

# Addition

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AGRICULTURAL



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# INHERITANCE TAX UPDATE

**There was much concern throughout the farming community after the October 2024 Budget announcement that 100% Agricultural Property Relief (APR) and Business Property Relief (BPR) would be limited to a non-transferable allowance of £1m per person from April 2026.**

Not only was the proposed £1m limit low relative to the average family farm value, but making the allowance non-transferable was both unfair (because the nil rate band and residence nil rate band are transferable) and it required many couples to change their Wills simply to achieve the relief (£1m each) that Government said should be available.

## Relaxations

Following strong lobbying by farming organisations, two major relaxations were announced on 26 November and 23 December 2025 – firstly that the 100% APR/BPR allowance would be transferable, and secondly that the limit would be £2½m per person (rather than £1m).

For many Devon family farms, those changes removed the immediate prospect of inheritance tax (IHT) on the farm.

Larger farms are still impacted but most families do not have more than £5m of business asset value, and making the allowance transferable allows couples to continue with the common Will structure that leaves assets to the surviving spouse on first death, for maximum security.

## Continuing problems

While the late 2025 changes are extremely welcome, there remain some serious problems:

- The £2½m allowance is due to be indexed, but only by CPI inflation, and only from 2031. In practice, it is likely that asset values will rise faster than the allowance, bringing more family farms into IHT as time goes on.
- The October 2024 Budget also announced that pension funds will be subject to IHT from April 2027. For some families, this will disproportionately increase IHT liabilities by pushing the estate value above the level at which eligibility for the residence nil rate band is restricted or forgone.

- Government have indicated that pension funds will not qualify for APR or BPR. Assuming the final legislation reflects that, farmers who have purchased land in a pension fund will have no IHT relief at all on that land – not even the 50% relief available for personally or partnership owned land exceeding the £2½m allowance. In some cases, consideration may need to be given to buying the land back out of the pension fund (which may be a slow and expensive procedure) and, in other cases, plans will have to be made for funding the extra IHT.

## Continued importance of capital tax planning

Given the record of past announcements and revisions, it would be premature to buy farmland out of a pension fund until we have more certainty on the detail of the pension IHT arrangements.

However, farmers should not assume that the late 2025 changes have fully resolved their IHT problems; it remains important to consider the particular circumstances and to make plans accordingly. For some families, that might still mean passing on a (limited) proportion of the asset value to the next generation at an earlier stage than would have been considered just a few years ago.

IHT planning is not about reacting to a single Budget announcement. An effective plan needs to build resilience against an uncertain future: asset values, future governments, relationship breakdown, and even life itself cannot all be reliably predicted.

**We would be glad to assist you with your capital tax planning.**



# INCOME TAX PLANNING

**Although we are now approaching the end of the Basic Payment Scheme/Delinked Payments, the last few years have been relatively profitable for some farms.**

Sheep, and especially cattle, prices increased for a few years up to 2025, and the milk price bounced back in 2024/25 (although global supply pressures have made a large dent since).

Some farmers have successfully replaced BPS funding with SFI income grants and secured capital grants for fencing and other improvements, and planned application windows in June (to be targeted towards smaller farms) and September 2026 will provide further opportunities to join SFI. However, there remains a question mark over the likely longevity of these schemes.

The arable sector has been more difficult, with crop prices depressed since a temporary bounce around the start of the Ukraine war.

In tandem with the long term trend for surviving farms to expand, is profit volatility. Except for a fortunate few, borrowing is nearly always essential for growth but, where possible, it should be focused on assets that will increase farm output (eg land purchases) and care is needed not to overstretch.

If you still have a bank manager, please consider any reservations they express about affordability – they really do want profitable businesses.

## Partnership structure

As your accountants, part of our job is to ensure that your business structure is tax-efficient. For most family farms, partnership continues to be the most suitable structure. With current tax and NIC rates and allowances, a four partner farm sharing profits equally will typically pay 0% tax on the first £25,000 of tax-adjusted profit, 23% on the next £150,000 and 41% on the following tranche.

This assumes that the four partners comprise one couple in receipt of state pension and one younger couple, with no other income.

Partnership structure allows 2 or 5 year farmer averaging to be claimed, helping us to ensure that personal allowances and basic rate income tax bands are used efficiently. Partners in highly profitable

farms can make pension contributions to reduce exposure to higher rates of income tax.

## Company structure

Where profits are consistently high and family drawings are modest, there may be an ongoing tax saving in switching to a company structure.

