Farms and Rural Business Spring Review 2025

Larking Gowen

Committed to you.

Introduction

by Ashley Smith, Farms and Rural Business Partner

Welcome to the spring edition of our Farms and Rural Business quarterly review.

As I write this, the agriculture industry is facing a great deal of upheaval and uncertainty. The Government's planned changes to the inheritance tax regime, the sudden cap applied to the Basic Payment Scheme, the overnight closure of the Sustainable Farming Incentive are just some of the changes we've seen in recent months.

It's hard not to be disheartened by these changes, especially when the financial impact of them can run into the hundreds of thousands of pounds – sums that are likely to have a material impact for all farming operations. These changes cannot be ignored, and farming businesses will need to plan and adapt to accommodate the new regime.

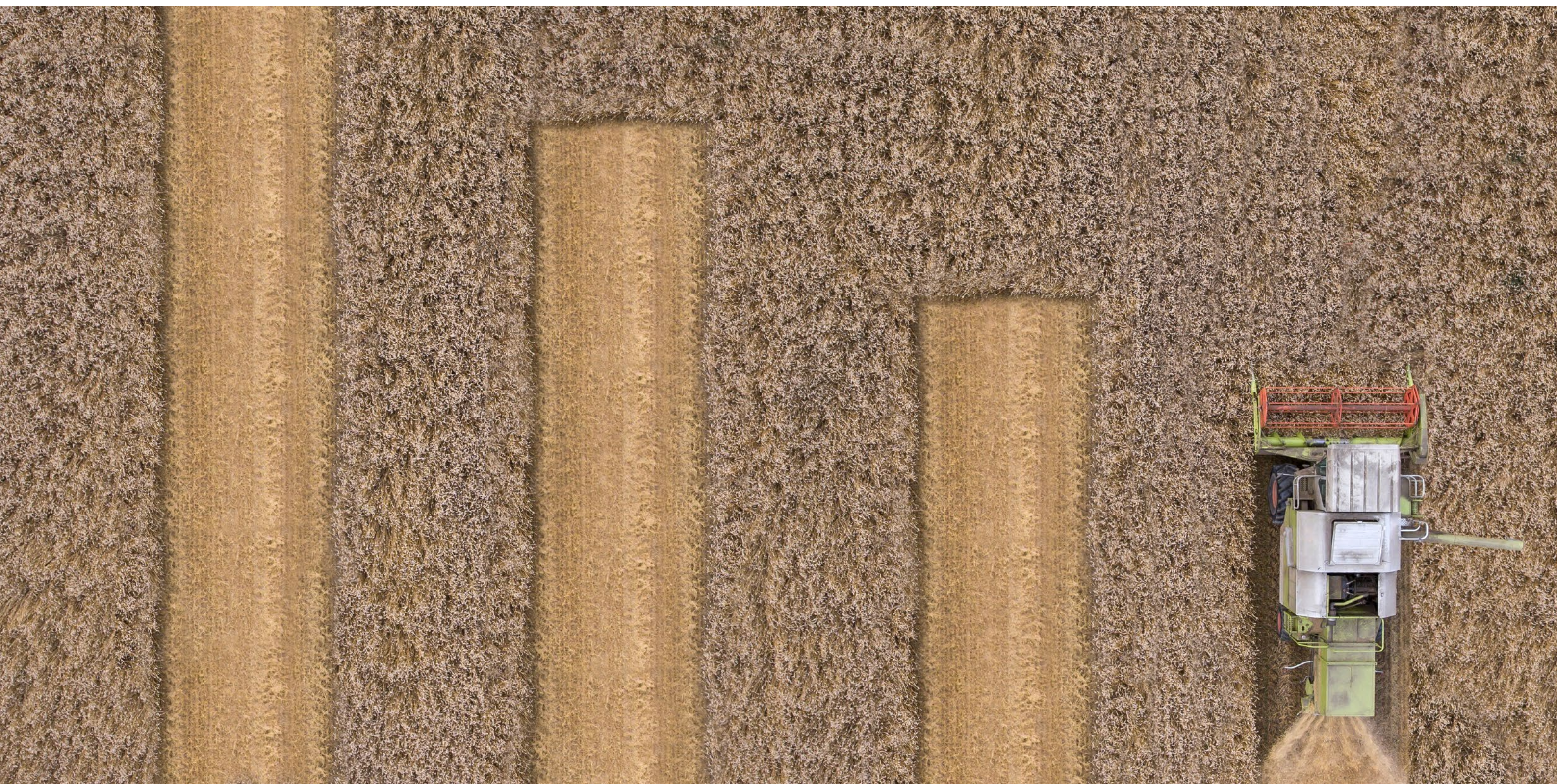
Firstly, let's look at the proposed inheritance tax changes from April 2026. It has previously been the case that many farmers have been better off holding onto assets until their death, however, this is no longer the case in many situations. Strategies of lifetime gifting, joint-ownership of assets, updating wills, life insurance, trusts and incorporation – to name just a few – should now firmly be on the agenda. As ever, there's no 'one-size-fits-all' solution here, and every business and family will have a different approach that works best for them. Thankfully, there are a number of avenues that can be explored to help mitigate the changes, but estate planning and succession are big decisions which do not happen overnight. We don't yet have full details or draft legislation for the proposed changes, but early consideration is vital to make sure proper consideration is given to all of the options. At the very least, you and your business should have a broad plan for how you might approach the changes so that action can be taken when the new legislation is confirmed.

