



**EVOLUTION**

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Chartered Certified Accountants

Winter 2021

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# THE INSIDE TRACK

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**National Food Strategy -  
Understanding the direction  
of UK agriculture and food**

**Business Asset Disposal  
Relief - How this should  
be considered in your  
succession plan**

**Making Tax Digital -  
Be prepared for the  
changes that are coming**





## THE INSIDE TRACK



**Margaret Scarrott FCCA BIAC**  
Director  
margaret.scarrott@evolutionabs.co.uk

### Welcome to our Winter Newsletter

As I write this, we are in the middle of a rather bizarre fuel “crisis”, which has seen panic buying, fuelled by the British media. It is amazing isn't it, the affect that the media has on the general public - if only they would start focusing their efforts on promoting British Farming!

After some relatively barmy weather over the Summer, and as the Winter months and COP26 approach us, climate change is becoming an increasingly hot topic, again. With this in mind, Mark has written an insightful article exploring the UK Net Zero 2050 initiative and the affects it can have on your business and we have had a look at the National Food Strategy.

Winter can be a tough time for the rural community, and over the past 18 months we have needed each other more than ever. Let's not forget the enormous sense of community that we have, and ensure that we keep checking in on each other, and helping one another out.

Don't forget that the tax return deadline is approaching, so if you haven't sent us your records yet then please do so we can prepare your tax return in good time before the 31st January deadline.

As always, we are here to help you if you need us.

Margaret

## BECOMING THE FARMER



**Dan Knight ACA CTA**  
Director  
dan.knight@evolutionabs.co.uk

I read English Pastoral by James Rebanks recently, which is an interesting and insightful account of how farming has changed over the decades. In one of the early chapters James reflects on his experiences as a child growing up on an upland farm and how his relationship with his father differed from his relationship with his grandfather.

I was taken by how important his grandfather's role was in nurturing James' interest in the farm, kindling a passion that would one day encourage James to continue farming. James explains how his grandfather had time to help him explore the treasures of the countryside and gain a holistic understanding of the farm, whereas his father was often preoccupied with getting the work done and wrestling the finances of a struggling business.

This prompted me to think about succession from the perspective of the successor and what goes in to developing the skills, confidence, and passion of those that are destined to take over as custodian.

Being the farmer is a very different role to being a farm worker. The Farmer is ultimately responsible for a complex mix of economic and ecological issues, with the landscape of both ever-changing and increasingly intertwined. It can seem a very daunting, and lonely role for those looking, or are expected, to assume responsibility. It therefore seems critical that a broad support network is established, with different sources of knowledge, experience, and viewpoints, to give guidance and learn from.

With the emergence of new technologies and regulatory pressures on the use of chemicals, medicines and water, together with “alternative food” production approaching thresholds which could achieve significant economies of scale, farming methods of the last 50 years are under increasing pressure to change and adapt.

Those succeeding farming businesses over the next decade are likely to face fundamental questions about future production methods and the use of land. Having a holistic understanding of how the economic and ecological issues interact with one another and gaining confidence in their ability to think through complex scenarios, will enable successors to confidently step up and navigate their path.

Encouragingly, there is evermore discussion and advice being sought regarding succession planning, although this is often focused on the issues faced by the incumbent generation, rather than the successor. How and when to transfer assets to the next generation and how to mitigate exposure to capital taxes are, of course, important factors to get right, but is sufficient time and effort being employed in developing and harnessing the skills, confidence and passion that will drive future success?

If you are currently leading the family business and are establishing your succession plans, how much time is spent passing on your holistic understanding of how the farm works? Where did your passion come from when you were young and was it ever stifled? Where is the source of passion for your successor and how is that different to yours? Are you inspiring them, or stifling them?

If you are destined to succeed the leadership of the business during the next decade, how much time are you focusing on “doing work” compared to developing the skills and understanding you will need to be successful in the future? Who do you talk with to explore new ideas and ways of thinking? What are your concerns and whose counsel do you seek to resolve them?

Now is a great time to engage in conversation with those you trust, to explore the opportunities that are emerging within the disruption of incumbent systems. Invest your time wisely and keep your passions alive.



# TAX UPDATE



**Alice Gay ACCA ACIPP  
Manager**

alice.gay@evolutionabs.co.uk

HM Revenue and Customs are working towards having a fully digital tax system that is 'Making Tax Digital' (MTD). The idea of MTD will be that it will simplify everyone's record keeping for their businesses and make it easier to maintain the information required to calculate tax payments.