A company pays 19% corporation tax on the first £50,000 of profit, 26½% on the next £200,000 and 25% thereafter. Thus, company structure can save substantial tax where profits are regularly high, drawings are low and/or there are only one or two individuals among whom profits could be shared in a partnership.

Company structure also offers the protection of limited liability.

However, there can be extra costs and disadvantages, including:

- Costs of creating the new structure, including Stamp Duty Land Tax on any property transferred to the company. In practice, existing land would usually be kept outside the company, unless the level of borrowings dictates otherwise.

- In addition to corporation tax payable on the company's profit, there may be ongoing income tax charges on family drawings and on private usages of company owned assets. In practice, assets such as motor cars would usually be kept outside the company (in which case their running costs are not company expenses).

- The tax-efficiency of a company often relies on keeping down drawings, and reinvesting the company's profits in new company assets (eg additional stock). This means that future land purchases are likely to be in the company's name, which will result in extra tax charges in the event of later private use (eg a house taken into family use, or land taken to build a family house). Those extra tax charges can be substantial.

- Any losses can be offset only against company profits.

- Extra administration, including the preparation of statutory accounts and other documents for filing at Companies House, PAYE compliance for directors, and other requirements for formal paperwork (eg dividend minutes).

- Agricultural property relief (APR) on company shares is only available to controlling shareholders. Against that, it is easier and cheaper to make lifetime gifts of shares in a company, rather than interests in land.

- Cost of extracting funds if a major liability (eg inheritance tax) falls to be paid personally and the available resources are held in a company.

## Conclusion

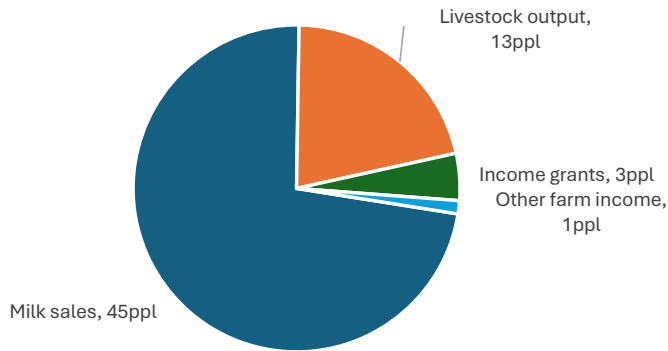
Despite the disadvantages, restructuring as a company can be the right solution in some situations where taxable profits are consistently very high. **However, it is crucial to obtain individual, tailored advice before acting. We would be glad to discuss your circumstances.**



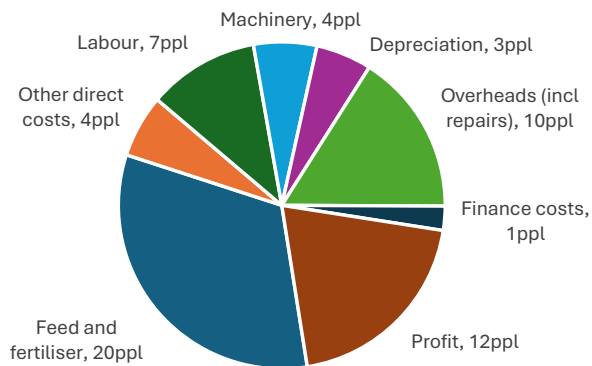
# DAIRY FARM BENCHMARKING

Following the January 2026 self-assessment deadline, we have completed accounts for all our dairy clients, and we have now collated our statistics for the year ended 31 March 2025, adding to our five-year bank of data.

Average income 24/25 (pence per litre)



Average costs and profit 24/25 (pence per litre)



2024/25 was another strong dairy year, with average milk price and profit across our firm of 45p and 12p per litre respectively:

These are average figures, and income and costs vary considerably from farm to farm, depending on milk buyer, extent of any non-dairy income, the dairy system (e.g. extensive grazing, zero grazing and/or organic), the availability of family labour, financial resources and other factors.

The farmland is crucially important; some farms being better suited to a particular production system. Some farms will suit a higher-input higher-output system (particularly in a high milk price year), while others maximise their profit from fewer litres and lower costs.

## Income

The range in milk price was from 39ppl to 54ppl, with the smallest producers generally receiving a poorer price, and organic producers receiving most, unlike 2022/23. Livestock output (which includes both sales and retained stock) varied considerably.

## Expenses

Total feed, seed, fertiliser and bedding costs (including for young as well as dairy stock) ranged from 16½ppl to 27½ppl.

