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Spring 2023

THE INSIDE TRACK

A farmers view on the future of farming

What is The Environmental Farmers Group?

Conflict and harnessing its potential for good

THE INSIDE TRACK

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Welcome to the Spring Newsletter

We are on the edge of a global recession, as governments grapple with striking workforces and the contrasting desire for increased productivity. The global disruptions are driven by the energy crisis, labour shortages and demand imbalance.

2023, the start of a new year and a new era of uncertainty. How we approach 2023 will define us and our businesses. With bank interest rates at four percent and Ag-inflation over 30 percent it is difficult to see how we will return to what was the familiar past.

So, the question we should be asking ourselves is "how do we adapt and perhaps even end up stronger and more resilient in 2023?" as what we were good at last year might not be sufficient this year!

Existing businesses will have to evaluate, understand, and react to see how best to adapt and if a business is entrepreneurial, we must be bold to give it a go! We do not always get it right and it is not always about how we fall but how we pick ourselves back up.

What we do know is the global population is growing at such a rate it is estimated we will have to increase food production by as much as 68 percent by 2050. Satisfying this demand in an already struggling planet, when you consider that food accounts for 26 percent of greenhouse gas emissions is going to be a challenge. We must all work together to maintain and restore our natural resources our businesses heavily rely on.

What innovations, collaborations will revolutionise our food system?

New farming methods: not just through mechanical process but transformation driven through digital tools and data. For example, through automation, including autonomous tractors and drones; and precision farming by developing monitoring systems to make farming more efficient. Other key methods to look out for; localised urban farming reducing food miles and vertical farming with hydroponics.

Finding new ways to create food: the meat sector, in addition to the financial challenges in 2022, has experienced devastation from bird flu and swine fever leading to no end of problems for producers. Whilst traditional meat sector is set to continue cost saving and striving to be more sustainable, the alternative proteins are looking to race ahead by offering the consumer what they want from plant-based meats – all the taste but none of the guilt.

Finance: in a world where demand for food is increasing, requiring an estimated £80 billion of annual investments, creates a large and growing opportunity for new entrants in the world of Agricultural Finance. The next Fintech Revolution will focus on areas such as farm payment methods with the digital wallet, pricing data and commodities trading with the use of digital tools, managing climate risk through insurance and e-commerce platforms for trading.

Agriculture is not necessarily perceived to be glamorous – but the above highlights it is exciting and consequential to our existence.

We hope you enjoy the selection of articles in this edition, to provoke thought and in some circumstances action around the topical issues and opportunities that 2023 has to offer.

Mark Seager

CHANGES TO TENANCY SUCCESSION

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My husband, Steve, and I (along with our two boys, although they are of little help at the moment, unless you want a two minute job to last 22!!) have recently taken on as the second generation of a National Trust AHA Tenancy. 200 acres of a beef, arable and sheep farm which have been worked and lived on by his family for over 100 years. The juggle is real, with the farm, work and two VERY active boys, but we wouldn't change it – we feel very fortunate to have the opportunity to do what Steve loves and is most passionate about, and what better place to raise two Tractor Ted mad boys.

We are very lucky to have taken on an Agricultural Holdings Act (AHA) tenancy, which feels like finding a mermaid's purse at the moment. Currently, a person wanting to succeed to an Agricultural Holdings AHA tenancy must be both eligible and suitable, for which there are several tests.

Eligibility - this first requires the successor to be a close relative of the retiring or deceased tenant, meaning that they must be a child, spouse or civil partner, or someone treated as a child of the tenant. To further prove eligibility, the applicant's only or main source of income during five of the past seven years must result from their agricultural work on the holding in question – this is known as the 'livelihood test'. No problems there – we have taken over the tenancy from Steve's dad, and Steve having worked on the farm full time since he was 18 (excluding two lambing seasons in New Zealand) has more than passed the five out of seven year test.

They must also not occupy a commercial unit of agricultural land, separately from the holding in question – the "commercial unit" test. A commercial unit is deemed so if it can sustainably employ two full-time agricultural workers.

Suitability – currently, to be suitable to succeed an AHA tenancy, you must be able to show that you have sufficient training and experience to take on the tenancy and run the farm, as well as suitable health and financial standing. Again, no problems there either (although you could argue whether anyone is healthy when they live with two children who bring all manner of bugs home from nursery).

