED due (before reliefs)
£500,001 - £1,000,000	£3,800
£1,000,001 - £2,000,000	£7,700
£2,000,001 - £5,000,000	£26,050
£5,000,001 - £10,000,000	£60,900
£10,000,001 - £20,000,000	£122,250
£20,000,001 and over	£244,750

Every five years there is a revaluation of the dwellings for ATED purposes. For the last five years, ATED has been considered by reference to the value of dwellings as at 1 April 2017. For ATED returns for the period commencing 1 April 2023, which are required to be submitted by 30 April 2023, **the valuation date has changed to 1 April 2022.**

For those that already submit ATED returns, having breached the valuation threshold at 1 April 2017 or on a subsequent property acquisition, and relief does not apply, it will be necessary to review the value of the relevant dwellings in case they have moved up an ATED band, as set out in the table.

In addition, for those companies, and partnerships with corporate members, with dwellings that have previously been below the valuation threshold, it is suggested that a valuation of the dwellings as at 1 April 2022 is obtained. Whilst there is no legislative requirement for a formal valuation, it would be sensible to obtain a formal valuation in the event it is scrutinized by HM Revenue and Customs.

HM Revenue and Customs offer a pre-return banding check where the value falls within 10% of an ATED threshold to allow the value to be agreed before an ATED return is submitted.

Where relief applies, a valuation does not need to be obtained, other than to confirm whether the value is over £500,000 such that an annual return needs to be submitted to claim the relief.

As always, it is important to take advice specific to your situation so please do speak with your advisor regarding any queries you may have.

VALUE ADDED TAX (VAT) ON ELECTRIC CARS

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With fuel prices at an all-time high, growing concerns of climate change and future sustainability, people are looking to alternatives such as electric vehicles. The Government are supporting this with providing several tax incentives for electric cars. Unfortunately, the VAT rules relating to electric cars are less so.

Purchase or lease of an electric car

The purchase or lease of an electric vehicle follows the same VAT rules as a petrol or diesel vehicle and will normally attract a 20% VAT charge.

Where a business buys a car that is available for private use NO input VAT can be reclaimed. A car is available for private use when there is nothing preventing you or your employee from using the car for private use. The fact you purchased the car for business purposes is not the only requirement and you need to make sure that the car is not made available to anyone else. Please remember that commuting between your home and workplace is classed as personal use and not business travel. We would therefore suggest that businesses have detailed evidence to show that a car is NOT available for private use if they wish to reclaim the input VAT where it is solely used for business purposes.

If you lease or hire a qualifying car for business purposes that has some private use, there is a 50% block. You can only recover 50% of the input VAT charged on the rental of the vehicle under the terms of the leasing agreement and subject to the normal rules.

HM Revenue and Customs accepts that if a vehicle is used for taxable business purposes, then the VAT charged for repairs and maintenance is recoverable input VAT as long as the business pays for the work. This applies irrespective of whether the vehicle is partially used for private motoring.

Charging electric vehicles

Sole proprietors or partners in a partnership business can recover the VAT incurred on the cost of the charging of an electric vehicle for business use whether the vehicle is charged at:

- At home - likely to be at the reduced rate of 5%
- At public charging premises - standard rate, currently 20%
- At work premises - standard rate, currently 20%

If the vehicle is used for both business and private use, you are only able to reclaim the VAT in respect of business mileage. HM Revenue and Customs will expect detailed mileage records to be kept.

If an employee charges an electric vehicle at either a public charging point or at work premises the employer may either:

- Recover all the input VAT incurred on the business of charging the vehicle and account for output VAT on the private use of that vehicle
- Only recover VAT on the business miles undertaken by the employee

subject to the normal rules. Again, the employer should keep detailed mileage records.

If the employee charges the vehicle at home, the employer is not entitled to recover the VAT as the supply is made to the employee and not the employer. This does not matter if it is a company vehicle or not.

HM Revenue and Customs' guidance does not specifically mention the VAT treatment of vehicles that are not available for private use such as electric commercial vehicles and genuine pool cars. It appears the normal input tax rules apply to the electricity used to charge these vehicles and therefore if the vehicle is charged at the company premises and is solely used for taxable business purposes, then input tax incurred is recoverable in full.

HM Revenue and Customs review

Currently, there is a large amount of record keeping required for recoverability of VAT on charging electric cars. HM Revenue and Customs are considering simplification measures to reduce the administrative burden and are reviewing the VAT recoverability on electric vehicle charging. The above guidance is therefore likely to be future changes when they update their policy.

If you have any queries about claiming VAT on an electric vehicle or are considering purchasing or leasing an electric vehicle for your business, please get in touch as the policy is subject to change and we will be happy to help.