## Making Tax Digital for VAT

MTD for VAT requires VAT registered businesses to keep records digitally and file their VAT returns using an MTD compatible software. VAT registered businesses with a taxable turnover of more than £85,000 are already required to follow MTD for VAT and maintain digital records. VAT registered businesses with a taxable turnover of less than £85,000 will be required to comply with MTD for VAT for their first VAT return starting on or after April 2022.

This will mean that you will be required to use a digital format of record keeping. There are several compatible software available and if these are regularly updated, they will be compatible with MTD and ready to use. For now, the option of using a bridging software is available which enables you to use Excel as a way of storing your data. A bridging software will create a digital link between the excel spreadsheet and HMRC which will enable you to make your VAT return submission. Currently HMRC have not stated bridging software will be phased out however it may be possible in the future, and everyone will be required to use a compatible software.

Once you are ready to go with the compatible software, you will need to sign up for Making Tax Digital for VAT with HMRC and this can be done via their website using the link below:

<https://www.gov.uk/vat-record-keeping/sign-up-for-making-tax-digital-for-vat>

If you require any assistance or guidance on choosing a suitable software for your business, training to use a software or registering for MTD for VAT then please do not hesitate to contact the office and we will be more than happy to help you.

## Making Tax Digital for Income Tax

Self employed businesses and landlords with annual business or property income above £10,000 will need to follow MTD rules for Income Tax from their next accounting period starting on or after 6 April 2023.

This will mean that you will be required to keep digital records of all your business and property income and expenditure, and you will be required to send updates

to HMRC every 3 months via your chosen compatible software. At the end of the accounting period, you will need to finalise your business income in a declaration, where you will be confirming that the quarterly updates that you have been submitting were correct. A final declaration will need to be submitted after the tax year end, which will enable you to finalise your year-end position and calculate your final tax liability for the year.

The list of compatible software is growing, and we would expect to receive more updates within the next 6 months on the exact data that will need to be submitted, how this will be submitted and the full list of software who are going to be compatible. We would expect that those software who have been compliant for MTD for VAT will also be compliant for MTD for Income Tax however this has not been confirmed yet.

## Making Tax Digital for Corporation Tax

The next stage will be MTD for Corporation Tax which is still in the consultation stage, but we are expecting this to be compulsory before 2026.

## Key Dates

- April 2022 all VAT registered business to be using a digital or bridging software to submit VAT returns
- April 2023 all businesses or property income business with income more than £10,000 to be ready for MTD.

## Changes to National Insurance

It has recently been announced that there will be a rise in National Insurance Contributions and Dividend tax over the next three years to generate additional income for the health and social care reform. We are expecting to see the new rules come into form from April 2022.

National Insurance Contributions for both the employed and self employed will temporarily rise by 1.25% from April 2022 and from April 2023 this increase will be replaced by a separate health and social care levy. All working adults, even those working above state pension age, will pay the new health and social care levy as part of their National Insurance contributions from April 2023. Only those below state pension age will be required to pay the increase in the next tax year (2022/23).

## Changes to Dividend Tax

Currently, basic rate taxpayers pay 7.5% tax on dividends over their dividend allowance of £2,000. From April 2022 this will increase to 8.75% and for higher and additional rate tax payers the rate will rise from 33.75% to 39.35%.

The tax rises are expected to generate £12bn additional revenue each year for the government.

# NATIONAL FOOD STRATEGY - BIG CHANGES TO COME?



**Margaret Scarrott FCCA BIAAC  
Director**

margaret.scarrott@evolutionabs.co.uk

The National Food Strategy was issued in July 2021. It is not legislation, but its recommendations will inform government strategy for both food and food production. It is expected that the government will issue a white paper at some stage in the near future.

The report makes fascinating reading, and you should all read the chapter on the Junk food cycle in Chapter 4 (did you know that increasing exercise will not increase your daily calorie burn) and Food and Climate in Chapter 7 where we should all know the relative warming effects of CO<sub>2</sub>, methane, and nitrous oxide to understand the thinking. The expected policies outcome of the strategies proposals is to transform the food system to one which is healthier for both the population and the planet. Many of the proposals will have a profound effect on the agriculture and food processing industry and we need to recognise where the opportunities are and where change is going to happen to be able to plan over the next few years. I have deliberately only summarised the key points and messages for Southwest rural businesses and encourage you to read the full document to fully understand what is likely to drive policy for your businesses going forward.