Similar advice applies to the changes to farm subsidies. Many farm cashflows for the coming year have been left with a hole in them and it will be important to make sure budgets and forecasts are adapted to account for this. If conversations are needed with the bank to temporarily extend overdrafts, clearly identifying how much you think you'll need and starting that conversation early is vital.

With reduced governmental support, it's ever important that farming businesses review their operations and sweat all of their assets. Most farms already have diversified income to some extent, but reviewing your assets and exploring new opportunities to generate income streams is helpful to grow the bottom line. Notwithstanding this, diversification should not be the answer to prop up farming and food production, as a standalone enterprise must generate profitable returns to the business.

With all of these changes, I've heard multiple people question whether there's still merit in continuing farming. I remain hugely positive for the farming industry in the long term, not just from farming, in its traditional sense, but also with emerging and expanding opportunities to generate value – including renewable energy, residential or commercial development, biodiversity net gain, carbon credits etc.

A typical farm might look very different in 10 or 20 years' time, but provided we can all navigate these changes together, I am hopeful that farms and estates will remain strong businesses to serve multiple generations to come.



Unexpected closure of the Sustainable Farming Incentive (SFI) scheme

The Rural Payments Agency (RPA) announced on 11 March that applications for the Sustainable Farming Incentive (SFI24) are no longer being accepted. This unexpected decision was made without prior notification from DEFRA or the RPA.

This development is viewed as a setback for sustainable and environmental farming initiatives. During an update call today, the RPA explained that the closure of the SFI scheme resulted from achieving targets and allocating funds. They opted not to give advance notice to prevent a surge in applications as the funding had already been exhausted.

Currently, the RPA advises that an SFI update will be published in the summer, with a 'new and improved' SFI scheme expected to open for new applications in 2026.

