

Addition

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AGRICULTURAL



INHERITANCE TAX PLANNING

**RESIDENTIAL PROPERTY -
STAMP DUTY & CAPITAL GAINS TAX**

TAX RELIEF ON PENSION CONTRIBUTIONS

PROBATE SERVICES

HMRC SUPERCOMPUTER

PLANNING FOR INHERITANCE TAX CHANGES ON DEATHS FROM APRIL 2026

Rarely has any tax change created so much uncertainty in the farming sector than the announcement that, from April 2026, the 100% rate of Agricultural Property Relief (APR) and Business Property Relief (BPR) will be restricted to a combined value of £1m per individual. Value exceeding the £1m allowance will be eligible for only 50% relief.

Over the last year, farming organisations like the NFU have campaigned hard for some relaxation but, to date, their appeals appear to have fallen on deaf ears.

Many farming families need to prepare for inheritance tax (IHT) liabilities on farming assets for the first time in more than 30 years. The first step is to undertake a review, considering:

1. Asset identification

Make a list of the assets and how they are (and have been) used.

For land and buildings, each part in different ownership or use needs to be identified separately. For example, there are different tax considerations for:

- In-hand farmed land v property let out
- The main farmhouse v farm employee cottages v other family houses
- Farm buildings v redundant farm buildings

2. Asset valuation

Each of the assets then needs to be valued. Estimates are needed of both the current market value and, where different, the agricultural value. 'Market value' includes (eg) value attributable to development potential, whereas 'agricultural value' assumes that the property can only ever be used for farming purposes.

Generally, for a review, we recommend obtaining informal estimates of value from

a professional land agent, although some farmers have sufficient market awareness to provide their own good estimates. In either event, for planning, it is essential that the estimates are not understated, because that would under-identify the likely tax exposure. Where action is being taken, it is prudent to obtain a formal 'Red Book' valuation where the action will (or could reasonably) trigger a tax charge.

3. Ownership

The beneficial ownerships of each of the assets need to be identified.

The forthcoming £1m allowance is not transferable between spouses, so each individual's position must be considered.

On some farms, there may be assets owned by a company or trust.

4. Professional review

When undertaking a review, we will:

- Identify the reliefs available for particular assets. Agricultural property relief (APR) is a relief for farmed land, including buildings that are commensurate with the land and occupied with it for farming. Business property relief (BPR) is a relief for ownerships of some trading businesses, and some personally owned assets used in those businesses. APR is limited to the agricultural value, but BPR is on the whole market value. Both reliefs have 100% and 50% relief rates.

- Calculate the current IHT exposure.
- Advise on steps that could be taken to reduce the IHT exposure, and on other tax implications of those steps.

5. Implementation

Once the action plan has been decided, your solicitor will need to arrange any changes in ownerships and Wills, and we will need to arrange any tax claims, such as holdover relief elections. Where property interests are changed without updating the Land Registry record, an entry will be needed in HMRC's trusts register.

6. Plan for the IHT

Once the IHT exposure has been quantified, families need to consider how the IHT would be funded.

- **Either:** IHT on eligible agricultural property can typically be paid over 10 years by instalments, interest-free

(provided all payments are made on time). The first payment is due at the end of the sixth month following death. Where interest applies, the interest rate is base plus 4%. Neither IHT nor interest on it is allowable for income tax.

- **Or:** Full payment (due by the end of the sixth month following death); perhaps financed from cash reserves, bank borrowing, a sale of assets or a life insurance policy.

Recent deaths

Where a family member has died within the last 2 years, it is possible to effectively re-write their will by executing a Deed of Variation, perhaps to allocate assets more tax-efficiently. The provisions in the Deed of Variation can be backdated to date of death for IHT and/or CGT purposes.

Our tax specialists would be glad to assist you with IHT planning.

UNDERSTANDING STAMP DUTY COSTS

Stamp duty land tax (SDLT) has become increasingly complex and expensive over the years. Getting the position wrong, whether by paying too much, or by paying too little initially and getting caught out, is even more costly. As recent media coverage has highlighted, even Government ministers have made mistakes with their SDLT.

We regularly see clients being advised their purchase of a new home is subject to the higher rates of SDLT (now meaning an extra 5% charge) because they own an interest in another property. That advice is sometimes correct, but the higher rates should never be payable where the new purchase qualifies as the replacement of a previous main residence, regardless of any other dwellings that are owned.