The document outlined the effect of poor diet on health in the UK and estimated that poor diet contributes to 64,000 deaths in the UK every year, shortens the average lifespan by nearly 2 years and costs £186 billion in additional costs to the NHS in dealing with obesity related conditions. Covid has also raised awareness of obesity and its impact on health and NHS costs and the need to reduce the strain on the NHS. However, the costs and death rates from obesity related conditions are much larger than Covid but have happened over time and so have somehow been accepted.

There were also big aims to make food production more environmentally sustainable and to increase land used for nature.

Fundamental principles behind the strategy were as follows: -

- **To create a long-term shift in food culture to healthier diets.**  
The key recommendations were to reduce salt and sugar intake, reduce meat consumption by 30% over 10 years and increase the intake of fruit and vegetables and reduce the intake of highly processed foods.

- **To produce food in a way that is environmentally sustainable.**

Here the report aimed to protect 30% of UK land for nature by 2030. 20% of English farmland is less favoured upland or lowland peat and their view was that this 20% was the least productive land and if it was taken out of production calories produced would only reduce by 3%. It recognised that the Fens would be an exception here with its vegetable production. They also suggested that there should be a target of net zero carbon for farming by 2030. The Climate Change Committee estimated in its work that 21% of agricultural land needs to change function to meet net zero commitments with changes in land use to nature, forestry, energy, peat or agro forestry envisaged as alternative usage as part of the solutions.

- **To use farmland more efficiently to grow food so that more land can be retained for nature.**

The report highlighted that the most productive land should be retained in food production in sustainable efficient production but there should be Research and Development (R&D) and good practice to improve productivity, efficiency, and environmental standards.

There were 11 key recommendations covering 4 key areas: -

## To escape the junk food cycle and protect the NHS.

1. Salt and sugar consumption both will be taxed on processors and caterers. The aim is to encourage users to reduce input of both and increase prices of high salt and sugar products to reduce consumption.

2. Very detailed food reporting for food business employing over 250 people to try to encourage good practices by improving transparency. They will have to report on high salt and sugar products, protein by type, fruit and vegetables, major nutrients fat/sugar/salt, food waste and total food and drink sales. This may not directly affect your business but reporting requirements are likely to

feed down from your customers.

3. Improving and raising the importance of food education at all levels for both staff and pupils to improve understanding of nutrition and improving cooking skills.

#### To reduce diet related inequality

4. There were 4 proposals to help improve the diet of low-income families and reduce diet related inequality. They propose to increase eligibility for free school meals and improved holiday activities and free meals for the same children. There are two further schemes to provide vouchers for fruit and vegetables for low-income families with pregnant mums and children under 5 and an eat well programme for all low-income families to provide free fruit and vegetables and healthy eating education.

#### To make best use of our land

5. They recommended that the £500-700m budget currently for BPS, be retained to fund land use change to encourage carbon removal and habitat restoration. This is to be focused on the less productive land and the aim is to provide a fair return for carbon capture and nature protection. The report stopped short of how this should be measured and carried out, so we need strong representations to sort out the mechanisms to measure the outcomes that they are seeking to achieve. There are challenging targets set out for the funding to achieve: -

- o 410,000 ha of new woodland – this should be broadleaved woodland and not conifer woodland and should be heavily subsidised as

the commercial returns are less

- o 325,000 ha of restored upland peat
- o 200,000 ha of other land managed for nature with decisions taken locally as to what is appropriate for the land/area/requirements.

6. Defra should produce a rural land use framework which plans for the 3 components of land. These will be semi natural land, low yield land and high yield land (this will include housing and economic land). The aim here is to focus on the land to be repurposed and aid planning. There are some very interesting maps on page 235 and 236 of the report on the land use in the UK now. You should all know how your land is viewed to be able to review your options going forward.

7. They recognised the need to sort international trade standards to protect welfare and the environment and to put UK food on a level playing field in trade.