Information for SFI agreement holders

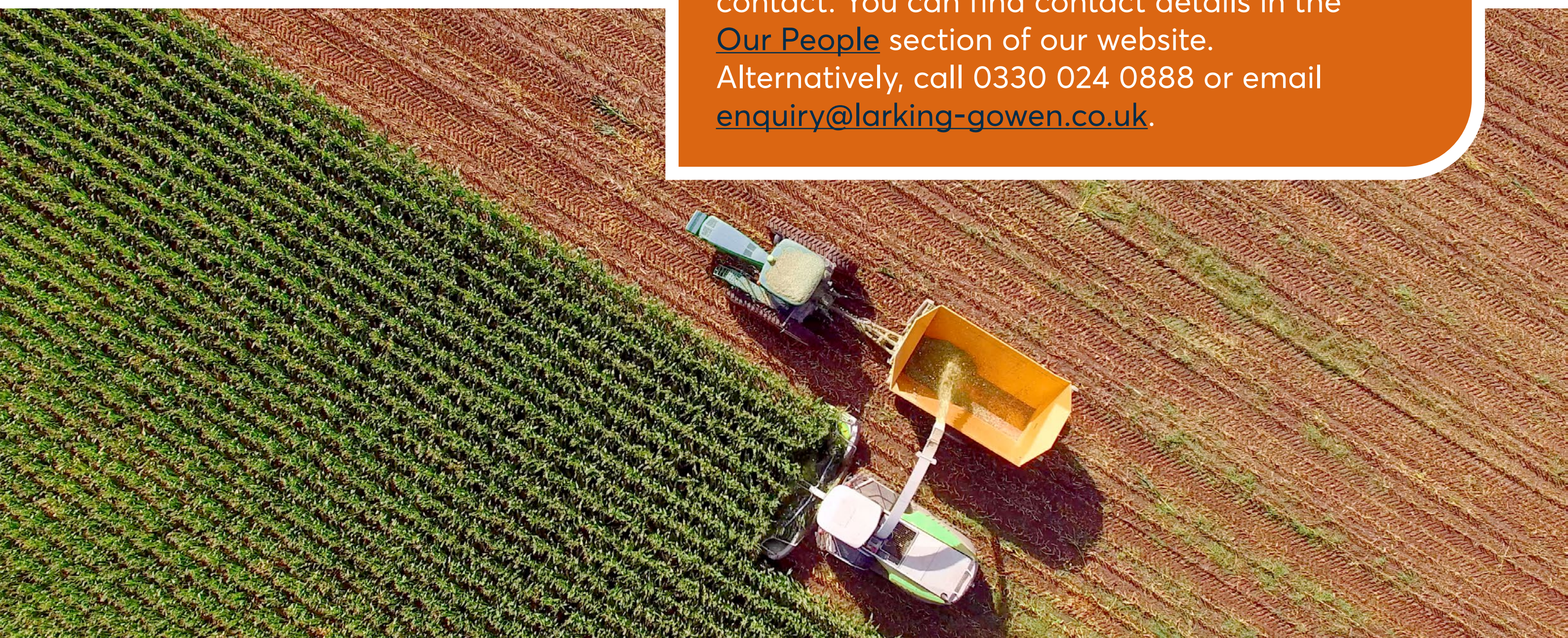
- All existing SFI agreement holders will continue to be paid under the terms of their agreement for its duration.
- Agreement holders who entered into a three-year SFI agreement earlier this year will be paid until 2028.
- Any eligible submitted SFI applications where the agreement has not yet started will also be considered.
- For those in the SFI pilot, they will be able to apply when the pilot agreement ends. If you were in the pilot and your agreement has ended already, but you do not yet have a live SFI agreement, you will be able to apply.

Importantly, the RPA clarified that only the Sustainable Farming Incentive is affected. Other programmes, such as the Higher-Tier, opening in the summer, and the Farming in Protected Landscapes fund (which has been extended until March 2026), remain active.

Arabella Woodruff

Need help?

If you'd like to discuss this in more detail, please get in touch with your usual Larking Gowen contact. You can find contact details in the [Our People] section of our website. Alternatively, call 0330 024 0888 or email enquiry@larking-gowen.co.uk.



Budget 2024: Changes to Agricultural Property Relief (APR) and Business Property Relief (BPR)

The 2024 Budget has introduced significant reforms to two key inheritance tax (IHT) reliefs and the recent Trust Consultation, released in late February 2025 provided some additional insight and confirmation of how the new rules might be applied.

We outline below our understanding of the current policy statement from the Budget in October 2024 and a high level summary of the implications of the policy on its interaction with trusts going forward. The legislation is yet to be drafted, therefore we advise you get in contact with us to explore your position in more detail, as necessary.

Key changes to APR and BPR

Relief rates and allowance application

The most notable change is the limitation of 100% relief to the first £1 million of combined qualifying agricultural and business property. This means that any qualifying property exceeding this threshold will only be eligible for 50% relief. Additionally, AIM shares will no longer qualify for 100% relief and, accordingly, any value attributable to these investments do not form part of the £1 million limit. AIM shares will be capped at 50% relief.