However, from the 1 September 2024, the 'commercial test' will no longer apply. The test was deemed unfair, as it discriminated against potential successors who had gone out and been innovative, which is exactly what a potential landlord would want in a new tenant.

Unfortunately, what they've given with one hand, they've taken away with the other. The suitability test has been ramped up, with potential successors needing to demonstrate that if the tenancy was available on the open market, they are of a standard that a landlord would be willing to shortlist them for the tenancy.

Regardless of the changes next year, the Tenant Farmers Association (TFA) have noted that landlords and their agents are asking for more detail to satisfy the 'livelihood

test', so it is recommended that tenants and their families take the time now to ensure that everything is in place to put forward the best possible case.

It is also important to note that, for applications after 1 September 2024 where the former tenant died or retired before that date, the previous (current) rules apply.

So, for arguments sake, you have the opportunity to take on an AHA tenancy from a retired family member, you've been deemed eligible and suitable, and the paperwork has been signed – what else should you be considering?

- **Housing** - Who is going to live where? Often AHA tenancy agreements require the tenant to live in the farmhouse, or at least on the main holding. So, does the retired family member(s) have somewhere to live that suits their requirements and will provide security and happiness in their retirement?
- **Borrowings** - Does the business have any borrowings? Are you comfortable in taking on this debt and are you confident you will be able to keep up with the repayments.
- **Investment** - Consider what needs investment in the short term, and what can wait. It's very easy to think that you'll overhaul the farmhouse, or replace the perfectly reliable tractor with a brand spanking new one, but will either benefit you right now? Think about what the business really needs investment in and work from there.
- **Future Plans** - many businesses are having to diversify to find new and sustainable ways of generating income to support their family's needs. If this is something you are considering, first gain consent from your landlord, and thoroughly read your agreement to ensure that by diversifying, you wouldn't be in breach of your tenancy.
- **Advice** - for many young farmers, taking on the family business can be exciting but daunting. Do you have the right circle of advisors in place to point you in the right direction should you need it? There are many organisations who can provide useful advice and guidance on areas of concern, including the NFU, your accountant and organisations such as the Tenant Farmers Association.

There are, of course, many other considerations to think about when it comes to taking on a new tenancy, and each case is different. Take heed of the changes happening - September 2024 will be here before you know it.

FOOD FOR THOUGHT AHEAD OF THE TAX YEAR END AND BEYOND

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We have just all paid our taxes for the 2021-22 tax year with the new tax year-end the 5 April fast approaching. Now is a good time to stop and reflect on your tax position, to work out if you can make use of any tax planning opportunities, whether this is available to you, your family, or your business.

Firstly, you need to establish where your income streams are coming from. This could be a trade, property or extracting profits from your company or family trust. Where your total income may exceed £50,000 or even £150,000 it would be worth exploring making pension contributions to extend the basic rate and additional rate tax bands, saving tax. Do remember when you withdraw your pension income, it is taxed at your marginal tax rate.

Where you are a shareholder, dividends may present a tax-efficient means of extracting profits from the company. Dividends are taxed at lower rates than employment income and do not attract National Insurance Contributions (NICs) for the company or shareholder. However, dividends are not tax deductible for corporation tax purposes. If you are a shareholder director, excess profits may be paid out as a dividend, salary, or a bonus. Salaries and bonuses are taxed at your marginal rate of tax and will attract both employee and employer NICs. However, unlike dividends these will be deductible for corporation tax purposes.

Where you have an unincorporated trade, looking at prior salaries and the share of profits can remunerate family members appropriately.

I present various opportunities and reliefs available to be tax efficient below.

Income Tax

Unincorporated business profits are taxed on the individuals involved at their marginal rates. Farming businesses can potentially take advantage of Farmers Averaging, which is restricted to farming profits only, and spreads these profits over two or five years, with the intention of smoothing the peaks and troughs of tax payment cashflow, and in some cases even generating a refund. Farmers Averaging is not available for contract farming businesses; where profits prepared on a cash basis; or in the final year of trade, please discuss the income tax impact of any intentions to cease farming with your accountant.

