

FARMING ISSUE SPRING 2025

# in the know

All the latest news & updates

**Round up  
on Capital  
Gains Tax**

**Pensions  
& Inheritance  
Tax**

**Meet  
the team**

**Life Insurance**



**dodd&co**

Chartered Accountants,  
Business & Financial Advisers

[doddaccountants.co.uk](http://doddaccountants.co.uk)

# Welcome to our spring edition

As we head into Spring, the contrast between this year and last is stark, the weather in particular. We've gone from one of the wettest years on record, which saw up to 170% of average rainfall, to a much drier start to 2025 and I am sure we all welcome the change.

In addition to the weather, there are other positives to note within the industry. Milk prices remain stable after a strong end to 2024, coupled with the beef and sheep market also having a bumper year for production and demand.

This of course is overshadowed by the Chancellor's announcement in the Autumn Budget that APR (Agricultural Property Relief) and BPR (Business Property Relief) would be restricted to £1M, along with other notable changes to how unspent Pensions are to be taxed and changes to the tax treatment of double cab pickups. These proposed changes have undoubtedly caused a great deal of frustration within the industry and with consultations now ongoing, there is still uncertainty until the Government publishes full legislation later in the year. To shed light and hopefully alleviate some fears, one of our Partners, Rob Hitch, discusses the proposed changes to Inheritance Tax and potential ways to mitigate full exposure to a tax liability in this newsletter. However, one way to mitigate against the risk of an Inheritance Tax liability could be to take out Life Insurance.

You can read all about the above in the following pages.

With so much to consider, one thing is for sure; this year farming looks to be as interesting and important as ever. As is always the case, Dodd & Co will be on hand to advise and guide you through any opportunities and challenges that may come your way.

Hope to see you all at the summer shows!

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# Inheritance Tax and the Family Farm

It is now six months since the Labour government announced changes to Inheritance Tax (IHT) in their first budget for fifteen years.

It came as a shock to many as there had been no mention of changes during the election campaign. The six months that have followed have seen public demonstrations by farmers led by a very strong position from the NFU and others.

Have the diametrically opposed positions of both the Labour government and the NFU meant that no common ground has been found?

If we think about the main issues, then the headline is the introduction of IHT on farmland and businesses. For the last 35 years, a generation have qualified for both 100% relief via Agricultural Property Relief (APR) and Business Property Relief (BPR). The headline is that from 6 April 2026, relief will only be available at 100% on up to £1,000,000 of assets per person. Thereafter, 50% relief will be available meaning a 20% tax charge on anything over £1M.

Much has been made of the fact that 70% of farms will end up over these thresholds and therefore most farm businesses will suffer an IHT charge. However, this will only apply if nobody ever made gifts of trading assets in their lifetime.

What hasn't been changed in the last budget is holdover relief under S165 of the Taxation of Chargeable Gains Act 1992. Assets qualifying as a trade, or farmland qualifying for APR, i.e. let farms, can be passed on in lifetime without an immediate Capital Gains Tax charge.

For many farming businesses that have in the past transferred assets to the next generation in lifetime, the new rules won't make any difference, provided they qualify as trading business.

It should be noted that the test for a trading company for Capital Gains Tax (CGT) purposes, and therefore holdover relief, is an 80% trade test. This means commercial farms, or diversified trading enterprises, would qualify but too much residential, holiday letting, or storage could significantly impact the availability of relief.



Rob Hitch

So, some assets could be passed on using holdover relief to avoid an immediate CGT charge, only if the beneficiary of the gift agreed to take the asset at the donor's base cost, essentially meaning whoever eventually sells the asset pays the tax.

The problem with gifting assets is twofold;

## 1. The donor must survive seven years for the gift to drop out of IHT

A gift of a business would be a potentially exempt transfer, meaning the death of the donor within seven years would result in an IHT charge, this exposure reduces by 20% each complete year from the third anniversary of the gift.

## 2. Once you give something away you can't benefit

Much has been made of the fact that if you give an asset away, but retain any benefit from it, e.g. gifting a house but still staying in it rent free, then it remains within your estate. Gifting farmland carries the same risk, a beneficiary should possibly charge a full market rent back to the donor if they continue to use it. This begs the question can people afford to give assets away?

Much of the proposal's bones can be found in two reports published in 2019/20.