The £1 million allowance will be applied proportionately if the total value of qualifying property exceeds £1 million. For instance, if an individual owns £2.5 million of qualifying agricultural property and £5.5 million of qualifying business property, the allowance will be split as £312,500 for agricultural property and £687,500 for business property.

Importantly, it's expected that any unused portion of this allowance cannot be transferred between spouses or civil partners, and it will refresh every seven years on a rolling basis. As such, we recommend that will planning and tax planning are considered together.

Trusts and their transition to the new regime

Relevant property trusts

'Relevant property' trusts, which are subject to 10-yearly and exit charges, will also qualify for a £1 million allowance on the value of qualifying property. Any excess value will be limited to 50% relief. Trusts created before Budget Day on 30 October 2024 will transition to the new regime on their first ten-year anniversary after 6 April 2026. If qualifying property exits the trust before that anniversary, the current rules will apply (100% APR/BPR relief), and these exits will not affect the £1 million allowance available at the following ten-year anniversary.

When calculating the first anniversary charge in the new regime, the new rules will apply to only complete quarter-years that fall on or after 6 April 2026. This aims to achieve a smooth transition and avoids retrospective application of the new relief limits.

£1 million allowance refresh

A trust's available allowance will refresh every 10 years. This means qualifying agricultural and business property held in that trust will receive 100% relief on up to £1 million at each ten-year anniversary charge. This refresh mechanism makes sure that trusts can continue to benefit from the relief over time, providing a degree of predictability and stability in estate and tax planning.

Exit charges

The allowance also applies when qualifying agricultural or business property is removed from a relevant property trust. If there are multiple exits within a 10-year period, the relief is applied in order of the exits and on a cumulative basis. Any portion of the allowance used to offset an exit charge will reduce the amount available at the next 10-year anniversary. The same allowance cannot be used twice – once on exit and again at the 10-year anniversary.

Multiple trusts by a settlor

For trusts created by the same settlor before 30 October 2024, each will benefit from its own £1 million allowance once in the new regime. However, for trusts created on or after 30 October 2024, a single £1 million allowance will be shared among them, allocated chronologically. This allocation is set at the outset and cannot be reallocated if the trust with the £1 million relief allocation is no longer able to benefit from it. For example, if one trust distributes all qualifying property, its allowance cannot be transferred to other trusts and will be lost.

Other trusts (e.g. qualifying interest in possession/immediate post death interest)

Under current rules, qualifying agricultural or business property held in these types of trusts is treated as part of the income beneficiary's estate for inheritance tax purposes when they die. This treatment will remain unchanged. When an income beneficiary dies on or after 6 April 2026, their personal £1 million allowance will be shared proportionally between qualifying property in the trust and qualifying property in their personal estate, based on their relative values –similar to the example discussed at the start of this article.

If the income beneficiary's interest in qualifying agricultural or business property ends during their lifetime, this is treated as a gift from the beneficiary. For such gifts made on or after 30 October 2024, if the income beneficiary dies on or after 6 April 2026 but within seven years of the gift, the new rules will apply. In this case, the £1 million allowance will first be applied to that lifetime transfer.

Related property rule

To prevent property from being split across multiple trusts to create discounts and maximise use of the £1 million allowance, the Government is proposing a 'related property' rule for multiple trusts created by the same settlor.

Under this proposal, qualifying property held in different trusts by the same settlor can be linked for valuation purposes; that is, valued as a single block. If valuing the property together results in a higher total value than valuing each settlement separately, the higher value will be used when calculating ten-year anniversary and exit charges. This potential rule should be carefully considered during family tax planning, if implemented.

Need help?

The announced changes to APR and BPR are significant and will undoubtedly cause concern among those affected. However, there continue to be opportunities to mitigate the IHT burden through careful planning and strategic use of trusts.

The Government's consultation on these reforms closes on 23 April 2025, with draft legislation expected later in 2025. This will provide further clarification and allow for more detailed planning.