Capital allowances can be claimed on expenditure on certain types of assets used in your business to reduce your taxable profits, so the timing of these can be useful and bringing forward any planned capital expenditure in years of high profits will be beneficial. It is worth noting that relief in the long run is only given on the reduction of the value of assets purchased, because, in the year they are sold the proceeds potentially increases taxable profits. See below a reminder of the capital allowance regime:

- The Annual Investment Allowance (AIA). 100% relief is given for the expenditure on most types of plant and machinery and many fixtures in buildings, there is a limit of £1 million per financial year.

- Writing Down Allowance (WDA). Any other expenditure eligible for capital allowances, for example the purchase of motor vehicles generally attracts an annual capital allowance of 18% or 6% (depending on the nature of the expenditure) on a reducing balance basis.

- First Year Allowance (FYA). 100% relief is given for qualifying 'special rate' assets acquired. This applies to electric cars and other energy efficient equipment.

- Structures & Buildings Allowance (SBA). 3% relief per annum is given for expenditure on new non-residential buildings (including new conversions and renovations).

Where income is expected to be between £125,140 and £150,000 in 2023/24, bringing income into 2022/23 could mean the difference between being taxed at 40% in 2023, rather than being taxed at 45% in 2023/24, discuss the possible ways, depending on individual circumstances, with your accountant.

For income received from a company it should also be noted, from 6 April 2022 the rates of income tax applicable to dividend income have increased by 1.25%. The dividend ordinary rate is 8.75%, the dividend upper rate 33.75% and the dividend additional rate and the dividend trust rate 39.35%. Coupled with the stepped reduction in the tax-free dividend allowance in 2022/23 of £2,000, 2023/24 a £1,000 and £500 in 2024/25 making future extraction of profits from a company by way of dividend less favourable. You may want to accelerate payments of dividends if there is scope to do so, last chance opportunity for director shareholders to take advantage of the current higher rate dividend allowance and additional rate threshold.

Everyone has a personal allowance (PA), now frozen, avoiding wasting the family/household PA takes on new importance. You may be eligible to make a transfer of what is called Marriage Allowance to your spouse, a tax saving up to £252; preserve your own PA, as over £100,000 adjusted net income your PA is clawed back and lost entirely when your adjusted net income reaches £125,140. How to sidestep this 60% tax trap? married couples may have the opportunity to redistribute income by transferring income producing assets, if in business with your spouse a review of profit sharing ratios or indeed increasing a spouses wages whom works in the business. Any action of this nature needs to be commercially justifiable and reflect the underlying running of the business. Prior discussion with your advisors is a necessity to make sure you are fully compliant with relevant legislation.

By managing your pension contributions (out of disposable income) could cut your tax bill. Well timed personal pension contributions can be made to increase the amount of income that is taxed at the basic and possibly additional rates, including, and depending on income and pension contribution levels mitigate being taxed at 60% tax as above. A tactical pension contribution can also avoid the claw back of Child Benefit for those earning between £50-60k income in conjunction with a review of the distribution, if discretionary, of income between you and your spouse.

Lastly, it is worth noting where donations are made to charities if you claim Gift Aid on the payments this can extend your basic rate band and tax more income at the basic rates.

Capital Gains Tax

Disposals of capital assets forms part of your Self-Assessment and is taxed alongside your income tax. The major change to the Capital Gains Tax regime from 6 April 2023 is the change to the Annual Exempt Amount. This is the amount of capital gains you can make tax free; this has reduced from £12,300 to £6,000. So, if you are thinking of disposing of any assets it would be beneficial to bring the disposals forward to before 5 April 2023 to make use of the additional allowances.

Where you are married it is possible to transfer assets between you and your spouse on a no gain/no loss basis to make best use of both of your tax free Annual Exempt amounts. Transferring assets may also be advantageous allowing access to the capital gain being taxed at a lower rate of tax at 10% if a spouse is a basic rate tax payer as opposed to 20% tax for a higher rate tax payer. Residential property gains are taxed at either 18% or 28% depending on your level of other income, so it is worth considering the timing of these disposals to make use of the lower rates where possible.

There are special rules for the sale of residential properties, if you are disposing of a residential property, you will need to report the disposal to HM Revenue and Customs and pay the tax within 60 days of the day of completion.

It is worth noting that Entrepreneurs Relief is now known as Business Asset Disposal Relief (BADR). Assets which qualify as business assets, and you meet the criteria for BADR can be taxed at 10% up to the £1 million allowance.

