

Agricultural Focus



We're raising money for RABI next Spring with a Dawn to Dusk Tractor Pull!

More details will follow soon, but we'd love your support for this great cause.

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IHT health check: are you ready for 6 April 2026?

On 23 December 2025, HM Treasury made an announcement confirming the 100% agricultural and business property relief allowance previously stated to be £1 million from 6 April 2026, will be increased to £2.5 million per person.

This is welcome news as the increase in the allowance will provide additional inheritance tax relief of up to £300,000 per person, with an additional £1.5 million of assets receiving the full 100% relief rather than 50%.

However, significant changes to inheritance tax (IHT) are coming and so to avoid an unexpected tax charge, here's what you need to know and the steps to take before the April 2026 deadline.

The headlines

From 6 April 2026, the rules for Agricultural Property Relief (APR) and Business Property Relief (BPR) will change:

- 100% IHT relief will apply only to the first £2.5 million of qualifying assets per individual.
- Any value above £2.5 million will receive 50% relief, meaning an effective 20% IHT charge.
- Any unused part of the £2.5 million allowance can be transferred to a spouse.

Transitional rules apply to lifetime gifts made between 30 October 2024 and 5 April 2026. These gifts will initially follow current rules but will fall under the new regime if the donor dies on or after 6 April 2026 and within seven years of making the gift.

If tax is payable, then the liability can be paid in ten interest-free annual instalments but only where assets qualify for APR/BPR meaning eligibility for the reliefs is still key and cashflow planning is essential.

What should you do now?

To protect your estate and ensure a tax efficient succession, consider these strategic steps:

1. Review who owns what

It is essential to review land and property ownership within the family to make sure everyone knows who owns what. An assessment of the potential IHT liability can then be made, the impact of a tax liability assessed, and this will enable you to plan appropriately.

2. Maximise available allowances

There are still significant tax savings to be gained by operating a trading business. Provided the business is 'wholly or mainly' trading this can secure BPR on investments assets such as let property which would not qualify for IHT relief in isolation.

3. Review partnership agreements

A clear partnership agreement supports succession planning, tax efficiency, and legal protection. It takes priority over a Will, so make sure both documents work together.

4. Review your Will

Well drafted Wills allow you to use the £2.5 million APR/BPR allowance effectively and potentially 'bank' the reliefs. Consider:

- Discretionary trusts with letters of wishes for flexibility.
- Deeds of Variation within two years of death.
- Lasting Power of Attorney (LPA) for health and financial decisions, essential for crisis planning.

5. Consider lifetime gifting

Agricultural land and property or qualifying business property can be gifted during lifetime without triggering a capital gains tax (CGT) charge because a holdover election can defer the gain.

When gifting assets bear in mind:

- The donor needs to survive seven years of the gift for it to fall outside of their estate for IHT purposes.
- The recipient of the gift will lose the tax-free uplift to market value at date of death. Therefore, gift core estate assets that are unlikely to be sold in future.
- Hold onto assets that might have to be sold on death since they benefit from the uplift to market value at the time of death and so Executors could sell these shortly after death without triggering CGT.
- Consider term life assurance to cover the IHT liability over the seven-year gifting period.
- The donor must give up the right to future income and profits from the asset they have gifted otherwise it will be deemed ineffective for IHT purposes.

6. Consider using a trust

Trusts still have a place. They might be useful in the following situations:

- It is still possible before 6 April 2026 to transfer unlimited amounts of qualifying APR or BPR property into trust without triggering a lifetime IHT charge.
- By transferring asset into trust the capital gain can be held over.
- If the intended recipient is not deemed mature enough to take on the asset, a trust allows for continued control and asset protection.

7. Plan for liquidity

If an IHT bill would force asset sales, explore:

- Borrowing facilities or restructuring and ownership.
- Life insurance (possibly in trust) to cover liabilities.
- Updated valuations for clarity on saleability.