These suggested that the IHT system was flawed as it offered CGT rebasing, i.e. an increase in CGT base cost to market value on death even when 100% IHT relief was available. It is hard to find anyone, even those with a vested interest, that thinks this is sensible.

Largely, the changes will mean that families have a choice between securing a CGT uplift, in which case they will have to pay the IHT or pass on assets in lifetime to avoid the IHT.

This might not be a straightforward choice. Let's assume we have a farm with a 1982 value of £1,500 per acre, with a market value today of £12,000 per acre. The IHT charge would be 20% of the value over £1M, so £2,400 per acre. The CGT however might be 24% of £10,500 (i.e. £12,000 less the original base cost of £1,500) so £2,520 per acre. For companies with original share values of £100, the CGT charge will be greater than the IHT.

This is at current CGT rates, what if they get aligned with income tax rates in future?

There is no one size fits all solution to the introduction of the new rules, the fact that they apply from April 2026 for any transfers made after 30th October 2024 means whilst it is possible to gift assets, some people will not be able to survive seven full years after the gift. This is the real problem and essentially means most of the tax raised by these new rules will be paid by people who die in the next seven years.

Deciding what is best for you and your family and working with your accountants, solicitors, and trusted advisors to make decisions has never been more important.

# £1M Allowance for Trusts: Key Changes & Implications

On 27 February the long-awaited consultation on the application of the £1 million allowance for property settled into trust qualifying for 100% Agricultural Property Relief (APR) or Business Property Relief (BPR) was launched by HMRC. The consultation will run until 23 April 2025.

The proposed new rules are complex and require careful consideration before taking any action in relation to existing trusts and any new trusts created from 30 October 2024.

On similar lines to the proposals for individuals, there will be a £1 million allowance for trustees on the value of qualifying property to which 100% relief applies, on each ten-year anniversary charge and exit charge. Trusts with a value of more than £1 million of qualifying property will receive 50% relief on the excess value.

## Some key points:

- The £1 million allowance for relevant property trusts will refresh every 10 years. Any part of the allowance used against an exit charge will reduce the amount of the allowance available at the next ten-year anniversary.
- The method of calculating exit charges before and after the first ten-year anniversary charge will be standardised. Where property does not fully qualify for 100% relief the rate of Inheritance Tax will be based on the value before APR and BPR. The maximum rate remains at 6%.

- Relevant property trusts created before 30 October 2024 will be brought within the new regime on the trust's next ten-year anniversary charge, which falls on or after 6 April 2026. Until then the existing rules apply, including unlimited 100% relief on exit charges. Such exits will not reduce the £1 million allowance available at the next ten-year anniversary. When calculating the first ten-year anniversary charge after 6 April 2026 relief will be available for the period prior to 6 April 2026.

- Where individuals settle property into multiple trusts on or after 30 October 2024 there will be a single £1 million allowance which will be allocated in chronological order. If more than one trust is created on the same day the £1 million allowance is apportioned across the value of the qualifying property in each trust.

- A 'related' property rule may be introduced for multiple trusts created by the same settlor, so that if valuing the property in each settlement together gives a higher value that higher value will apply for ten year and exit charges.

- Any qualifying agricultural or business property held in a Qualifying Interest In Possession (QIIP) trust will continue to be included in the beneficiary's estate on death. The £1 million allowance for individuals will apply where the beneficiary dies on or after 6 April 2026. It will also apply to lifetime transfers from the trust on or after 30 October 2024 where the person with an interest dies on or after 6 April 2026.



Graham Arnott



# 3 insurance options that could protect your farming legacy from Inheritance Tax

## Dodd Wealthcare

For farming families, your land is more than just a business; it's a legacy passed down through generations.

As such, you might have concerns about how Inheritance Tax (IHT) could affect your family's ability to maintain this legacy, especially after the 2024 Autumn Budget announcements.

To help, you could explore these insurance options designed to safeguard your farm's heritage.

### 1. Term life insurance covers you for a specified length of time

Term life insurance provides coverage for a specified period, such as 10, 20, or 30 years. You can choose the length of time and cover level.

If the insured person passes away within the term specified, a lump sum will be paid by the insurer to the beneficiaries.