BNG EASY AS ABC

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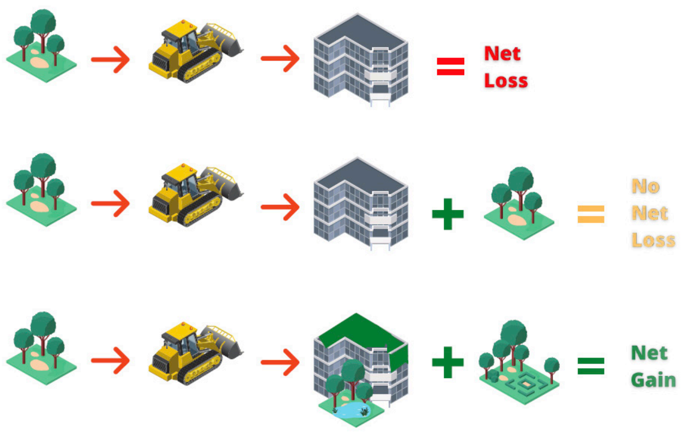
What is Biodiversity Net Gain (BNG)?

Development often results in impacts on, and losses of, nature. The Environment Act 2021 introduces the requirement for biodiversity net gain for developments in England. The Act is also echoed in the National Planning Policy Framework (NPPF) to leave biodiversity in a measurably better state than before the development took place.

Biodiversity net gain is in addition to existing habitat and species protections. Biodiversity net gain aims to create new habitats as well as enhancing existing habitats providing an uplift of at least 10% BNG compared to the baseline on commencement of the development.



Source: Natural England – Biodiversity Net Gain, An introduction to the benefits.

What is a BNG Unit?

BNG is measured using the Natural England and DEFRA Biodiversity Metric (now 3.1), this establishes a biodiversity value based on habitat features creating a BNG Unit by assigning each habitat on site a biodiversity unit value.

The Metric enables a comparison of the habitat found on a site before and after development. Four factors underpin this comparison: habitat size; condition; distinctiveness; and strategic significance (location).

Mechanisms for BNG Delivery

In order of preference:

1. On-Site units - delivered through habitat creation/ enhancement via landscaping/green infrastructure.
2. Off-site units - delivered through habitat creation/ enhancement including habitat banks, with public and private landowners.
3. Statutory Credits – delivered through large scale habitat projects delivering high value habitats which can also provide long term nature-based solutions (credits will be made available for purchase in future and are intended as last resort if 1 and 2 above are unachievable).

The Metric considers the distance of the off-site BNG from the development, the greater the distance from the development, the lower the deemed value of the habitat.

What is a Habitat Bank?

Habitat Banks are sites where habitat is created in advance of need and are secured and managed long term (habitat sites will be on a biodiversity gain register likely to be administered by Natural England). Habitat Banks offers developers the opportunity to purchase off-site BNG Units to be compliant with the Environment Act and NPPF.

Habitat Banks have also been of interest to investors wishing to create a portfolio of Habitat Banks.

The demand for BNG Units?

DEFRA, as part of their consultation on BNG, has published a market analysis that uses a working assumption that 50% of biodiversity net gain would be delivered off-site which creates an annual demand of 6,200 biodiversity units with an estimated value of £135,000,000 (National Average of £21,774/BNG Unit). This indicates the size of the potential habitat banking market.

Key points from a developer's perspective:

- Biodiversity net gain is mandatory as part of the Environment Bill.
- BNG applied to all development projects; residential, commercial and infrastructure, with very few exceptions.
- A Biodiversity Gain Plan will be required and need approving before the commencement of any development and will apply to new planning applications submitted after November 2023 (some local authorities are applying the rule now under the NPPF)
- It could be a challenge for developers to achieve on site mitigation with biodiversity often limited and impractical due to the value and limited space of development land.
- Potential challenge to developers being liable to monitor and report the onsite BNG Units for next 30 years – potentially even if site sold.
- Off-site BNG Units offer convenient and practical solution for developers to offset required credits and avoid timely delays in gaining planning consent.
- Habitat Banks could offer turnkey solutions to developers to deliver the required 10% gain in BNG Units and provide the ongoing monitoring, management and reporting in line within an agreed management plan.
- Initially, there could be a market shortage of BNG Units as the new legislations grabs hold.

Key points from a landowner's perspective:

- Opportunity to diversify supplying BNG Units
- Potential diversification of marginal land.
- Undertake a baseline assessment of their land using the Biodiversity Metric.
- Depending on agreements payments could be paid in a lump sum, once regulator certified BNG Units in place or there can be annual payments from an agreed plan which considers management activities, infrastructure maintenance, and some income forgone.
- Some farming activities may be able to continue – annual forage/hay crop at an agreed time or a period of agreed grazing as part of the habitat management.
- Contracted to provide the habitat management plan (annual maintenance).
- Landowner retains ownership of the land, with a conservation covenant registered with the land and failure to deliver BNG can result in enforcement action.
- In principle a minimum of a 30-year lease is required after the completion of the habitat enhancement works, this time frame could be required to be extended under the Environment Act.
- The landowner can form a Joint Venture with a relevant broker (investor in nature) who often facilitates the agreement with a developer or habitat bank. This releases the developer from BNG conditions and landowner from the creation, monitoring and reporting obligations.
- Fees associated with BNG site might include an ecological survey, an off-site biodiversity management plan, legal fees in terms of a lease and conservation covenant. After the cost of creation there will be the ongoing monitoring and reporting.
- Possibility of stacking income from the BNG site with other schemes for example selling carbon credits for CO2 sequestration, phosphate, or nitrogen credits.
- Possibility to create environments that have synergy with other diversification projects for example glamping, especially where owners with a long-term view may be willing to commit land as a BNG site in perpetuity.
- Beware of Environmental Impact Assessment legislation at the end of a 30-year agreement of land potentially wanting to be converted from a BNG offset site back to agricultural land.
- Some national housebuilders are securing or retaining land with no direct development potential to act as BNG offset sites.