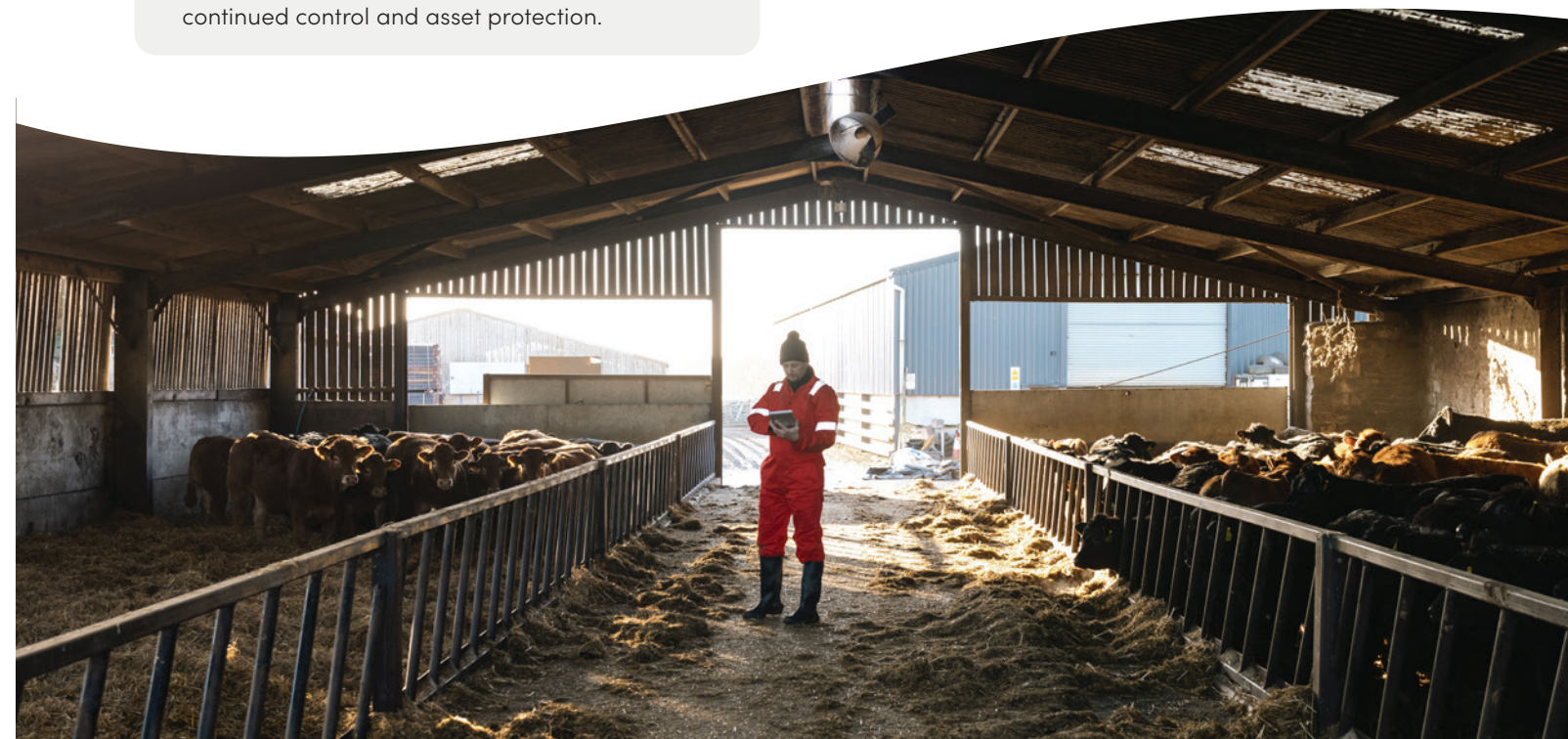
8. Look ahead to pensions

From April 2027, pensions will be subject to IHT. Factor this into long-term planning.

Why act now?

The October 2024 Budget reshaped the IHT landscape. These changes bring both risks and opportunities for farming families. Early, proactive planning is key to preserving wealth and ensuring business continuity.

Want to discuss your options? Contact our team today, we're here to help you navigate these changes with confidence.



2025 Budget update

Rachel Reeves delivered her second Autumn Budget on 26 November. Thankfully the content was not as damaging to farming and rural businesses as the 2024 Budget! Outlined below are the key proposals which could impact farmers and their families:

- **The freeze on the tax-free personal allowance, Income Tax and National Insurance (NI) thresholds** has been extended to April 2031.
- **Savings and property income tax rates** will increase by 2% to 22%, 42% and 47% from April 2027. The tax-free personal saving allowance, of £1,000 for basic rate taxpayers and £500 for high-rate taxpayer, will remain frozen, as will the property allowance of £1,000.
- **The basic and higher dividend tax rates** will increase by 2% from April 2026 to 10.75% and 35.75%, respectively. The additional rate of 39.35% will remain unchanged, as will the dividend allowance of £500.
- **The cash ISA allowance** will be reduced from £20,000 to £12,000 from 2027. The remaining £8,000 will be reserved for investment in stocks and shares ISAs. This restriction will not apply to those aged 65 and older.
- **A new 'mansion' tax**, will introduce council tax surcharges starting at £2,500 on residential properties valued over £2 million, rising to £7,500 for properties over £5 million. This will be payable annually in addition to council tax from April 2028.
- **The £1 million (since increased to £2.5 million) 100% agricultural property and business property relief inheritance tax (IHT) threshold** announced at last year's Budget will be made transferable between spouses in line with the IHT nil rate and residential nil rate bands.
- **Tax free-pension contributions** made via salary sacrifice arrangements will be limited to £2,000 from April 2029, with the excess over this limit being subject to NI.

- **National minimum wage** will increase to the following rates from April 2026:
 - £12.71 for those 21 and over
 - £10.85 for 18–20-year-olds
 - £8.00 for 16 and 17-year-olds
- **The main rate of capital allowances** will decrease to 14% from 18% effective from 1 April 2026 for companies and from 6 April 2026 for unincorporated businesses. Additionally, a new first year allowance of 40% will be introduced from these dates. The annual investment allowance (AIA) of £1 million available on qualifying plant and machinery purchases remains unchanged.
- **A new road tax** will be charged on the use of electric and hybrid vehicles from April 2028. Electric vehicles will suffer a charge of 3p per mile, whilst hybrid vehicles will face a charge of 1.5 per mile.
- **The two-child universal credit cap** will be removed from April 2026, allowing parents to claim universal credit for all their children, provided they meet the eligibility criteria.
- **No changes** have been announced to VAT rates, nor have any changes been made to corporation tax rates.

As always, the devil is in the detail and until the legislation is passed, we will not have absolute certainty over the impact. The introduction of the transferable £1 million 100% IHT threshold between spouses is welcome and does give flexibility when looking at estate planning.

If you would like to discuss any of the government's proposed changes or have concerns over how these changes may impact you or your business, please do not hesitate to contact us.

Planning ahead: Why farmers need to forecast now

2025 has been a rollercoaster for UK farming. A dry summer hit crop yields, global corn prices dipped, but livestock and forage prices climbed. Meanwhile, government support keeps shifting, fewer direct subsidies, more environmental payments pushing farms to diversify and tighten efficiency. In this climate, cash flow forecasting is critical.

Why bother forecasting?

Forecasting isn't just paperwork; it's your opportunity to flag potential cashflow issues early. With unpredictable weather, price swings, and policy changes, knowing what's coming helps you avoid nasty surprises and plan for growth.

Most farms' financial year ends on 31 March, so now's the time to:

- **Estimate tax bills early and plan cash flow.**
- **Review last year's performance** – what worked and what didn't.
- **Decide on when to buy machinery** to claim capital allowances in the right year.

By estimating your profit, you can predict tax payments due in January and July, plan capital expenditure, or pension contributions smartly.

Quick year-end checklist

- **Look back:** How did harvests and livestock perform?
- **Plan ahead:** What spending is coming before year-end?
- **Time big buys:** Should you buy kit now, or wait?
- **Stock movement:** Where you have the option, should you sell now or wait until April?
- **Selling equipment?** Remember, if there's no allowance pool, the full sale price adds to taxable profit.
- **Hire purchase:** Make sure new kit is on-farm and in use by 31 March to claim allowances.

Think beyond March

Short-term fixes are great, but long-term planning builds resilience. Consider:

- **Finance:** Spot future cash crunches and line up overdrafts, loans, or flexible credit.
- **Risk:** Check insurance still fits your farm.
- **Debt:** Restructure for better interest rates.
- **Diversify:** Add new income streams such as renewables, tourism, niche crops.
- **Tech:** Invest in kit that saves labour and boosts efficiency.
- **Subsidies:** How reliant is your business on subsidies? The replacement for SFI is currently unknown and this could leave a big hole in your cashflow.
- **Succession:** Plan and involve the next generation now and consider how your business might manage an inheritance tax liability.

How can we help?

2025 proved that proactive planning pays. We speak to farming businesses every day about their goals and what needs considering for the year ahead. Having the conversation with your accountant before you do something will make sure it is as tax efficient as possible.