Farmers often encounter challenging situations such as:

1. Is it clearly a residential purchase, or does it include sufficient other elements (such as farmland or business premises) to qualify

for the non-residential/mixed use rates?

2. Does the purchaser already own an interest in another dwelling on the farm (or elsewhere)?
3. Is the purchaser a beneficiary of a family trust that owns residential property?
4. Is property being transferred into or out of a family partnership by or to one or more of the partners?
5. Are family members looking to divide the ownership of family assets so individual family members will own specific properties outright?
6. Are there loans secured against the property being transferred?

7. Are there multiple residences being acquired, which could include self-contained annexes? Following the abolition of multiple dwellings relief this can result in a significant increase in the SDLT liability particularly where this triggers the higher SDLT rates applying. Multiple residences will not necessarily prevent the standard rates applying if the secondary dwellings are subsidiaries of the main house.

Often, on a purchase, there may be limited opportunity to structure the transaction to mitigate an SDLT liability. Nevertheless, the SDLT position on a planned purchase should be considered in advance to ensure the correct SDLT liability is paid and any evidence to support the position is obtained

and retained. Where the SDLT is significant, wider planning with regards other residential property owned by the purchaser can be considered.

Where transactions are taking place within the family, there is more flexibility to ensure tax liabilities are mitigated, whether in relation to the current transaction, or to help protect the position for a future acquisition.

Simpkins Edwards have advisers who provide specialist SDLT advice so please get in contact if you are considering a property purchase or believe you may have overpaid SDLT on a recent acquisition.

Guest article by Paul Whitmarsh, Managing Director, of Aquila Financial Management Ltd

PENSION TAX RELIEF – DON'T LOOK A GIFT HORSE IN THE MOUTH.

The October 2024 Budget makes the value of pension funds potentially subject to tax on death from April 2027 by bringing them into the scope of Inheritance Tax. This means that pensions will lose their effectiveness as a means of passing wealth to family members outside of the Inheritance Tax Regime. However, they retain other advantages from the 2016 reforms and they remain highly income tax efficient for retirement planning.

Despite the loss of the Inheritance Tax advantage, contributing to a pension should still be a priority for most individuals.

Let's look at the basics.

- Contributions from an individual attract Income Tax relief at your highest marginal rate.
- Contributions from your company receive Corporation Tax relief and can be a tax efficient and legitimate way of extracting value.
- Most people are basic rate taxpayers (or non-taxpayers) in retirement, even where they have paid tax at higher rates previously.

Working taxpayers may be liable to income tax at a variety of rates, for example:

- The basic rate is 20%.
- A basic rate taxpayer may have an effective marginal rate of 26% in a year when a large capital gain is realised. This is because an extra 6% Capital Gains Tax is charged on gains that fall outside the (otherwise) unused part of the income tax basic rate band.
- The headline rates for higher income individuals are 40% and 45%.
- Marginal income tax rates are often higher where income is between £60,000 and £80,000, or between £100,000 and £125,140. This is because extra tax may be charged in those bands to claw back child benefit or personal allowance making an effective rate of Income Tax of up to 60%.

The following table shows the effective return available from a private pension investment by an individual who will be a basic rate taxpayer in retirement. These figures do not take into account costs or potential investment returns.

Even if the investor's tax rate is 20% at both investment and retirement, there is a 6.25% return because the whole of the investment achieves tax relief when made, but one-quarter of the pension pot is available as a tax-free lump sum on encashment.

Where the investor's tax rate is higher than 20%, the financial return is much higher. The financial return is 41.67% for an individual who is a higher rate taxpayer at the time of investment and a basic rate taxpayer in retirement.

Farmers have traditionally been reluctant to invest money into pensions; preferring instead to preserve cash for potential future land purchases. However, the 2016 reforms made pensions a much more flexible investment, with funds able to be drawn down from age 55 and no longer locked into a future annuity purchase.

If you have funds available for pension investment, and especially if you are a higher rate taxpayer or are likely to have a raised effective tax rate in 2025/2026 due to a land sale (without business asset disposal or rollover relief) or for some other reason, please speak in good time to your independent financial adviser.



Aquila Financial Management Ltd

Aquila Financial Management Ltd is a firm of independent financial advisers and is owned by Simpkins Edwards LLP. They are based at Pynes Hill, Exeter and help with protection, wealth management and retirement planning. Aquila can be contacted on 01392 411159.