Corporation Tax

For UK companies, one of the biggest taxes to be planning for is the increase to corporation tax. From 1 April 2023, the Corporation Tax main rate will be increased to 25% for profits over £250,000. Companies with profits of £50,000 or less will continue to pay Corporation Tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate. If your company is looking to dispose of chargeable assets within the next few years, they should consider bringing forward the date of the disposals to before 1 April 2023 to benefit from the lower rate, if this works to the company's best advantage.

If you know your company is looking to have higher profits this year, coupled with the tax rate increase, now is a key time to plan any large business and capital expenditure to ensure that you are not only caught with increased profits but also the increased tax rate at the same time.

With the trend towards increased corporation tax rates, deferring expenditure and advancing income to accelerate tax payments may be more appropriate depending on circumstances as creating or increasing a loss may be preferred.

In addition to the capital allowances mentioned earlier in this article, companies can take advantage of the 'super-deduction'. This allows companies to claim 130% capital allowance relief on the acquisition of new plant and machinery. It is worth noting that new means first owner, so assets which are purchased and have been used by a previous owner do not qualify. However, it is important to note that plant and machinery is unused and not second-hand even if it has undergone some limited use for the purposes of testing, delivery, or demonstration and therefore, would qualify as new. This relief is only available until 31 March 2023 so timing purchases to take advantage of this will be key depending on your planned plant and machinery expenditure and forecasted profits to 1 April 2023 and the following year.

Use of current year losses needs careful consideration as there is opportunity to carry losses back to reclaim tax previously paid which is a cashflow advantage or losses can be carried forward, relief could potentially be obtained at a maximum of 26.5% (where profits fall into the marginal rate band) as opposed to 19%. The cashflow considerations of carrying forward the loss should be factored into your loss utilisation decision.

Inheritance Tax

There are many factors to consider when planning for inheritance tax, but annually to make the most of the following reliefs: -

- Gifts between spouses or civil partners are tax free

- Annual Exemption £3,000 of gifts to anyone

- £250 small gifts allowance to anyone who has not benefited from your Annual Exemption

- £5,000 marriage gift allowance for gifts to your children, £2,500 for grandchildren and £1,000 for anyone else

Inheritance tax planning needs to have much more consideration to take advantage of planning opportunities for minimising Inheritance tax on your estate, we are very happy to assist you with your needs.

VAT

Although not a planning point it is worth being aware of the new VAT penalty regime which applies to all businesses, even those in a repayment position.

For VAT accounting periods starting on or after 1 January 2023, late submission penalties apply if you submit your VAT Return late. This includes nil or repayment returns. The VAT default surcharge is being replaced by new penalties for returns that are submitted late and VAT which is paid late. The way interest is charged is also changing. For VAT accounting periods starting on or before 31 December 2022, the VAT default surcharge still applies.

To avoid late submission penalties, you must send a VAT Return by the deadline for your accounting period. Your accounting period is the period for which you need to send a return to HM Revenue and Customs, for example, quarterly. Late submission penalties work on a points-based system. For each return you submit late, you will receive a penalty point until you reach the penalty point threshold.

When you reach the threshold, you will receive a £200 penalty. You will also receive a further £200 penalty for each subsequent late submission while you are at the threshold.

Conclusion

Taking advantage of reviewing your tax affairs pre year-end 5 April 2023 gives the best scope for tax efficiency, however as the adage goes "do not let the tax tail wag the dog!"

Tax planning should not always be left in a mad rush at the end of the financial year but under constant review throughout.

A FARMERS VIEW ON THE FUTURE OF FARMING

James Yeatman
Dairy Farmer - Grange Farm, Dorset

I am lucky enough to be a tenant farmer in the heart of the beautiful Blackmore Vale, where my family have been dairy farmers for over 100 years. My Grandparents saw unbelievable change and adversity during their farming careers. At times, it does seem that the future with all its complexities and uncertainties is a daunting one, but the truth is we are living the life that others were once daunted by. If you take a pessimistic view of the future, it becomes a self-fulfilling prophecy. In the way that they saw change, no doubt there will be similar unfathomable changes in this century. I imagine some we will anticipate, and others will catch us unawares.