- **Cashflows:** Preparation of cashflows can help identify pinch points.
- **Profit forecasts:** Estimate profitability before the year-end to make informed decisions.
- **Tax projections:** Provide ballpark tax estimates using in-house management accounts for cash flow planning and consider options like farmers' averaging.

Combine short-term forecasting with long-term strategy, and you'll be able to handle the challenges facing UK farming and keep your business moving forward.



VAT rules on establishing a new residential dwelling

Thinking of building your dream home, or converting a barn into a cosy dwelling? Whether you're constructing on bare land or converting a farm building, understanding the different VAT treatment is essential.

The construction of a new house is generally zero rated for VAT with no VAT being charged on the construction services, or qualifying building materials supplied by a contractor. This applies where there is no existing building and where an existing building is completely demolished; however, leaving a single wall would mean it does not qualify as zero-rated.

The reduced rate of 5% applies when converting a non-residential building, such as a barn into a dwelling, or converting a derelict property that not been lived in for two years or more before the work began. This reduced rate covers qualifying labour and materials supplied by a contractor. Any self-build materials will incur VAT at the standard rate.

Building a house for you to live in

If you are undergoing a self-build project, you will pay 20% VAT on materials purchased directly from suppliers. The DIY housebuilders scheme will enable you to reclaim VAT incurred on building materials and certain services. VAT on certain costs, such as professional fees for architects, surveyors, and non-essential items such as carpets and appliances, cannot be recovered.

A DIY housebuilder claim must be submitted to HMRC no more than six months after the building work is completed.

Planning conditions

Planning conditions and covenants can significantly affect your VAT eligibility. If your planning permission links the property to business activities or prevents it from being sold, or used separately from other land or buildings, this can affect your ability to claim zero or reduced rate VAT, and block a DIY claim.

If the planning condition simply limits occupancy to a specific group, such as agriculture, this doesn't prevent your claim. HMRC also accept that incidental business use does not affect eligibility under the DIY scheme.

Letting a new build

If the property is provided to a farm worker who must live on-site as part of their job, input VAT can be recovered in full, as the dwelling is considered part of the business. If the intention is to let to a third party, the situation changes. Residential rental income, other than furnished holiday letting is exempt from VAT, meaning any VAT incurred on the build cannot be reclaimed.

Depending on the circumstances, it may be possible to structure the build in such a way that zero or reduced rate can apply, specific advice should always be sort.

Final thoughts

VAT rules around building homes and converting buildings, especially on farm are complex and often misunderstood. Thinking ahead and taking specialist advice early will significantly improve the likelihood of navigating the VAT legislation correctly, and to your best advantage.

Our recommendation is that you should always take VAT advice before submitting a planning application.

Meet the team: Emma Greening, Manager

Tell us a bit about your career so far

My accountancy career began at Hazlewoods after I applied for a job after reading the Agricultural Focus at a family member's house. Coming from an agricultural background and having a love for numbers, the team felt like the perfect fit to me. I left school after completing A-Levels and joined Hazlewoods as an Association of Accountancy Technicians (AAT) apprentice and went on to study and become an Associate Chartered Accountant (ACA) in 2021.

What is it like being an accountant in the agricultural sector right now?

The agricultural sector is always interesting and constantly presents new challenges. It can be the weather, the high interest rates, having little influence on sales prices, cash flow concerns or tax - most notably the changes to the inheritance tax reliefs available for farming businesses.

Assisting clients with profit and cashflow forecasts as we are approaching many clients' financial year-end of 31 March, which is covered in this issue, helps clients plan for the coming months and how to manage some of these challenges.

Following the Autumn 2024 Budget, estate and succession planning is now at the forefront of client's minds, playing a key part in most conversations and meetings. The changes

have brought forward those difficult discussions that may not have happened before. Helping clients to consider their options, weigh up the advantages and disadvantages of those, whilst remembering not to let the tax tail wag the dog.

Why Hazlewoods?

I love working at Hazlewoods and being part of such a fantastic Farms and Estates team. There is a wealth of knowledge within the team, both industry specific and technical, and everyone is incredibly supportive. The team is ever expanding due to the great apprenticeship programme offered by Hazlewoods. I enjoy supporting the new recruits and seeing them learn about the industry.

Our team is one of many within Hazlewoods, which means we can draw on expert advice from across the firm whenever needed.

The clients are also one of the best things about Hazlewoods. Each brings unique opportunities and challenges, from smaller family farms to large estates with extensive diversification. They are great people to work with, and I enjoy building personal relationships and getting to know their businesses.



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