If you need tailored advice on how these reforms affect you, please get in touch with us. Our team of experts are ready to help you navigate these new regulations.

Changes to the tax treatment of pick-up trucks from April 2025

What you need to know

Significant changes are coming to the tax treatment of double cab pick-up trucks in the UK. These changes will impact both businesses and employees who use these vehicles.

From April 2025, double cab pick-up trucks with a payload capacity of at least one tonne will no longer be classified as vans for tax purposes. Instead, they will be treated as cars.

Impact on benefit-in-kind tax

The reclassification means that employees using double cab pick-ups for personal use will face higher benefit-in-kind (BIK) tax rates. Previously, these vehicles enjoyed lower BIK tax rates as they were classified as vans. The new classification as cars will result in higher tax liabilities for employees.

Capital allowances

Businesses will also be affected by the changes in capital allowances. Double cab pick-ups will no longer qualify for the same capital allowances as vans. Instead, they will be subject to the allowances applicable to cars, which are generally less favourable.

Transitional arrangements

To ease the transition, HMRC have introduced transitional arrangements for vehicles purchased, leased, or ordered before 6 April 2025. These vehicles can continue to be treated under the old rules until the earlier of disposal, lease expiry, or 5 April 2029.

Laura Whitmore

Practical implications for businesses

Businesses should review their fleet and consider the financial implications of these changes. If your current double cab pick-up is nearing the end of its life, it might be beneficial to replace it before the new rules take effect to lock in the current tax benefits until 2029.

Need help?

The upcoming changes by HMRC represent a significant shift in how double cab pick-up trucks are taxed. Both businesses and employees need to be aware of these changes and plan accordingly to mitigate any potential financial impact. For further advice, get in touch with our team.

Farmers' update: Capital Grants and Stewardship Schemes

DEFRA has announced important updates on two key funding schemes that could impact many farms and rural businesses: Capital Grants and Higher Level Stewardship (HLS)/Countryside Stewardship Higher Tier (CSHT). Here's what you need to know.

Capital Grants: Funding secured and new spending caps

Good news for those who applied for Capital Grants before the scheme temporarily closed in November 2024; DEFRA has now secured enough funding to process the 4,040 applications that were put on hold. If yours was one of them, you don't need to do anything; the Rural Payments Agency (RPA) will be in touch.

If you missed the deadline, you'll get another chance to apply when the scheme reopens later this year.

Key changes to note

Spending caps were introduced:

- £25,000 for projects improving water and air quality or managing natural flood risks.
- £35,000 for boundary, tree and orchard projects.

Fairer access: New controls aim to balance demand and make sure smaller farms and high-priority projects get a fair share of funding.

Continued environmental focus: Grants support biodiversity projects such as hedge planting, habitat restoration and natural flood management.

DEFRA will release further guidance soon, so keep an eye out if you plan to apply.

Higher Level Stewardship and Countryside Stewardship Higher Tier: Higher payments and scheme improvements

For those involved in Higher Level Stewardship (HLS), there's a welcome boost; payment rates are increasing from the 2025 claim year to better reflect the work involved in managing habitats and restoring landscapes. All existing agreement holders will receive these higher rates automatically as part of their payments from December 2025. DEFRA will send out details by April, along with a table of updated rates.

Meanwhile, Countryside Stewardship Higher Tier (CSHT) continues to support farmers managing land for environmental benefits. The scheme covers a wide range of land types, including woodlands, farmed land and Sites of Special Scientific Interest (SSSIs).

Applications now require collaboration with Natural England and Forestry Commission advisers to tailor environmental outcomes.

Pre-application is by invitation only (for now). DEFRA is testing an improved CSHT scheme, with plans to widen access in the future.