This type of policy can help cover a potential IHT liability if you pass away within the term. However, once the term lapses, your family won't be eligible for a payout when you pass away. That's where whole of life cover could come into play.

### 2. Whole of life insurance has no set "end date"

Unlike standard life insurance, which tends to have a specific duration, whole of life insurance has no end date and provides lasting protection.

It will typically pay out a lump sum upon your death, which your family could use to cover some or all of the IHT liability on your estate.

### 3. Joint life policies are a type of single cover, but for two people

This policy covers two individuals, typically spouses or partners, and usually pays out upon the first person's death.

However, with a "joint life second death" plan, the policy will only pay out after both policyholders have died.

For farming families, this can be useful for covering an IHT bill that arises after the passing of the second partner, when the full estate becomes liable for IHT.

### When choosing your policy, ask about renewable or guaranteed cover

Renewable or guaranteed life insurance isn't a policy on its own, but rather a way to make your life insurance work for you.

"Guaranteed" life insurance offers fixed premiums for life, while "renewable" term life insurance allows you to extend your cover at the end of your term. This might come at a higher premium but won't require a new medical exam.

### Placing your insurance in trust could help your family cover IHT costs

To ensure money from insurance doesn't form part of your estate, you can place your policies in trust, typically preventing them from being subject to IHT.

A trust is a legal agreement that ringfences a portion of money for your beneficiaries. In this case, the primary benefit of a trust is that the value of your policy won't be included in your estate for IHT purposes.

Exploring these strategic approaches could help provide peace of mind, knowing that your farm's legacy is protected, and your loved ones are financially secure.

### Contact Dodd Wealthcare to discuss a personalised IHT strategy.

# Pensions & IHT from April 2027

**“Fill them fast, spend them last” has been a rule of thumb that financial planners have cited in respect of pensions for as long as can be remembered. Pension contributions attract tax relief when they are made, income and gains within a pension scheme are tax-free, and pension savings have in most cases been exempt from IHT on death.**

Over the last 10 years pensions have become even more attractive – including the introduction of pension freedoms, and the removal of the Lifetime Allowance.

Arguably the position was too good to be true, and so it was announced in the budget that unused pension savings would no longer be exempt from IHT with effect from April 2027 and that pensions would be included as part of the deceased's estate. This did not attract the same level of coverage as the changes to IHT reliefs for farmers, but it does change the tax planning landscape significantly. Not only for individuals who already have significant pension savings, but also for those who contribute to pensions in the future as part of their retirement planning.

Pensions have in recent years been used by farmers to provide shelter from tax where potentially lucrative diversification/development ventures have been on the horizon. For example, selling land with solar potential to their pension at agricultural value, such that the future income stream could be received free of income tax and the increase in capital value attributable to the venture was outside of their personal estate for capital taxes purposes. Whilst this type of planning may still be effective going

forward, the IHT aspect will need to be carefully considered before any action is taken.

Our expectation is that farmland held in a pension fund will attract Agricultural Relief if the normal ownership/occupation criteria are met (subject to the new £1m cap), which would help to reduce or eliminate the IHT liability depending on the individual circumstances.

One particularly penal element of the new rules from April 2027 is that unspent pension funds that have been subject to IHT may then also be subject to income tax when they are drawn from the pension fund by the beneficiary. If the beneficiary is a 40% taxpayer, a tax rate on the pension of 64% could therefore apply. We envisage many individuals considering drawing an income from their pension from April 2027, and using that income (after income tax) to make regular gifts out of income which could attract immediate IHT exemption and avoid the ‘double tax charge’.

Pensions will still have an important role in tax and retirement planning, not least as a mechanism for providing higher rate tax relief whilst working, with funds then being drawn at lower rates in retirement, but bringing them into scope of IHT presents some significant challenges.



Jonathan Ridley



# Round up on Capital Gains Tax

Significant changes to the rates of Capital Gains Tax (CGT) were announced in the 2024 Autumn budget. Perhaps not quite as drastic as they could have been, but nevertheless the changes will result in higher tax liabilities on the sale of farms in the future. Whilst the CGT tax rates were increased across the board, the silver lining for farmers is that there was no removal of the current Rollover Relief or Holdover Relief on the sale or gift of some farming assets (for now!)