#### To create a long-term shift in our food culture

8. Proposal 11 deals with funding innovation into a better food system to make diets healthier and food production more sustainable. This section of the research is fascinating and, at first sight, terrifying for the farming industry. There are however opportunities here for all and the aim of the policy is to release land into nature and keep the research and development technology and output in the UK economy. The proposal suggests funding of £1 billion to fund various projects.

Firstly R & D into farmer led agricultural innovation into both high tech and traditional methods that

can reduce carbon and specifically methane reducing technologies. They also highlighted the need for investment into the fruit and veg sector to boost productivity.

Secondly, to fund a commercial cluster of skills and infrastructure to develop alternative proteins. This would also be supported by grants for start-ups to develop ideas. This is a fast-developing area which could produce cheaper proteins and have significant environmental benefits. They thought it could ultimately create 10,000 manufacturing jobs and 6,500 jobs in agriculture to produce protein crops and other inputs. Meat and dairy provide a third of our calories and use 85% of our land to produce. Their research showed that plant-based proteins produce on average 70 times less greenhouse gas emissions and use 150 times less land – difficult to argue if climate change is the stated priority. Here they are seeking to look at plant and insect-based proteins as well as developing existing technologies in precision fermentation. This uses yeasts to produce proteins as a by product of fermentation and is already used to produce rennet and insulin. The policy here was not to completely remove meat as a protein source but to add alternatives to the system to release land for other uses as part of a comprehensive review of the system to produce a balanced food system.

9. The report recognised the need to have the right data to monitor the system and measure the non-financial aspects of progress in the environment and health. There is therefore a recommendation to set up the system to record and store the data to measure progress.

10. Government procurement should be focussed on food that is both healthy and sustainable. They recognise here that much of the purchasing decisions in the past had been made purely on price and that to drive the market and behaviours, the government needed a dynamic purchasing system based on both quality and cost. This could be a huge opportunity for UK agriculture.

11. Lastly there needed to be clear targets and strategy for diet related health and carbon reduction to drive results

#### So, what does this mean for you .... and this is only my view

- The environmental issues are here to stay, and we must all develop our businesses to be able to farm more sustainably and have the knowledge to do so commercially over time. For some, food production could become a side-line business to an environmental land use business. This could open other diversification options as well. The markets and recording systems have yet to be fully developed but you need to keep pace and be ready to act when they are.
- There will still be opportunities to produce good food and have a good market for that long term. What foods that is, will be dictated by the market and policy will try to drive that to reduced meat consumption and reduced ultra-processed foods. There will also be opportunities to produce inputs for protein alternatives yet to be developed – how will the industry stay abreast of those developments to recognise these? Some collaboration will have to evolve here.



# THE BIGGEST DISRUPTOR TO THE UK AGRICULTURE - “THE ENVIRONMENT”



**Mark Seager FCCA Consultant**

mark.seager@evolutionabs.co.uk

UK Net Zero 2050 is the adopted target for all greenhouse gases in all sectors – can this be achieved in Agriculture? Combined with Natural England beating the drum for Agriculture to clean up its act with the responsible use of nitrogen and phosphates, the resounding call for farming businesses to take more action is loud and clear.

UK farming has the capacity and resources to respond effectively to this idealism, however, current adaptation action has failed to keep pace with the worsening reality of climate risk and water quality.

We all know that to act now will be cheaper than to deal with the consequences in the future – Agriculture is in a great position to lead the action.

## Risk

The greatest direct climate change-related threats for the UK Agriculture are large increases in flood risk and exposure to high temperatures and heatwaves, shortages in water, substantial risks to UK wildlife and natural ecosystems, risks to domestic and international food production and trade, and from new and emerging pests and diseases.

Extreme weather patterns will contribute to disrupted production and supply chain problems, influencing market trade and more volatile domestic prices. Changes in rainfall will cause practical issues on how to manage wetter winters, more compact soils, and soil erosion. On the flip side, production could be constrained due to the limited availability of water in the growing season.

The potential to release 1,000's Ha of agricultural land	How a % of released land could be used		Utilisation Rate over 30 yrs to 2050
	'000 Ha	'000 Ha	'000 Ha/Yr
Healthier diets	2,723	Additional Settlements	34
Increased grazing productivity	1,114	Forestry	30
Increased crop productivity	1,068	Restored Peatland	24
Food waste reduction	377	Bioenergy (Miscanthus and SRC)	23
Indoor horticulture	16	Agroforestry & Hedges	13
<b>Total Land Released/Used by 2050</b>	<b>5,298</b>		<b>3,764</b>
<b>Proportion of 2016 Agricultural Land</b>	<b>31%</b>		<b>22%</b>

## Change

How does UK Agriculture take action? The Committee on Climate Change (CCC) UK Net Zero 2050 ambition for agriculture and land use expects UK Agriculture to reduce its CO2 emissions of 45.6 MtCO2e (9% of total UK GHG emissions) by 19.3 MtCO2e a change of approximately 42% by 2050.