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This article should not be viewed as personal advice. The value of investments can fall as well as rise in value, so it is possible you could get back less than you contribute. The above is based on our understanding of current tax legislation which may change in the future. Aquila Financial Management Ltd is authorised and regulated by the Financial Conduct Authority.

The content of this article is for information purposes only and does not constitute financial advice or a recommendation to a suitable product or service. You should seek advice before embarking on any course of action.

INCOME TAX RATE		INVESTMENT		WITHDRAWAL				FINANCIAL RETURN
AT INVESTMENT	IN RETIREMENT	NET AMOUNT INVESTED	TAX RELIEF	TAX FREE SUM WITHDRAWN	INCOME TAX ON BALANCE	BALANCE WITHDRAWN	TOTAL NET WITHDRAWN	
20%	20%	£8,000	£2,000	£2,500	£1,500	£6,000	£8,500	6.25%
26%	20%	£7,400	£2,600	£2,500	£1,500	£6,000	£8,500	14.86%
40%	20%	£6,000	£4,000	£2,500	£1,500	£6,000	£8,500	41.67%
60%	20%	£4,000	£6,000	£2,500	£1,500	£6,000	£8,500	112.50%

GIFTING RESIDENTIAL PROPERTY – CAPITAL GAINS TAX CONSIDERATIONS

Since the Autumn 2024 Budget announced an intention to impose a £1m cap on 100% agricultural and business property reliefs from 6 April 2026, many farming families have been considering passing parts of the farm to the next generation during lifetime.

This contrasts with the accepted position for decades that farm property was best kept in the older generation's ownership, for protection from family divorce and other financial risks, to provide inheritance tax (IHT) sheltered security for those who built up the wealth, and to achieve capital gains tax (CGT) rebasing on their deaths.

Market value rule

A lifetime gift of property is a disposal for CGT purposes and, where the gift is to a family member, the market value at the time of the gift will be treated as sales proceeds, potentially resulting in a hefty CGT cost.

Taking advice before committing to decisions will allow any potential reliefs or opportunities to mitigate the CGT exposure to be considered.

Brought forward losses

Some farmers will have realised CGT losses (albeit usually small) on the cessation of the Basic Payment Scheme and, although it was a while ago now, some still have large CGT losses remaining from the abolition of milk quota. These losses may augment any available reliefs.

CGT reliefs

There are different CGT reliefs which might potentially be available depending on the circumstances – for example, main residence relief, rollover relief and holdover relief.

Where the owner has previously lived in the dwelling (eg perhaps having lived in the farmhouse before building and moving into a new house on the farm), main residence relief will be available for the period of occupation. This should be considered before any other reliefs because, where main residence relief can exempt part of the gain, this can be very valuable.

Where the owner is still trading either as a sole trader or within a partnership, if the dwelling was previously used by the business (eg where it is a converted farm shed), or if it was occupied by a farm employee (not partner or family member), partial rollover relief might be available, if the owner will incur further expenditure on new land or new buildings on the farm. This might defer the gain until the retained land is sold, and the gain would fall away completely if the land is retained until death.

Another possibility may be holdover relief on a gift to the family. Holdover relief is available on business assets, agricultural property and transfers into most trusts.

Where properties are owned jointly, exchange of joint interests relief may provide opportunity to reduce or avoid the CGT charge on re-arranging the ownership.

Modifying the plan

It may be that the dwelling does not currently qualify for relief but if the intention is for a farm employee to occupy it in the future, perhaps the gift could be delayed until the farmworker has lived there for a few years; at which time full holdover relief might be available.

If the intention is for the dwelling to be gifted with surrounding land, in some cases, the availability of holdover relief may be determined by the use of this land and, if that qualifies for agricultural property relief, full holdover relief might be available on the gift of the land with the dwelling included.

With regards a rental property in particular, the gift might be made into a trust, instead of the family member personally. Trusts have other tax considerations but, in the context of CGT, a gift into trust almost always qualifies for full holdover relief, provided the current owner cannot benefit from the trust. Making the gift to a trust therefore reduces the risk of a failed holdover claim.

Evidence

In all cases it is important to retain sufficient documentary evidence to support a claim. In the event of enquiry, HMRC are likely to require proof. This is more likely where substantial tax is at stake.