One of the main reliefs available to farmers on a sale of the farming business is "Business Asset Disposal Relief" (BADR). This covers the first £1M of lifetime gains on business assets and has historically resulted in a reduced rate of CGT at just 10%.

Thankfully the £1M lifetime limit remained following the budget, but the 10% rate increased to 14% in April 2025 and is due to increase again to 18% from April 2026.

The normal rates of CGT on non-business assets have also increased. Previously these were 10% and 20% (for gains falling in the basic and higher rate tax bands respectively) and slightly higher rates for residential property, at 18% and 24% respectively. The 10% and 20% rates were increased and aligned to the same current rates for residential property at 18% and 24% and these changes were implemented immediately from budget day, which was 30th October 2024. The 18% and 24% rates are also now the rates that will be applied to the disposal of business assets once you have fully used your £1M threshold.

The annual exempt amount each individual has before paying CGT has also reduced significantly in recent years. For 2024/25 the exemption is now £3,000 per person (compared to £6,000 in 2023/24).

With CGT rates increasing and changes to Inheritance Tax reliefs looming, now is the perfect time to consider succession planning for the farm and using the potentially invaluable reliefs of gifts Holdover Relief and business asset Rollover Relief that are still available (for the time being!) Please contact your usual Dodd & Co adviser for further advice on CGT/IHT whether it be on farm sales or considering passing on assets to the next generation. It has never been so important to start planning for the widespread changes that are coming.



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Rachel Coates

# Double Cab Pickups

In February 2024 HMRC announced that double cab pickups with a payload of one tonne or more would cease to be commercial vehicles from 1 July 2024 and would instead be treated as a car for tax purposes. Following this announcement there were significant concerns raised from the agricultural/motor industry and with lobbying from the National Farmers Union, the decision was reversed one week later.

However, in the Labour Party’s first budget, hidden away in the detail, it was announced from April 2025 for tax purposes, double cab pickups with a payload of one tonne or more would be treated as cars for the purposes of capital allowances and benefits in kind.

From April 2025 double cab pickups will be treated as a car instead of a commercial vehicle for tax purposes; what does that mean for you and your business?

Previously, if the double cab pickup had 100% business use the full cost of the pickup could be deducted from your taxable profit in the year of purchase.

However, under the new rules, only 6% of the cost can be deducted in the year of purchase and 6% thereafter. The example below illustrates the impact in the year of purchase.

Under the new rules rather than a £20,000 **deduction** it would **add** £17,600 to taxable profit, a swing of £37,600 which, depending on your tax rate, could have quite the unexpected impact on your tax position.

Another significant impact of this reclassification is the benefit in kind consideration. Currently, double cab pickups do not give rise to a taxable benefit where private use is insignificant. Under the new classification as a car, a taxable benefit arises where the vehicle is available for any level of private use. Therefore, a benefit in kind charge of up to 37% of the list price could be applied going forward if used by an employee or director which could lead to a hefty additional PAYE tax liability each year.

Transitional arrangements will apply for employers that have purchased, leased, or ordered a double cab pickup before 6 April 2025, whereby they will be able to rely upon the previous classification until the earliest of disposal, lease expiry, or 5 April 2029.

**So, what are your options?**

- Consider replacing your double cab pickup for a single cab which have retained their favorable tax treatment.
- Ensure private usage for employees and directors is nil, to avoid the annual high benefit in kind tax charge.

Old Rules (pre April 2025)	£
New pickup bought	40,000
Less part ex old pickup	(20,000)
Tax <b>relief</b> in year of purchase	20,000

New Rules (from April 2025)	£
Part ex old pickup	20,000
Less 6% tax relief on £40,000 new pickup	(2,400)
Tax <b>charge</b> in year of purchase	17,600



Struan Kyle



# VAT Update: What you need to know!

## *Proposed IHT Changes and VAT*

As farming businesses contemplate the proposed changes to Agricultural Property and Business Property Relief announced in the October 2024 Autumn Statement, many may be considering re-organising ownership of assets, in an attempt to mitigate the potential impact of future potential IHT liabilities. Reorganising farming assets has the potential to trigger VAT as well as other capital tax liabilities – whether this is as simple as some additional VAT administration and forms to complete, or as complex as crystallising VAT on land-based assets. We thoroughly recommend taking advice before any reorganisation is carried out to ensure that any VAT implications are known from the outset and don't become a problem at the eleventh hour.