Other costs always vary dramatically from farm to farm.

## Profit variability

While 2024/25 was a strong year for dairy farmers, the sharp drop in milk price since 31 March 2025, attributed to global oversupply, is disappointing. Milk prices have always been cyclical but, since the abolition of milk quotas 11 years ago, cycles have shortened.

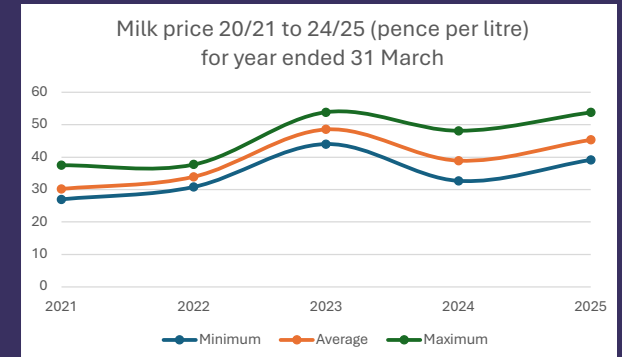
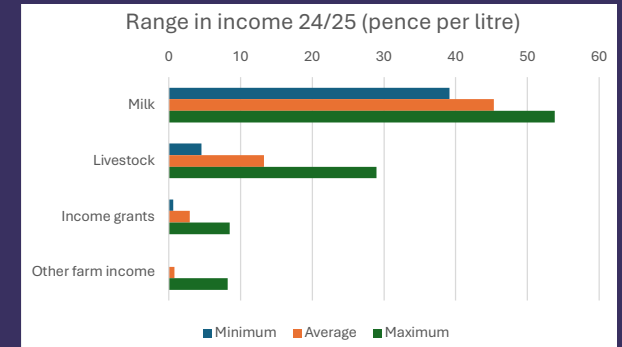
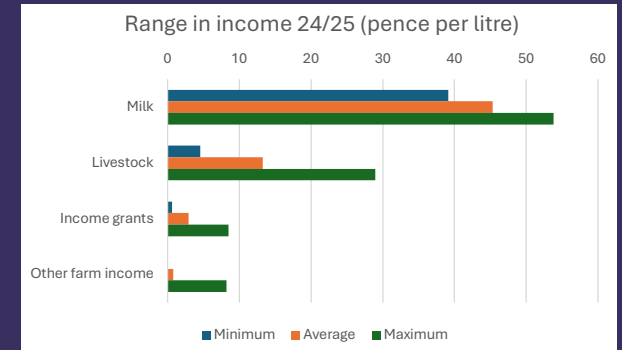
Like 2024/25, 2022/23 was a bumper milk price year and, when prices fell, there was wide variability in our clients' profits for 2023/24 – with different farms adjusting their spending at different rates to the reduced income.

We anticipate something similar now.

Today's dairy farmers need to understand these price fluctuations and plan for the variability.

We believe benchmarking of income and costs is useful where a standardised product, like a litre of milk, is being sold. We can provide a range of benchmarking and management information, from quarterly detail to support more 'real-time' decisions, to benchmarking summaries within your annual accounts pack.

**If you would like to discuss the options further, please ask your usual Simpkins Edwards contact.**



# BASICS OF CAPITAL GAINS TAX

**Capital Gains Tax (CGT) is payable on most lifetime disposals of assets (eg farm property or investments) that have increased in value. CGT applies regardless of whether the disposal is for money, or a gift, or an exchange for another asset.**

For CGT, a gift is treated as if it were a disposal at full market value. This market value rule also applies for disposals at undervalue to close relatives (including siblings and lineal descendants) and for other disposals which do not represent a 'bargain at arm's length'.

CGT is payable by UK residents on disposals of worldwide assets.

The amount taxable is calculated after deductions for:

- The acquisition cost (or 'base cost') of the asset.
- Incidental costs of acquisition and sale (eg legal, estate agent and Land Registry fees).
- Enhancement (or improvement) expenditure.
- Reliefs and exemptions.
- Any available losses.
- The annual exemption.

Rather unfairly in the higher inflation environment of recent years, there is no longer any adjustment for inflation or length of ownership. Gains resulting from general inflation are fully taxable.

## Acquisition cost

For an asset that was purchased at arm's length (eg farmland bought on the open market), the base cost is the price originally paid less any capital gain that was rolled over into the purchase.

For an asset that was inherited, the base cost is the market value at the date of death. Where inheritance tax (IHT) was paid on the deceased's estate, the probate value is binding on both the taxpayer and HMRC (subject to possible adjustment for joint ownership discount).