How might this be achieved? The CCC see the following pathways of mitigation:

- Measures which reduce agricultural emissions (from ruminants, soils and energy use)
  - Directly – methane inhibitors in cattle feed and better soil management
  - Productivity – breeding (genomics), nutrient utilisation efficiency (slurry acidification) and health of livestock and soil.
  - Reduce consumption and waste – including 20% reduction in consumption of red meat and dairy
- Release arable and grassland from agriculture
  - Afforestation
  - Agroforestry, woodland management hedgerows
  - Perennial bioenergy crops
  - Peat restoration in uplands and lowlands

You will be able to see the effect of, in the table below, the above measures on how land will be released under the CCC medium ambition measures and how it may be reused to mitigate climate change and improve water and air quality:

## Attitudes and Policy

To induce change we need to establish the priorities between climate, water and air quality. Most of the above land use changes will tackle all three issues. We are certainly seeing locally targeted nutrient neutrality issues come to the fore with Natural England responding to rising nitrate levels in the Poole Harbour catchment and rising phosphate levels on Somerset Levels and the River Camel catchment to name a few. When will all land be in some constraining measure for nitrates (NVZ's) and phosphates (possible PVZ's?), is it a case of when not if?

These local issues are not only hampering residential developments but agricultural developments too. Agriculture is under the microscope as one of the major contributors to the rising nutrient levels, but we can also change our ways and go beyond to be part of the solution. The fear is UK agriculture allows the solution to become part of what we do, supplying commodities, rather than receiving a fair value for the additional services and natural capital we are going to provide the public, in addition to producing a high standard of food at a low cost.

For UK Agriculture to adopt change there must be clear goals and progress indicators, natural capital, and carbon accounts, which will allow monitoring, reporting and verification to give credibility to the actions UK Agriculture is taking and to be able to place a value on the environmental services provided.

Governance across all Devolved Administrations of the UK will be key for coordinating at the top level with facilitation from the devolved Administrations from the bottom up.

To encourage the pathways to mitigation of climate change UK agriculture must understand the motivations and barriers; engage landowners; the interference of government intervention – regulation, taxes, grants, and payments; source of funding from the public purse through ELMS or private investors with whom to trade natural capital credits; for one, we know there is a lot of research and development, training, learning and skills to be developed.

Adaptation will drive change and with change comes opportunities.

## Opportunity

UK agriculture and forestry may be able to increase production and grow higher value crops with warmer weather and longer growing seasons. Whilst uncertain, some crops and tree species may also benefit from increased CO2. To realise this opportunity, the stewardship of important natural resources needs to be improved to prevent the availability of water and quality of soils constraining output.

Economic opportunities for UK businesses in the

agricultural supply chain may arise from an increase in demand for adaptation related goods and services.

The UK also has relevant expertise in architecture and construction, finance and investment, business risk management, and water and environmental conservation, which need to keep adapting and being innovative to keep a pace with the changes we are going to see.

UK tourism and outdoor activity may also increase, along with health care and well-being provision as society wish to reconnect with the land and for food producers to engage with their customers.

Agricultural businesses can be expected to respond to market signals and develop new products and services in these areas. Agriculture requires a broad spectrum of skills and techniques which should be allowed to blossom and grow and not stunted by bureaucracy.

Farming businesses, I am sure, will need advice to help them improve and adapt farm systems and exploit new markets which means managing ones business that happens to be farming and leave the farmers to farm. Embracing advice and building strong relationships with your advisors will be key, as the services required from advisors will change but the relationship remains the consistent factor.

Carbon credits and nutrient neutrality offset will also become common discussion points within the farm business strategy as this embryonic market forms, watch this space.

## Conclusion

No one has said this is going to be easy and there is no one silver bullet to mitigate climate change.