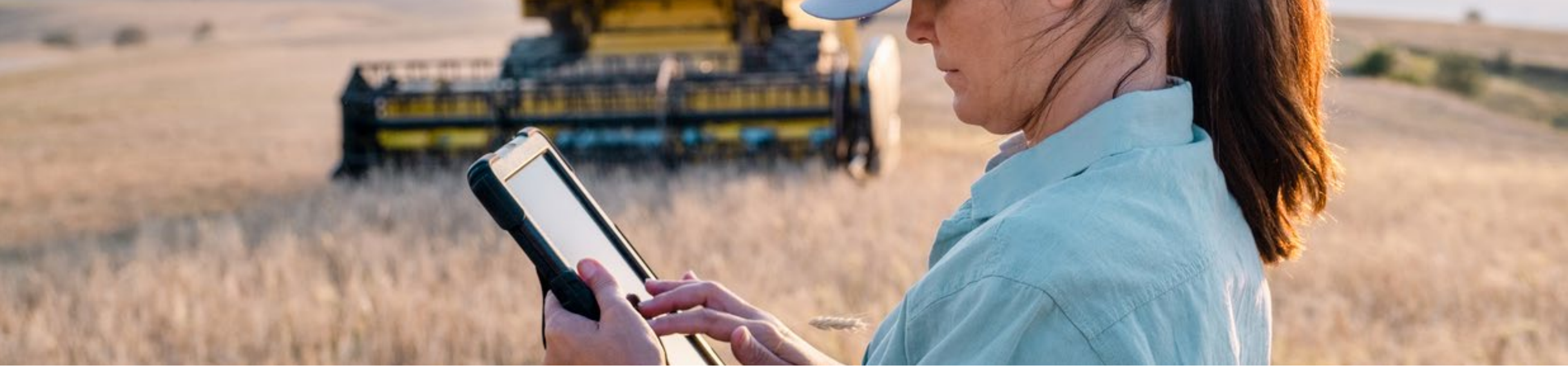
These schemes offer valuable funding, particularly for those committed to environmental land management and biodiversity restoration. Further details will be released in the coming months.

Bruce Masson

Need help?

Whether you're waiting on a Capital Grant application or considering Stewardship funding, it's clear DEFRA is refining these schemes to support environmental goals while ensuring fair access. If you need help with the changes or planning for future applications, now's a good time to review your options.

Seek expert advice if you're unsure about how these updates impact your farm or business. Get in touch with your usual Larking Gowen contact via the Our People section of our website, or email enquiry@larking-gowen.co.uk.



Reforms to inheritance tax reliefs for property settled into trust

The UK government has recently proposed significant reforms to inheritance tax reliefs for property settled into trust. Here's a breakdown of the key points and what they mean for you.

1. Transfers from 6 April 2026

From 6 April 2026, the following changes will apply to property settled into trust:

- A £1 million allowance will be introduced for property qualifying for 100% agricultural property relief or business property relief. After this allowance is exhausted, the relief will apply at a reduced rate of 50%. In practice, there will be two separate £1 million allowances for individuals and for trustees.
- Business property relief for shares traded on recognised stock exchanges (but not listed) will be reduced from 100% to 50%.
- The existing 100% rate of relief remains available for other unlisted shares such as shares in a private company.
- Measures will be implemented to prevent property from being added to multiple trusts to reduce tax liabilities. After 30 October 2024 each settlor will have a £1 million allowance for 100% relief.
- The changes will also apply to special trusts, such as qualifying interest in possession (QIIP) trusts and Age 18 to 25 trusts.

2. Rules for trusts and transfers made before 6 April 2026

Transfers made before 30 October 2024

- **Potentially Exempt Transfers (PETs) and Chargeable Lifetime Transfers**: These transfers will not be affected by the new rules and will follow the regulations in place at the time they were made.
- **Relevant Property Trusts**: Qualifying agricultural and business property settled into a relevant property trust before 30 October 2024 will be subject to the new regime at the trust's next 10-year anniversary charge on or after 6 April 2026. Exits before this date will continue to receive unlimited 100% relief.