For an asset that was acquired by gift, the base cost is the market value at date of acquisition less any capital gain that was held over on the gift.

Whenever using valuations, it is prudent (although not mandatory) to obtain a 'red book' valuation from a chartered surveyor.

Being able to disclose 'red book' valuation information reduces the risks of HMRC challenge, and of interest and/or penalties on additional tax payable after enquiry. In the event of HMRC enquiry, it is often necessary for the valuations to be negotiated between the District Valuer (acting for HMRC) and your land valuer.

The costs of obtaining a valuation are deductible in the CGT calculation as incidental selling expenses, but the costs of a valuer's later work (eg during an enquiry) are not deductible.

## Enhancement expenditure

The deduction for improvement costs is limited by statute to amounts incurred by the taxpayer for:

- Enhancing the value of the asset, and still reflected in the state or nature of the asset at the time of the disposal; and/or
- Establishing, preserving or defending title to, or a right over, the asset.

Thus the cost of adding a conservatory is deductible where it is still in place at the time of disposal. But there is no deduction for the cost of adding a conservatory that was demolished again prior to sale.

Routine repairs and maintenance (revenue expenditure) are not deductible for CGT.

## Reliefs and exemptions

Reliefs and exemptions can dramatically reduce or eliminate the CGT payable. These include:

### Spousal transfers

Transfers to a spouse or civil partner (with whom you are still living) are generally treated as taking place on a 'nil gain/nil loss' basis. That means there is no immediate CGT liability and your spouse or civil partner takes on your original base cost.

There are further special rules for separating/divorcing couples.



# CAPITAL GAINS TAX (CONTINUED)

## Main residence relief

Main residence relief usually results in no CGT payable on the disposal of a dwelling (eg the farmhouse) that has been the owner's only or main residence throughout the ownership period. 'Dwelling' includes an ordinary domestic garden, but the relief does not cover parts of the property that are 'outside the curtilage' or have been used exclusively for non-domestic purposes.

There are special rules for spouses (eg they can only have one main residence between them), and time-apportionment usually applies where a dwelling has not been the only or main residence throughout the whole of the ownership period.

## Holdover relief

Holdover relief can be claimed not only on gifts, but also on sales at an undervalue where the proceeds amount to less than the CGT base cost.

Partial holdover relief may be available in other situations involving a sale at undervalue.

A holdover relief claim must be countersigned by the transferee (except for gifts to trusts).

Holdover relief reduces or eliminates the CGT payable by the transferor, but leaves the transferee taxable on the transferor's gain in the event of a later disposal.

Holdover relief is often claimed on lifetime gifts of farm property.

## Rollover relief

Rollover relief is also widely used by farmers. It can be claimed on the reinvestment of the whole proceeds from sale of an asset (typically farmland) that was used for the taxpayer's trading business throughout the ownership period. The new asset must be purchased within 1 year before and 3 years after the disposal, and must be taken into use for the taxpayer's trade immediately on

purchase.

Partial rollover relief may be available where the old asset proceeds are not wholly reinvested. The unreinvested proceeds are taxed.

Rollover relief reduces or eliminates the taxable gain on the disposal, but also reduces the CGT base cost of the new asset by the same amount.

Eligibility for rollover relief is too often prejudiced by errors of detail (eg purchasing the new land in a different name, or not reinvesting sufficient proceeds). On the other hand, eligibility can sometimes be created by selling the old asset piecemeal. If contemplating rollover relief, please contact us for advice before you make the sale.

## Business asset disposal relief

Business asset disposal relief (BADR) allows up to £1m of qualifying lifetime gains to be taxed at a preferential CGT rate. With the increase in BADR rate to 18% from 6 April 2026, this relief is much less meaningful than previously, but it should still be considered where a business interest is being reduced.

## Chattels relief

Chattels relief exempts most moveable physical assets (eg antiques, vehicles, guns, equipment) from CGT where the proceeds are less than £6,000. For a set of items, the £6,000 limit applies to the set rather than each individual asset.

Chattels relief is not available for assets that were, or could have been, claimed for capital allowances. This tends to restrict its application to personal, rather than business, items.

## Annual exemption

The annual exemption is now just £3,000 for an individual.

## Non-UK residents

There are special rules for individuals who become non-UK resident before disposing of assets here, and stay non-UK resident for 5 complete tax years.

## Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS)

EIS and SEIS are very high risk financial investments with very favourable tax reliefs. Inter alia, those tax reliefs include ability to defer CGT on another disposal until the EIS/SEIS investment is sold. Unlike normal rollover relief, only the amount of the gain (not the full sale proceeds) needs to be reinvested for EIS/SEIS deferral.

## CGT rate

The current CGT rate is 18% for gains up to the unused amount of a taxpayer's basic rate band (ie between £nil and £37,700) and 24% thereafter.

## CGT reporting and payment

Most capital gains are reported only in the annual tax return, with the CGT payable by 31 January following the tax year end. However,

a special CGT return is required within 60 days of the completion date where either:

- Tax is payable by a UK resident on a disposal of an interest in a dwelling; or
- A non-UK resident disposes of (any) UK property (regardless of whether tax is payable).

Where a special CGT return is required, the CGT must also be paid within 60 days of completion.

## Conclusion

Many farmers have a broad awareness of CGT, including reliefs such as rollover and holdover, but there are major traps in the technical detail.

**If you are considering selling or gifting an asset, please discuss this with us well in advance of the transaction, so there is sufficient time to explore and implement appropriate tax planning opportunities, and so you fully understand the consequences if a tax liability will be triggered.**



# MAKING TAX DIGITAL FOR INCOME TAX IS NOW!

Many years after the Government's first announcement, Making tax digital for Income Tax (MTD) is finally live from April 2026.

If you are an individual with more than £50,000 of sole trade turnover and/or gross property rents, you must register for MTD for 2026/27 and make a first submission (for the quarter ending 30 June 2026) by 7 August 2026.

Unless, of course, if you are exempt.

## Are you exempt?

On 29 January 2026, HMRC issued new guidance on exemptions from MTD. These include temporary as well as permanent exemptions, and a cynic might question whether some of these might have been driven by HMRC's current state of system readiness. The automatic exemptions include:

### Automatic exemptions for 2026/27 only

- Last tax return included a claim for farmer averaging and/or qualifying care relief.
- Last tax return included trust or non-residence pages (and these are expected to continue being needed).

### Automatic exemptions continuing beyond 2026/27

- Last tax return included a claim for married couple's allowance and/or blind person's allowance.
- 2025 tax return declared income as a religious minister or Lloyds member.

Alternatively, it is possible to make a special application to HMRC for exemption if the taxpayer is 'digitally excluded' (eg unable to get internet access at home, work or any suitable alternative location).

Taxpayers who have previously been exempted from MTD for VAT are required to confirm to HMRC (by telephone or in writing) that their circumstances have not changed since, or to re-apply for exemption.

Please bear in mind that the MTD system currently only applies to individuals; not to partnerships, companies, trustees or personal representatives. Partnership income is ignored in determining whether an individual must register for MTD.

However, the income threshold for individuals to join MTD will be reduced to £30,000 in Spring 2027 and £20,000 in Spring 2028.

## Multiple MTD submissions

Over the years, many farmers have diversified away from purely livestock, dairy, or arable farming to support profitability and cashflow. Many farmers have property income from one or more of the following sources:

- Let dwellings and/or business units.
- Land let for a solar farm or wind turbine(s).
- Holiday accommodation, including glamping pods, shepherd huts, and caravan sites.
- Telecommunications masts.

An individual in the MTD regime is required to make a separate quarterly submission for:

- 1) Each separate sole trade.
- 2) All UK source property income (including share of any joint income).
- 3) All foreign source property income on a country-by-country basis (ie one return for all property income from France, a separate return for all property income from Germany, etc).

## Example

An individual had the following sources of income in 2024/25:

Farming sole trade:	£40,000 Turnover
Let cottage on the farm (sole name):	£12,000 Gross rents
Solar farm:	£30,000 Gross rents
Let property in Portugal (sole name):	£24,000 Gross rents
UK buy-to-let (owned jointly with spouse):	£15,000 Gross rents

As the individual's sole trade turnover and (share of) property rents exceeded £50,000, MTD applies from April 2026 (unless exempt). This individual will need to submit three separate quarterly updates; one for each of the following:

- 1) Farming sole trade.
- 2) UK property income (including let cottage, solar farm and share of UK buy-to-let).
- 3) Portugal property income.

In the absence of any other sole trade or property income sources, the spouse will not need to make MTD submissions as their share of relevant income is only £7,500 (ie half share of UK buy-to-let).

## Record-keeping and quarterly submissions

An individual in the MTD regime must maintain a full detailed record of each business transaction (sales and purchases) using compliant software, and make the quarterly submissions directly out of the software.