Conclusion

Each case differs depending on the specific circumstances and intentions of the family but there is often considerable opportunity to significantly mitigate tax liabilities with detailed planning before any changes are made.

Please contact us before you proceed with transferring property within the family.

PROBATE AND ESTATE ADMINISTRATION SERVICES

Farming businesses are often multi-generational, with the senior members staying actively involved in a family partnership, and retaining property ownership, until late in life. For many years (at least up to the autumn 2024 Budget), the tax regime incentivised that too. It is therefore inevitable that, every year, we lose a few of our valued clients.

When that happens, one of the family's first contacts is usually their solicitor. Please remember that Simpkins Edwards do probate and we believe our charges are very competitive.

Probate is a regulated activity, and we have a dedicated team that operate from our Exeter office. With four authorised individuals who are licensed to undertake non contentious probate work.

In many ways, Simpkins Edwards are well placed to administer a late family member's estate because of our annual involvement during their lifetime, and our tax planning expertise.

Please do not hesitate to ask your usual Simpkins Edwards contact if you would like to know more about our probate services and they can refer you to our specialist team. For more information about the service please see our website.

WINTER FUEL BENEFIT 2025/26

Households with at least one occupant born before 21 September 1959 should receive winter fuel benefit totaling £200 to £300 (depending on age) by 31 December 2025.

Whilst all eligible farming pensioners will receive the payment, for individuals with taxable income over £35,000 in 2025/26, the benefit will be clawed back by way of an additional income tax charge. Unlike child benefit, there will be no tapering, so if a pensioner's income is £35,001, all of the winter fuel payment will be clawed back. But if it is £34,999, there will be no clawback.

Self-assessment taxpayers liable to the clawback will need to report the benefit in their 2026 tax returns. The clawback can be paid through self-assessment or, where applicable, through the 2026/27 tax code.

For future years, there is to be a facility for higher income pensioners to opt out of receiving the winter fuel benefit.



BIG BROTHER IS WATCHING YOU

For many decades, HMRC have received returns from all UK banks and building societies of interest credited on their customers' accounts, and have had access to other government agency records. Over the years, we have occasionally seen HMRC enquiries triggered by interest income or a property disposal omitted from a tax return.

HMRC 'Connect'

HMRC introduced their 'Connect' supercomputer in 2010 and that system continues to be developed. 'Connect' compares taxpayers' records automatically with multiple databases accessible by HMRC. These include not only government agency records (eg DVLA, Land Registry, DWP and council tax) but also, we understand, some information from banks, credit agencies and trading websites.

Latest developments

Recent new rules now require digital platforms operating in the UK to collect and share data with HMRC (including name, address, national insurance number, annual income, number of transactions and fee charged by the platform) where the annual transaction value exceeds £1,000. These requirements apply to:

- Goods-selling sites (eg eBay, Vinted)
- Service platforms (eg Fiverr, Upwork)
- Rental platforms (eg Airbnb, Booking.com)

And from April 2027, banks' interest returns must include each accountholder's national insurance number. Over the next year, if your bank asks for your national insurance number, you will know why!



Recommendations

While many of us may object to the ever-increasing surveillance which digitisation permits, it is a fact of life. And, if better information enables HMRC to better target their enquiries on non-compliant taxpayers, that may reduce enquiry risk for the compliant majority. Nevertheless, it is essential to take care. To help avoid a tax enquiry (and to reduce the risk of HMRC requiring private financial information in the event of an enquiry) we recommend

- Using a dedicated business bank account to keep the records clean and to avoid unnecessary review of personal transactions.
- Recording each income and expense clearly and accurately.
- Keeping copies of all receipts and invoices – HMRC may require these in the event of enquiry.
- Keeping full details of all personal income – credit interest, dividends, property letting etc. Due to the savings allowance and dividend allowance, there is often no tax payable on modest income from interest and dividends, but it must be disclosed (unless an ISA). Omitting such sources gives HMRC an easy opportunity to open an enquiry, if so minded.

Please contact your usual Simpkins Edwards contact if you would like recordkeeping advice, or if you are concerned to report previously undisclosed income or gain before HMRC identify it.

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AUTUMN BUDGET 2025

Chancellor Rachel Reeves will deliver the Autumn Budget on Wednesday 26th November. Following the Chancellor's announcements, we will be hosting a series of budget seminars to help unpack the key points and explore how they may affect you.

Keep an eye on our events page for further details and timings
simpkinsedwards.co.uk/events



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