With change comes improvements with which UK agriculture needs to embrace and adopt to make sure we are fit for purpose – we tend to farm for the next generation – let's make sure the decisions we make today do not add further constraint to the ability to farm beyond 2050 – who knows what the definition of farming will be then?

And if we do not embrace change it will be enforced upon us – you only have to look across the water to our Dutch friends where the government is looking at two scenarios to mitigate rising nitrates in soil. One, government buying up livestock production rights; the second plan focuses on buying out farmers, some of whom will be forced to sell their land to government.

It is pertinent to understand how the environmental impact WILL disrupt your business along with other pressures you face and whether you are able to make the changes you would like to or are you locked into current practices through various forms of barriers i.e., succession or just government policies.

# HOW INHERITANCE TAX COULD IMPACT YOUR LEISURE BUSINESS



**Callum Somers ACCA**  
Senior Manager

callum.somers@evolutionabs.co.uk

During the recent period of instability and increased risk to public health, it has become apparent that many individuals and business owners have been thinking about the future for their families and the succession of their businesses.

Although this can spark difficult conversations it can be crucial in a smooth transition to the next generation. Inheritance Tax (IHT) planning will be key during this process and whilst many farming businesses may understand their position what about other landowners who run Furnished Holiday Lets (FHL) or Caravan Parks? Will they get the same relief?

Business Property Relief (BPR) is the most significant relief available for IHT which applies at a rate of 100% to 'Relevant Business Property' which includes property consisting of a business or interest in a business. Achieving BPR can provide a key planning tool in reducing a family's IHT bill.

For many years, owners of FHL's trades have found it difficult to gain any IHT relief with very few cases going in favour of the taxpayer. The holding of land is viewed as an investment rather than a trade for IHT where the income derived will largely consist of

rental income. HMRC have therefore expressed those businesses of this nature will in general not qualify for Business Property Relief. Whilst this seems very clear cut there have been a small number of cases where such a high level of additional services is being provided, the activity has been considered as non-investment and relief has been obtained. This has left many business owners asking what type of additional services are necessary and to what level of additional services is sufficient?

Unfortunately, there are no easy answers, and the area remains incredibly subjective. Unsurprisingly this has led to increased claims for BPR being made. In most high-profile cases where additional services were being provided (Pawson 2013, Green 2015 and Ross 2017) the tribunals all found in favour of HMRC setting a precedent where the threshold for a holiday let business to be considered trading rather than investment particularly high.

However, a recent case from 2018 (PRs of Graham v HMRC) has given encouragement to taxpayers and provided some understandings of what services are necessary to qualify for relief. Mrs Graham and her daughter demonstrated a level of service way above and beyond what is expected for a normal holiday let business. This included unpacking guest's groceries, providing golf buggies and bicycles for hire and assistance arranging events and parties such as

weddings and anniversaries. Despite being upheld in the Upper Tier Tribunal the courts concluded that this was an exceptional case which 'just' fell on the non-investment side of the line.

Furnished Holiday Let owners should consider alternative planning to reduce levels of IHT which may arise on their deaths whilst BPR on these businesses remains difficult to obtain and subject to interpretation.

What can still confuse many owners is although Furnished Holiday Lets are classed as investment property for IHT they are taxed and subject to the same rules as trading businesses for both Income Tax and Capital Gains Tax. It has been proposed by the Office for Tax Simplification that IHT rules should be aligned with the other taxes where BPR would then become available. Although HMRC have resisted the move to date, it is certainly something to keep a close eye on in the coming years.

Those who operate FHL's as part of a larger farm or Landed Estate and not a standalone business should be aware that BPR can be achieved where the FHL's are a small part of the single overall trading entity as shown in the 'Balfour case'. This would also be relevant to Caravan and Holiday Parks who trade in buying and selling caravans. The taxpayer would need to demonstrate the FHL, or rental aspect of their overall business, is ancillary to the main trade to gain relief. Careful planning would need to be considered particularly in light of a possible change to BPR rules such that undertakings would need to be substantially trading (i.e. over 80%) rather than wholly or mainly trading (over 50%).

Whilst 100% trading businesses will qualify for relief under the current rules, if there is any rental aspect applied you can fall foul of the legislation if not carefully looked at. If you would like any advice or help with planning we can conduct an Inheritance Tax review and provide you with clarity and peace of mind.