For sole trades, we tend to recommend cloud accounting software such as Xero or QuickBooks Online. However, where transaction numbers are small (as is often the case with property income), it will often be simpler and more cost-effective to use Excel spreadsheets and bridging software

(such as 123 Sheets). In the latter case, it is essential to have a robust backup procedure, to ensure that you meet the legal requirement to maintain records for at least 5 years and 10 months after each year end, even in the event of computer failure.

HMRC will be issuing an 'estimated tax position' after each quarterly submission. Those 'estimates' will often be unreliable because they will ignore other income sources, as well as year end accounts adjustments.

## Final submission (tax return)

Notwithstanding the quarterly MTD submissions, it will still be necessary to prepare accounts and some form of tax return (possibly reformatted) after the year end. That 'final submission' will include the usual accounting and tax adjustments and will form the basis for your actual tax liability.

## Action points

If you are an individual with sole trade turnover and/or gross property rents totalling somewhere around £50,000 (or more), then please:

- Check now whether you are required to operate MTD from Spring 2026.
- If applicable, ensure that you or your agent registers you now for MTD.
- Understand the quarterly submission deadlines.
- Decide who will make your MTD submissions and how.
- If using an agent:
  - o Confirm what digital records they require.
  - o Agree on formats and timescales.

## Need help?

**Please speak to your usual contact at Simpkins Edwards if you need help. We have the expertise and have put a system in place to help you get organised and compliant now.**

# HIDDEN TREASURES

**It's surprising how often valuable items turn up on farms that have been in the same family for generations. An old cupboard that hasn't been opened since your grandparents' day, or a corner of a barn that's been untouched for years, can sometimes reveal real gems.**

Common finds include silverware, paintings, jewellery, shotguns and even vintage tractors. While discovering them is exciting, the big question is often: what tax do I pay if I sell them?

## Capital gains tax on personal items

If you sell personal physical possessions (known as "chattels") for more than £6,000, you may have to pay capital gains tax (CGT) on any profit you make. Depending on your income, CGT is charged at 18% or 24%.

If a chattel sells for £6,000 or less, no CGT is due.

## Items sold as a set

For items that form a set (eg matching vases), the £6,000 limit applies to the whole set, not each individual item.

If you sell the whole set (or part of it) to one buyer for less than £6,000, there is no CGT.

If you make sales to different buyers, each sale under £6,000 is free of CGT.

## Items owned jointly

The £6,000 limit is applied for each individual so, if an item is owned jointly, a greater value can be sold tax-free:

**EXAMPLE:** Mr and Mrs Giles inherited a painting in 2009 valued at £1,000. In 2026 they sell it for £9,000. Each of them is treated as selling their half for £4,500. As this is below the £6,000 limit, no CGT is payable by either of them.

## Sale proceeds between £6,000 and £15,000

Where the sale proceeds exceed £6,000 but are less than £15,000, marginal chattels relief is available. This limits any taxable gain to not more than 5/3rds of the amount by which the sale proceeds exceed £6,000.

**EXAMPLE:** Mrs Giles sells a necklace for £7,500 that originally cost her £1,500.

As the disposal proceeds are between £6,000 and £15,000, the taxable gain is the lower of:

- i) £2,500 (ie 5/3rds of £7,500 less £6,000); or
- ii) £6,000 (ie £7,500 less £1,500).

In this example, the taxable gain is £2,500.

## Wasting chattels

'Wasting chattels' are personal items with a predictable lifespan of less than 50 years and they are usually exempt from CGT, even where the proceeds exceed £6,000. These are typically mechanical items (eg vehicles, appliances and clocks and watches).

## Assets used for business

Chattels relief, and the exemption for wasting chattels, are denied for assets that have been claimed for capital allowances or which, due to business use, could have been claimed. Gains on sales of those assets are liable to CGT.

In addition, output VAT may need to be accounted for.

## Inheritance tax

Many people assume that chattels don't matter for inheritance tax, but unfortunately that's not the case. Valuable heirlooms must be included in the probate valuation. On large estates, this can sometimes significantly increase the inheritance tax bill for beneficiaries.

**If you have found some antiques and are thinking of selling them, please obtain an estimate of value and speak to us about the tax position. It might just be less than expected.**

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## AGRICULTURAL SHOWS 2026

We will be attending the following agricultural shows. Please come along and see us there.

5th August  
NORTH DEVON

6th August  
HONITON

13th August  
OKEHAMPTON

20th August  
CHAGFORD

27th August  
HOLSWORTHY



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