I think we should look forward to the challenge of what the future holds. The markets will continue to adjust to modern demand, for example the Climate Change Committee have said that people should be asked to eat 20% less meat and dairy produce by 2030, and 35% less by 2050. We must be prepared and responsive in order to best cope with this. One of the most important skills that we need to cultivate is diplomacy and the ability to communicate with the public who are, after all, our customers. We need to champion what we do. We spend a lot of time and money gathering data, such as locomotion scoring, carbon foot printing and medicine use, which is all incredibly important. This data helps improve on farm practices and efficiencies, but also allows for benchmarking and worldwide comparison. In the future I would like to see this data more widely shared with the public. Reinstating ponds, planting winter bird food, and making sure that all footpaths are clear is another way to show the consumer how much we care for the environment and our animals. There should be a QR code on the side of every milk bottle so that we can promote and refresh our story on a regular basis.

There are many positives in the dairy industry. We are beef farmers that also harvest milk, which is one of the most nutritionally balanced, complete foods on the planet: win, win! We are recycling large amounts of by-products from the human food chain such as brewers' grain, sugar beet pulp and rape meal to name a few. My cows have not eaten any soya for more than six years now which has dramatically improved my carbon footprint. If we manage our slurries well, farmed livestock has a very important part to play in creating and maintaining biodiversity. When I travelled to Brazil on a scholarship a few years ago, I witnessed that when a dairy unit was placed amid vast, inert monoculture soya fields, the bird, insects, and wildlife were drawn to it like a sponge. It dawned on me how important farmed livestock are in a diverse eco-system.

Emerging markets, in Asia for example, mean that we will need to be leaders in the export market to give us flexibility and opportunity. I believe we will achieve this by ensuring that we are ahead of the game on all fronts, rather than playing catch-up. These fronts will be air and water pollution control, carbon efficiency, animal welfare and medicine usage. I would urge every livestock farmer in the country to sign up to the online register of drug use, Medicine Hub, to help collate UK usage and make our position stronger. By doing this we can demonstrate to the consumer, both in the UK and abroad that we are responsibly using antibiotics. This will be essential to take best advantage of said markets. There are other countries in the world already upping their game: US farmers will shortly only be able to use prescribed antibiotics instead of off the shelf; New Zealand is aiming to be antibiotic-free by 2030, however I question the achievability of this from a welfare perspective. Historically, I told people we used antibiotics by the wheelbarrow load, which, when using dry-cow antibiotic therapy, was true. We adopted the attitude that if our system relied on antibiotics to work, then we needed to change the system. In collaboration with our vets, we have reduced our antibiotic usage by 80%. It is so important to be a pro-active participant rather than an observer when it comes to the moulding and shaping of our future.

Collaboration is vital to strive for improvements in the industry. In my head, collaboration requires symbiotic relationships, with like-minded, trusted people. On our farm traditional collaboration includes specialised arable farmers growing our maize; contractors helping with field work; other local farms taking surplus nutrients alongside vets, nutritionists and, of course, our accountants! It is so important that the advisors we chose truly understand and help us achieve our end goals, there is no room for weakness in any of the latter roles, we need to be challenged. We have many protocols that set out clear objectives for the lives of our animals and we make sure that we meet or can at least understand why we haven't quite met our objective. Perhaps we should be better at setting protocols for our own lives?

I think in the future we should see those who challenge us to be the ones who perhaps we need to learn to collaborate with. Some might think this is an odd, or even a risky approach. However, if we don't learn to accept and understand their concerns then why should we expect them to listen to our explanations, as to how we are adapting and improving what we do. We need to avoid the "Green washing tactics" that some industries employ. The way dairy farmers are perceived by some dairy critics upsets me and at times I believe we are used as an easy scape goat. We need to take ownership of some of the issues raised from the criticism. If we continue to do the same things that we are criticised for, we cannot expect to see an improved outcome. Often in disputes, whether they are large or small, two camps battle to win the fight to the detriment of the overall outcome. You can very much see this happening in the various debates surrounding agriculture now. There will always be differing views but, there needs to be joined up thinking, based on reputable science. The only solution is for good people to do the right thing, for the right reasons, at the right time.

Currently 40 % or 2.5 billion tonnes of food are wasted globally each year that's 32 lanes of articulated lorries nose to tail circumnavigating the globe each year. Before the cost-of-living crisis only 8% of household income in the UK was being spent on food. Is it time to consider a different model of paying more for our food and clearly we have to somehow waste less? The phrase "It's a way of life" is no longer a valid excuse for cheap food.