Transfers made between 30 October 2024 and 6 April 2026

- **PETs**: The £1 million allowance will apply to PETs of qualifying agricultural and business property made during this period if the transferor dies within seven years and on or after 6 April 2026.
- **Chargeable Lifetime Transfers**: The £1 million allowance will not apply to 20% entry charges on qualifying agricultural and business property settled into trust during this period, provided the settlor lives for seven years after the transfer. If the settlor dies within seven years and on or after 6 April 2026, the allowance will apply.
- **Relevant Property Trusts**: Exits before 6 April 2026 will receive 100% relief and will not reduce the trustee's £1 million allowance at the next 10-year anniversary charge. Exits after 5 April 2026 will reduce the allowance accordingly.

Payment of inheritance tax

One of the notable changes is the option to pay inheritance tax by equal annual instalments over 10 years, interest-free, for all property eligible for agricultural property relief or business property relief from 6 April 2026. This provides greater flexibility and ease for taxpayers.

Potential impacts

The proposed reforms are likely to have several impacts on taxpayers and the management of trusts:

- The introduction of the £1 million allowance and reduced relief rates will require careful financial planning to maximise tax benefits.
- Trustees will need to review and possibly restructure trusts to comply with the new rules and optimise tax reliefs.
- Owners of agricultural and business properties will need to assess the value of their assets and how the new allowance affects their inheritance tax liabilities.
- The changes may increase the administrative burden on trustees and property owners as they navigate the new regulations.
- Families and businesses will need to develop long-term tax strategies to adapt to the new relief structures and ensure efficient estate planning.

If you would like tailored advice on how these reforms affect you, please get in touch with us. We can help you with planning for these new regulations.

Events overview

With the event industry continuing to grow, Larking Gowen love being out in the community supporting as many events as possible within the agricultural sector.

Throughout 2025, you'll see us at both the Royal Norfolk Show and Suffolk Show. We're returning to the South Suffolk Show for the second time and are continuing our long-standing support at Wayland and Aylsham Shows.

Our growth at Prospect House in Norwich has allowed us to hold more client events in-house. We were delighted to welcome over 70 clients to Prospect House recently to present valuable information around the new inheritance tax changes. If you attended, we hope you found this event useful, however, if you were unable to attend but would like to access some of the valuable content please click here.

Supporting NFWAG Farm Walks

We're proud to support FWAG by providing speakers at four FWAG farm events. The Farms and Rural Business Partners will be talking about key topics – keep an eye on our socials for further details on the topics that will be covered.

Tuesday 13 May: Fred Southgate – Fen Farm, Attleborough, Norwich, NR17 1AS

Wednesday 4 June: Rob Alston – Church Farm, Carleton Forehoe, Norwich, NR9 4AL

Thursday 12 June: Louise Bond – Bedingham Hall, Hall Road, Bedingham, Bungay, NR35 2DD

Wednesday 16 July: Bruce Patterson – Church Farm, Smallburgh, NR12 9NB

NORFOLK FWAG

CLA AGM

CLA

We're thrilled to have once again partnered with CLA Norfolk for this year's AGM. The event was held at Thursford, home to the world-famous Christmas Spectacular and huge collection of steam engines and organs.

Attendees received an exclusive behind-the-scenes look at the unique farm diversification project in Norfolk and were able to hear from John Cushing and his family's incredible journey in turning Thursford into a multi-million-pound tourism business.

How can we help you?

We review the whole financial structure of our clients' farming and business enterprises regularly to understand their needs, aims and future aspirations. In addition to the standard accountancy and tax compliance services we provide to our clients, we routinely perform specialist services such as:

Business structure advice

Assessment of diversification plans and associated tax consequences

Succession planning and the passing of assets to the next generation

Contract Farming Agreement reviews

Capital tax planning

Contract farming accounts

Inheritance tax advice and will reviews

Specialist capital allowance claims

Review of Partnership Agreements

Research and development claims

Preparation of cashflow forecasts, profit or loss forecasts and business plans

Probate services and estate accounts

If you're searching for a personal and client focused approach then please get in touch with us for a free initial consultation on-farm or at one of our offices.

Autumn Farming Conference Series

Larking Gowen

Autumn Farming Conference

This year's event will travel to various locations across the region to deliver a series of impactful sessions to include up-to-the minute agricultural topics and budgetary influences on the sector.

Make sure you're signed up to our mailing list to be the first to book! Sign up here.

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