### *Considering your farming income streams and VAT*

April 2025 also sees changes to the Furnished Holiday Let (FHL) rules. FHL income is subject to VAT at 20%, but often diversified FHL's are operated separately to the farm (perhaps by one partner / spouse for example) resulting in the stand-alone trading income being under the VAT threshold.

From April the relative flexibility around how profits can be split (and hence who's income the FHL takings are for VAT) is removed. A perhaps unintended consequence of this is that FHL income from a property owned by all partners in a farm may now need to be included within the farm

VAT registration (and hence VAT paid over on it). This can be mitigated by amending the property ownership or making certain formal elections but as always, the devil is in the detail. Again, good advice can help you understand if this will apply to you and if so, what the consequences may be.

This also stands as a reminder that farms undertake an increasingly broad range of enterprises, and the VAT treatment of those enterprises varies. Food production is typically zero rated covering the majority of income, however diversified activities (holiday accommodation or cut flowers as an example) are often standard rated or indeed exempt (property rental income). A misunderstanding about the VAT status of the income can put a big dent in its profits, so checking this at an early stage is vital.

### *Ongoing areas of focus*

The distinction between business and personal expenses has always been and continues to be an important issue. Goods and services purchased either partially or wholly for personal use require adjustment when recovering input VAT to disallow a private element. Such expenditure may include farmhouse repairs and improvements, cars, light, heat, and power.

As always, Dodd & Co are here to help so please get in touch with your usual contact if you have any queries.



**A misunderstanding about the VAT status of the income can put a big dent in its profits, so checking this at an early stage is vital.**



Jackie Kirsopp

# National Minimum Wage Changes

## Increases from 1 April 2025

The rate per hour depends on your age and whether you are an apprentice.

21 + Year Old Workers (National Living Wage)	£12.21 per hour
18 - 20 Year Old Workers	£10.00 per hour
Under 18 Year Old Workers	£7.55 per hour
Apprentices who are either under 19 or in their first year of their apprenticeship	£7.55 per hour

Please note that the minimum wage legislation requires that all employees who are paid an hourly rate must have an itemised payslip showing their hours worked and their hourly rate.

Employers must comply with the law. Please contact Dodd & Co if you need further help and advice.



# Meet the team

## What did you do before you started at Dodds?

I joined Dodds straight from school after completing my A-Levels. The apprenticeship route really appealed to me over going to university. I liked the idea of working and learning at the same time. Dodds have provided me with great opportunities and support throughout the whole learning process.

## What's a typical workday like?

A typical workday can be very varied, from preparing accounts, working on cloud software, preparing management accounts figures to dealing with client queries and attending client meetings. The large variety of work is something that I really enjoy. Pretty much every day is different, which is great.

## What's the question clients ask you most?

Following on from MTD being introduced, lots of clients now use cloud software to prepare their VAT returns. We now get lots of clients asking how their businesses are performing throughout the year so they can plan for large tax bills or take action to help reduce their tax bill. The access to the information on the cloud software that they use means this is much easier for us to help with now.

## What's the best part of your job?

The best part of my job is working with a great team of people. Not only my work colleagues, but a variety of different clients. Meeting new people is really enjoyable and getting to know all the different characters is great.

## And the worst?

The worst part of the job has to be delivering bad news, such as discussions around how the new Inheritance Tax rules have given rise to potential Inheritance Tax liabilities to some clients who had little to no tax under the old rules.

## Do you have a top tip for clients?

My top tip for clients would be to not be afraid to ask your accountant if you have a question, no matter how silly you may think it sounds. Keep us informed about things going on in your business, it might be that we can pre-warn you of affects your decisions will have on tax or rules you may not have thought of.

## What's life like outside of work?

Life outside of work is very active, I enjoy running, biking, and getting out on the fells with my dog. You won't often find me sitting still. Hopefully one day I will have managed to tick off all the Wainwrights.

**Kate Brown**

Accounts Manager





## Meet Your Farming Partners

**Left to right:** Joanne Thomlinson, Robert Wharton, Andrew Sims, Rob Hitch and Jonathan Ridley

*Come and see us at the  
Summer Shows this year!*

**Cumberland Show** – Saturday 7 June 2025

**Penrith Show** – Saturday 19 July 2025

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