I believe there is opportunity in the industry to further explore how we can facilitate new entrants into agriculture. I am always enthused and encouraged by the excitement and passion of young apprentices and students that come to the farm. Currently the industry's model poses many barriers to entry. It is imperative that we collaborate with these young workers and young family members to enter the industry. If we are aiming for a sustainable future then we need to be more imaginative and explore new ways of making sure there is a viable solution to access the bottom rung of the farming ladder. This should help to overcome the renewal crisis in agriculture with an aging farmer population.

I think there is a secure future for dairy markets in the medium term and we need to capitalise on the short-term positive volatility to reduce business debts and to prepare for the challenges ahead. However, we should consider the possibility that technologies will undoubtedly improve and the capability of growing meat and milk without the animal is a very strong part of our future. Whilst people currently value the taste of traditionally produced animal products, tastes and preferences of future generations will adapt and evolve alongside the growing cultured meat and milk market. It cannot be disputed that the most efficient feed conversion ratios can be achieved by removing the animal from the equation. When the herd moves it moves, so we must continue to strive for improvements, allowing us to slow and positively direct this herd movement to our advantage. Therefore, the sensible approach is to farm for the here and now and ensure that we apply educated, as opposed to blind, optimism for the future.

James Yeatman

THE ENVIRONMENTAL FARMERS GROUP

Colin Smart
Environmental Farmers Group

The Environmental Farmers Group (EFG) has evolved from the very successful farm cluster groups which have been flourishing in the river Avon catchment area for over 10 years. A farmer's cooperative was formed in 2022. It currently has 86 members covering some 94,000 acres with a further 43 landowners and farmers having expressed interest in the EFG. The organisation is run by farmers for the benefit of its farming members. Today we have members from across central southern England encompassing the following river catchment areas, the Hampshire Avon, Test and Itchen, the Dorset Stour and the Frome and Piddle.

The following are the Environmental Farmers Groups guiding principles.

Vision

Farmers protecting and enhancing nature for the public good.

Mission

To harness scale and member cooperation to secure the best environmental results and financial returns for a wide range of natural capital goods and services.

Desired outcomes to include:

- Biodiversity and species recovery
- Clean water
- Net carbon zero farming by 2040

And alongside those key environmental outcomes to:

- Provide a fair financial return for the farmers delivering environmental goods and services
- Have baseline environmental data produced and owned by farmers
- Be a highly credible brand and trusted trading partner with an excellent public image

Benefits

The benefits for both Farmers and Organisations seeking trades share much in common and form the strength of EFG. Both sides match each other well in a transparent marketplace.

Why would you as a farmer or landowner think of joining EFG?

- It's your land – control and improve its environmental future on a large scale
- By working together at a large landscape scale, you can achieve ambitious environmental outcomes
- Use the power of a group to negotiate and improve environmental trades
- Create a single point of contact and a brand to market your environmental benefits
- Increase opportunities to make contact with trade-seekers
- Remove duplication of effort in understanding new trading markets
- Keep control of your existing E/HLS, CSS and future ELM schemes
- Facilitates larger scale thinking if desired
- Be kept informed and updated on this new and exciting business opportunity
- Control of shared income via an agreed model
- Advantages for the developer, local authority, business/commercial entity, finance house of dealing with EFG
- Deal with recognised counterparty
- Secure farmer-led environmental credentials
- Enjoy convenience of a single contact to discuss multiple trades
- Access your scale from the outset: individual farmer, Farmer Cluster or catchment
- Backed by science-led conservation charity Game & Wildlife Conservation Trust
- Recognise solid governance with transparent operating rules

The Environmental Farmers Group have now completed their first major Phosphate Mitigation deal and were able to increase the value of the trade very substantially for the member. We have many more enquires from developers, builders and councils for Phosphate and Nitrate Mitigation together with some requests for Biodiversity Net Gain Credits. The total value of the enquiry funnel is now worth some £17,000,000.

The farming industry has to become net carbon zero by 2040, the EFG is helping its members achieve this goal. We also see great potential in trading any carbon credits once the business has achieved net carbon zero. The Environmental Farmers Group board have spent a considerable amount of time interviewing a number of potential carbon trading partners. We believe that it is critical to work with the correct organisation in this very important but complex area of trading. We have taken advice from one the leading carbon scientists in the country to assist in this task. Finding a suitable partnership with a reputable trading partner is our next objective.

