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FARMING UPDATE

TAX CHANGES

For additional properties

EXECUTORS

Choose yours wisely

HEALTH & SAFETY

When to spend on qualifications

REBATES

Excise Duty

CASH FLOW

- Getting behind the figures
- Understanding your options



TAX CHANGES FOR ADDITIONAL PROPERTIES

Additional Properties are buy-to-let residential properties and second homes.

When the government were drawing up rules to restrict income tax relief on mortgage interest which will affect second homes, they specifically excluded furnished holiday lets. However, the new stamp duty land tax rules for additional properties intend for FHLs to be treated as other residential property.

Farmers are less likely to buy additional properties as much of the housing stock they let out is converted barns which will not change hands and therefore not be subject to higher rate SDLT. However houses bought for farm workers or to increase a residential property portfolio will suffer the charge.

A home owner who wants to buy a property for their child to live in will be caught by the additional 3% SDLT, and couples who want to jointly buy a

house but one of them owns a house already will also suffer the additional charge.

A purchase of a new main home would also be caught if it is acquired before the existing home is sold. However, this could be reclaimed if the first property is sold within 18 months.

Residential landlords are also being targeted by new Capital Gains Tax rules which will make tax payable 30 days after a sale of additional property. Currently the tax is not payable until up to 21 months after the sale. It is not yet clear if furnished holiday lets will be included. FHLs qualify for roll over relief which have a 3 year time frame for re-investment so it would be a little incongruous to include them. We must wait and see; the consultation period ends on 1 April 2016.

WEB WATCH

EU Referendum and Brexit

The effect of the outcome of the June referendum on farmers is unlikely to feature highly in the main media channels. In addition to the expected publications producing regular articles, various bodies have produced reports which can be found on the internet and offer additional perspective ahead of the vote these include: -

<http://capreform.eu/agriculture-in-the-debate-over-brexit/> - a blog written by Alan Matthews who is Professor Emeritus of European Agricultural Policy in the Department of Economics at Trinity College, Dublin, Ireland.

http://yas.co.uk/uploads/files/YAS_FSN_Brexit_-_Full_Report.pdf this is a report from The Yorkshire Agricultural Society's Farmer – Scientist network, there is also a shorter executive summary on their website.

businessblogshub.com

For a more recognised news provider:

Farmers Guardian - <https://www.fginsight.com/news/the-great-brexit-debate---is-uk-agriculture-better-off-in-or-out-9228>

There is a lot of information available; assessing its value and relevance is much more difficult. For a comprehensive overview of prospects for agriculture in 2016 the Andersons Outlook is a start.

<http://www.andersons.co.uk/images/AndersonsOutlook2016.pdf>

DUTIES OF AN EXECUTOR - CHOOSE WISELY

When somebody dies it is the responsibility of their executors to administer their estate.

Where a deceased ran a business the executors will need to keep the business running, either in the short term as the remaining assets are sold off, or for a longer term if the business is to continue.

Customers, suppliers and staff will all need to be notified that the executors are running the business.

The executors will need to ensure business accounts are prepared, file tax returns and pay any tax and VAT liabilities by the due dates both for the period to the date of death and the administration period.

It is therefore important that everyone prepares a Will and considers carefully who would be appropriate executors and review their Will regularly. This is particularly important for business owners. In some cases a professional advisor, such as an accountant may be best placed to act as an executor; in many cases together with a continuing partner or family member.

Where the deceased owns shares in a limited company, it will be important to consider whether the articles of association or any shareholders' agreement gives (or should give) the remaining shareholders a right to acquire these shares.

In addition to dealing with the business an executor has many other duties such as collecting in full details of the deceased's assets and liabilities, paying any inheritance tax, obtaining the Grant of Probate and distributing the assets as set out in the Will. Executors may be personally liable for any mistakes in the administration.

An executor may also need to consider the tax implications of any actions they take, such as whether assets should be sold and cash distributed to beneficiaries, or whether the asset itself should be transferred to the beneficiaries.

The first place to start is by having a Will and reviewing it on a regular basis to ensure it covers changes in personal and business circumstances. Please contact us for any help you may require.

FACT OR FICTION – HEALTH AND SAFETY AT WORK ON THE FARM

Times are hard and everyone is encouraged to cut costs but taking shortcuts might be expensive in terms of human life and /or Health & Safety Executive (HSE) fines.

Myths and misinformation run rampant amongst those operating machinery around farms. Some of the most common misunderstandings heard on the farm include FICTION such as:

'Health & Safety Laws don't affect me because it's only me working on the farm'

'My family aren't employed by the farm, they just help out.'