## SUCCESSION AND CAPITAL GAINS TAX



**Danny Henville ACCA CTA**  
Tax Advisor

danny.henville@evolutionabs.co.uk

**Business Asset Disposal Relief (BADR), formerly known as Entrepreneurs' Relief, is a very useful Capital Gains Tax relief for family businesses.**

It has the effect of reducing the Capital Gains Tax rate on qualifying disposals to 10%, from the main rate of 20%.

Whilst beneficial for the sale of a business or assets to a third party, it should also be considered when discussing succession planning for an incoming generation.

For example, many businesses encounter the scenario where parents are wishing to start passing responsibility and ownership down to the next generation and, at the same time, wish to generate some cash to provide themselves with funds for retirement. In this situation many individuals may sell personally held assets, such as land, usually subject to a considerable Capital Gains Tax liability.

However, it is possible to reduce the tax liability by utilising BADR, in this circumstance, by ensuring

that the land sale qualifies for relief by selling it in conjunction with gifting part of their interest in the business (at least 5%) to the next generation.

Gifting an interest in the business can itself create a Capital Gains Tax liability. It would however likely be eligible for Holdover Relief meaning no Capital Gains Tax may fall due on the gift.

In essence, the parents could achieve both their cash generating and succession goals by gifting at least 5% of the holding to their children in conjunction with a sale of the land subject to Capital Gains Tax at just 10%.

The tax saving created by the relief could reduce the amount of land that needs to be sold or can simply increase the proceeds after tax, providing additional funds for retirement or perhaps a cash injection for the business.

BADR can apply in a range of other scenarios as well. There are a raft of conditions to satisfy to qualify for BADR, some of which need to be satisfied for 2 years. As always, it's important to plan ahead to make the best of the position for the family and for the business.





# OFFICE UPDATE



**Becky Derrick BA (Hons)**  
**Office Manager**

[becky.derrick@evolutionabs.co.uk](mailto:becky.derrick@evolutionabs.co.uk)

The big news since our last newsletter is that the office has re-opened and so staff have been able to catch up in person; it's amazing the difference it has made to staff well-being and morale. Although we are still operating a hybrid system, with most staff spending some time in the office and some working from home, I don't think any of us will ever take for granted how lucky we are to be part of a close-knit team.

Over the summer we have obviously been able to get out and about a bit more and most have taken advantage of living in the most beautiful part of the country; staycations really aren't a chore with the option of glorious coast or countryside on offer locally.

Last month Alice Gay and Rosie Bennett finally got to take advantage of a Devon Young Farmers Club Senior Scholarship that was postponed from 2020. Instead of the planned trip to Latvia the lucky pair travelled with 6 other members to Shropshire where they spent a happy 4 days visiting farms and partaking in various team building activities. Thanks to a detour on the way home, they also got to sample the produce on offer at Jeremy Clarkson's Diddy Squat Farm Shop

The whole team were able to get together at the beginning of September for an outdoor staff afternoon, we are all keeping our fingers crossed that we will be able to do this more often over the coming months.



**Lisa Sampson**  
**Assistant Manager**

[lisa.sampson@evolutionabs.co.uk](mailto:lisa.sampson@evolutionabs.co.uk)

# TEAM INSIGHT

Lisa grew up on her family's mixed farm on the Devon/Somerset border. Having left school she started working at local rural accountancy practice before joining Margaret in 2002 (which means she has worked for Margaret longer than some of our young members of staff have been alive!)

Lisa works part time and is predominantly office based. She assists with looking after a small portfolio of agricultural based clients and has a particular interest in VAT and day to day bookkeeping.

Being one of the older members at Evolution, Lisa has taken great pride over the past few years in watching her younger colleagues qualify and develop Evolution into the strong team we are today.

Outside of the office, Lisa spends a fair bit of time being a "mum Taxi" to William 17 and Holly 14. She also enjoys helping with the sheep and particularly lambing time on the family farm. Any other down time is usually spent horse riding, hunting and socialising at the local Point to Points.

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

Oake House, Silver Street,  
West Buckland, Wellington,  
Somerset TA21 9LR

Tel. 01823 462908  
[www.evolutionabs.co.uk](http://www.evolutionabs.co.uk)  
[info@evolutionabs.co.uk](mailto:info@evolutionabs.co.uk)

[linkedin.com/company/evolution-abs-ltd](https://www.linkedin.com/company/evolution-abs-ltd)  
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