We believe that the cooperative approach is correct for Natural Capital Trading. It is an opportunity to work together and unlock the potential in your land.

If you would like more information regarding the Environmental Farmers Group, please visit our website at www.environmentalfarmersgroup.co.uk or call me Colin Smart on 07970789999

Colin Smart

RESEARCH AND DEVELOPMENT – A CHANGING ENVIRONMENT

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Businesses trading through limited companies can benefit from extra tax relief on expenditure through R & D tax credits. It is not available for partnerships or sole traders. To claim you must show that you are advancing science and technology or trying to overcome a technical uncertainty that could not easily be worked out by professionals. Where farming businesses are run though a limited company you may be able to claim for some of the new processes and investigations that you are doing as part of running an innovative and progressive business and it is certainly worth considering. Most claims are done by professional firms specialising in R & D claims as it is highly specialist.

The relief for small and medium sized companies given is changing from the 1st April 2023

	Rate of relief up to 1st April 2023	Rate of relief after 1st April 2023
If the relief claimed against your annual profits	130% of qualifying costs plus normal 100% deduction	86% of qualifying costs plus normal 100% deduction
If you are loss making and claim a tax credit	14.5% of qualifying costs	10% of qualifying costs

For planning and budgeting be aware of the reduced levels of relief from April if you are claiming.

HM Revenue and Customs are increasing their auditing on schemes as there has been abuse of the scheme. If you are making a claim make sure that you are happy that what you are claiming on falls within the criteria of the scheme and that the expenditure being claimed relates to the scheme. This is especially important if a someone else is making your claim for you as there are penalties for incorrect claims.

THE INEVITABILITY OF CONFLICT AND HARNESSING ITS POTENTIAL FOR GOOD

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I started helping farmers in an advisory capacity around 16 years ago, further to a number of years working on the farm. At first this was focused around crunching numbers and looking at tax analysis, but over time it has developed into offering an informed and objective sounding board to aid discussion and decision making.

The intertwining of geopolitics, ecological pressures, technology, and demographics are creating a real storm of uncertainty within agriculture. The need to adapt and change seems to be the only, and evermore important, constant. Alongside emerging ideas, possibilities, and opportunities, however, there are differing attitudes, dispositions, and reactions, which make for an interesting mix and challenging conversation.

I underwent training with the Chartered Institute of Arbitration last year to become an Accredited Mediator, to further my competence and confidence in the space that can emerge between business owners and family members as they navigate change. Two key points emerged from the teachings; firstly, conflict is inevitable, and secondly, if harnessed it can be a significant force for good.

Many people are instinctively conflict averse and avoid it at all costs. Others look to "win" a conflict, again at all costs. Few people look upon conflict as a useful tool to aid progress but approached in the right way it can yield significant benefits.

Better outcomes – the creative friction that arises from differing views and perspectives can be uncomfortable but is also the source of innovative ideas and effective risk mitigation. By exploring opposing opinions, one is forced to evaluate the pros and cons of each. Engaging in rigorous debate about how to overcome challenges therefore often leads to the best solutions.

Opportunities to learn and grow – by listening and taking on board feedback one gains experience and can become more informed and willing to try new things. With an open mind to a broader range of possibilities resilience is enhanced, as is the potential for success.

Improved relationships – working through a common struggle together helps people feel closer to one another and gain a better understanding of what is important to each of them. People also like to be heard, even if following discussion, the final decision is to go in a different direction.

Higher engagement – when members of the team, and family, can constructively disagree about issues that crop up and feel that they are able to contribute to and influence solutions, they are likely to be happier and more engaged. This can really help with retaining valued members of the team and increase the likelihood of identifying a willing and competent successor.

As noted above, many people are conflict averse, and you may find the above thoughts unnerving. For those looking for ways to approach difficult conversations there are a few key points that you may like to bear in mind.

Do not equate disagreement with unkindness – a common source of discomfort with conflict is the idea that one might upset the other party and there can be confusion around the differences of being clear and being unkind.