Key points from an advisor's perspective:

- 30 years is a long time careful consideration needs to be taken on the impact of the remaining business. Consideration should be given for payments to be index linked to RPI.
- Consider effect on capital value of land in part and as a whole of the holding for example it could impact the value when providing security to lenders.
- Income Tax implications – varying contracts, wording and interpretation will determine whether the income is taxed in a single year or duration of contract; as income or capital; farming or non-farming; and trading income or rent.
- Capital Tax Implications – land occupied for agricultural purposes and used within the business will qualify for numerous Capital Gains Tax (CGT) and Inheritance Tax (IHT) reliefs.

If land is no longer occupied for the use of agriculture or within a trade certain advantageous capital tax reliefs could be lost. If a substantial proportion of land is leased this could affect the IHT reliefs on the remaining assets used with in a business and the farmhouse.

Woodland needs to be managed on a commercial basis to qualify for Business Property Relief (unless occupied with and ancillary to agricultural land, it qualifies for Agricultural Property Relief). If only for amenity or biodiversity use relief will not qualify.

Lastly, large cash sums in advance could give rise to substantial inheritance tax liabilities.

Conclusion

Nothing is ever quite as easy as one, two, three but with careful consideration of the opportunities within an embryonic market, a BNG site could sit in harmony as part of the business ecosystem.

As ever, appropriate planning and review of business structures may be required to minimise tax and facilitate succession of the business.

Finally, having drafted this article, the political and economic landscape has changed somewhat highlighting the importance to be ever aware of the external factors that could influence the above possibilities and opportunities.

Proceed with your eyes wide open and look for the positives and different opportunities in an ever changing landscape – it will not be for everyone!

OFFICE UPDATE

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Lots has been happening at Oake House in the last 6 months, both inside and out of the office.

Our green initiative has continued with the installation of LED lighting to replace the old fluorescent tubes. Not only has this provided a nicer working environment for the team, but the new fittings are significantly more energy efficient and longer lasting than those they replaced.

We have also recycled over 200 unwanted cardboard storage boxes recently, saving them from the tip by offering them to the local community via social media – they were all gone within a morning!

The weather has certainly provided an opportunity for the team to get out and make the most of where we live. Back in April we all enjoyed (well nearly all!), the challenge of the high ropes at Go Ape in Haldon Forest on a team building afternoon. Only Ellie, who was on maternity leave, got away with not giving at least part of the course a go. As we expected, coping strategies varied dramatically and ranged from the 'Tarzan' approach favoured by the bolder members of the team, to singing Twinkle Little Star on the particularly scary parts of the course – but hey, if it works don't knock it!!

In July we went for something more sedate and spent an evening at Beer Beach – altogether much more relaxing!

Our trainees have continued with their studies and we have several successes to report. Congratulations to Emma-May, Katie and Dani who have all qualified at AAT. All three now move on to further studies with Emma-May and Katie starting their ACCA and Dani ATT – good luck ladies!

We are pleased to welcome back Ellie from her maternity leave. Ellie will be working Monday to Wednesday until the Spring, when she will also be working on a Thursday.

And finally, the team was expanded with the addition of Izzy who has joined us as an Accounts Trainee. Izzy is a student at Harper Adams University and will be with us for her placement year. It is the first time we have offered an undergraduate placement and we are delighted to be able to showcase a career in accountancy.

Alice Dibble MAAT
Assistant Manager
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TEAM INSIGHT

Alice joined Evolution ABS in 2016 as a trainee and has since completed her AAT qualification. She is now an Assistant Manager who supports Callum with his portfolio of clients; including reviewing and assisting in the preparation of accounts and tax returns, liaising with clients and providing training both internally and externally on Xero accounting software.

Alice grew up on her parent's farm in Somerset where they rear beef cattle and produce thatching reed. Having grown up with a love for the countryside, Alice enjoys spending her free time outside exploring with her dogs Billie and Pip or venturing further afield to the coast where she can be found paddle boarding or swimming in the sea.

When not exploring, Alice is a keen foodie who enjoys trying out new eateries, or sticking with her own personal favourite - the Sunday roast at Grannies. She is also a frequent gym-goer, training at her local CrossFit gym, and has partaken in various competitions over the last few years with the hope to do more.

If you have any queries regarding any of our articles, or would like any further information, please do not hesitate to get in touch.

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