Whilst communication should always be thoughtful and restful, softening a message to the extent that it becomes unclear is neither helpful nor kind. Mixed messages and ineffective discussion are likely to lead to disagreements escalating into disputes in the longer term. To be clear is to be kind.

Focus on the big picture – when discussion heads towards disagreement it is easy to interpret some of the points raised as personal attacks. It is very helpful to take a step back and focus on the big picture, taking a moment to consider the intention behind the points being raised and the objective being sought. It can also be helpful to consider the fears that may be present in the other party, no doubt impacting on the delivery of their contribution.

Learn from a role model – it is likely that you know someone that appears able to be direct and clear about their thoughts and opinions to effect positive change. It can be helpful to pay attention to how they achieve what they do and emulate them. Better still, discuss with them their lessons and learn from their experience.

In summary, take the time to learn how to embrace different ideas, views, and opinions, as that is the space in which you are likely to find the successful path to the future.

In a world of increasing specialisms this is particularly important. Most farming businesses now include myriad collaborations between numerous parties as more and more business functions are "outsourced." This can range from working with contractors, professional advisors, and operating within a co-operative, through to share farming, contract farming, and other formal joint ventures.

All collaborations are based upon effective working relationships, which in turn are based on clear communication and the ability to harness the potential from opposing ideas, views, and perspectives.

Now is a great time to invest in conversation with those you work with, honing your communication skills, broadening your understanding of what is emerging, and identifying how to make the best of the opportunities that present themselves.

MAKING TAX DIGITAL UPDATE

Alice Chapple ACCA ACIPP
Manager
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It has recently been announced that the Government are delaying Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) until April 2026.

The thresholds for the criteria for individuals to comply with MTD for ITSA have also changed to £50,000 of annual turnover from self employment or property, an increase from the previous threshold of £10,000.

Following the first phase of MTD for ITSA in April 2026 there will be a second phase in April 2027 where the turnover threshold for individuals to comply will reduce from £50,000 to £30,000.

General Partnerships were previously required to comply from April 2025 however this has also been delayed with no new date announced yet.

This extension is welcomed as it will allow us and individuals more time to get prepared. The changes will also mean that fewer individuals will be required to comply as the turnover threshold has increased from the original £10,000.

We would however encourage for individuals who are not already using a digital software to start thinking about using digital record keeping, ensuring you are prepared for April 2026.

OFFICE UPDATE

Becky Derrick BA (Hons)
Office Manager
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It's been another busy Winter for us all at Oake House and we have lots of good news to share.

Just in time for a visit from Father Christmas, our Senior Tax Manager, Victoria and partner Glenn welcomed the latest addition to their family – a baby sister for their nearly two year old little boy. We are delighted to report that mother and baby are doing well.

Earlier in December we had our first 'proper' Christmas party in several years at Sandy Park in Exeter. The evening was a roaring success and much fun was had by all. The live band went down particularly well with the team - if anybody ever needs a tambourine player for an event then our Ethan is your man!

In other news, two of our trainees had a super start to the year. Chloe Bussell passed her final ACCA exam and smashed the Level 7 Professional Accountant Apprenticeship with Richard Huish College. Chloe passed each exam at the first attempt, whilst also juggling an increasingly demanding role internally here at Evolution, which is a significant achievement. There was also success for Hugh Harris who received great results in his final AAT Level 3 exam and has moved straight on to Level 4, also with Richard Huish College. Many congratulations to you both.

TEAM INSIGHT

Dawn Radford ACCA
Assistant Manager
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Having grown up on the family's robotic dairy farm near the outskirts of Tiverton, Dawn has always had an interest in agriculture, and wanted to pursue a career within the industry. Dawn studied a BTEC in Business Studies at college, finishing in 2015. Dawn then went onto work for a local accountancy firm with a focus in farming and joined Evolution ABS in 2018 and has since completed her ACCA studies qualifying in 2019. Dawn is now one of our Assistant Managers and specialises in accounts and tax return preparation. Dawn also overseas all internal training and compliance of confirmation statements for companies and LLP's.

Outside of the office Dawn is an active member of Withleigh Young Farmers Club (YFC) and has undertaken a number of roles, including secretary and treasurer. Dawn has recently finished her position as Group Chairman for Exe Valley. Dawn now holds a County role and is currently Competitions Chairman for Devon YFC. In Dawn's spare time she enjoys gardening in her greenhouse and helping out on the family farm.

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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