Penny Bond, Director of Hush Farms Ltd., explains *"More often than not, people aren't aware that they must complete approved training, on a regular basis, to operate machinery on the farm."*

A professional training provider will help businesses to understand what training is considered 'appropriate' by HSE and direct famers away from spending money on qualifications that they don't actually need.

Did you know any of the FACTS below about HSE Guidance:

TELEHANDLER

- Training must be delivered by a qualified instructor and refresher training completed every 3 to 5 years.
- Age restrictions apply to operating specific sizes of telehandlers.
- Carrying bales on a spike or grab of a telehandler along a public road is NOT strictly within the law.

The Health and Safety Executive guidance on travelling with a tractor mounted fore-end loader or telescopic materials handler on the public highway: <http://www.hse.gov.uk/agriculture/topics/machinery/farm-vehicles-5.htm>





TRACTOR

- Under close supervision, you may be permitted to ride on or operate a tractor within certain limits from the age of 13. You should be able to reach all controls and pedals from the driver's seat.
- To drive a tractor on the road, a young person must hold at least a provisional driving licence and have passed the relevant DVLA test for tractors on the road. They may not even drive the tractor on the road, to practice for their test.

ATV

- If you drive an ATV on the road, you must possess a full and valid driving licence.

- Helmets must be provided and worn at all times when operating an ATV for work.

It is a legal requirement for employers to provide adequate training for employees who use work equipment, and to make sure that only employees who have received appropriate training in their safe use, including the use of any towed equipment or attachments, are permitted to ride on, or drive them. The same requirements apply to the self-employed.

Thanks to Hush Farms Ltd, Land Based Training for this contribution.



EXCISE DUTY REBATES - GROWERS OF HORTICULTURAL PRODUCE

Growing the crops listed below qualifies you for excise duty rebates on fuel oil used to heat buildings, structures or the earth:

- (a) fruit
- (b) vegetables of a kind grown for human consumption, including fungi (this does not include main crop potatoes; or peas grown for seed, for harvesting dry or for vining)
- (c) flowers, pot plants and decorative foliage
- (d) herbs
- (e) seeds but not pea seeds, bulbs and other material for sowing or planting to

- grow the produce described at (a) to (d) above
- reproduce the seeds, bulbs or other material sown or planted
- (f) trees and shrubs (not including trees grown for the purpose of afforestation).

Hops are not included.

Full details can be found on the gov.uk website:- Excise Notice 183: Repayment of Excise Duty on heavy oil used by growers of horticultural produce. Or please contact us for more details.

CASH FLOW – TIME FOR HEART SEARCHING

Mr Micawber's famous, and oft-quoted, recipe for happiness: *"Annual income twenty pounds, annual expenditure nineteen, nineteen, and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."*
Charles Dickens, David Copperfield

With the dive in commodity prices all sectors are having to take a good hard look at cost structures and difficult decisions have to be made.

With farms it is so often a great deal more than the business that is at stake. It is imperative that farmers can forecast their

cash requirements, (this will give the bank manager a degree of comfort as well), recognise the drivers to profitability and set about actively managing them.

Re-assess the results on a monthly basis, if the changes implemented do not bring the intended result, look again. If your debts are growing then the longer you delay before stemming the shortfall the less you will have left at the end.

The correct thing to do if you can not see an upturn in a reasonable time frame is to stop the loss making operation. Spending your savings or releasing capital assets to stem a loss only reduces your net worth.

Some argue that stopping is a waste of what they have invested thus far, but a break does not mean you can not return, it does mean that the level of the losses are capped.

Ceasing a loss making operation leaves you with overheads to cover: Think outside the box – what other opportunities have you got, maybe from outside farming,

to generate an income? How can those overheads be minimised, there could be a short term and a long term answer and they may be different.

Co-operation and collaboration are strategies to reduce overheads, speak to your farming neighbours, you might be surprised at the savings or alternative incomes that could be made.

Looking at accounts with clients, it is clear that in a significant number of cases the Basic Payment (when it arrives) is greater than the profit for the whole farm, or at least a significant proportion of the profit. What would your figures look like if you ceased your least profitable enterprise(s), cut your overheads and ran your remaining activities on a low input extensive basis? Potentially you would have time to devote to obtaining an alternative source of income.

Turnover is vanity, profit is sanity – so the saying goes, but cash is KING.

We are well placed to help you, please contact us to discuss your business plans while there are options available.



REMOVAL OF THE WEAR AND TEAR ALLOWANCE

Many businesses receive capital allowances to recognise the depreciation of equipment used in the business. However, there are no capital allowances due for equipment bought for use in a residential property.

Furnished Holiday Lets

There are exceptions to this rule for property which falls within the definition of a furnished holiday letting and expenditure on assets which are used in the non-residential part of a block of flats, for example the hallways.

Since April 2013 where a taxpayer lets a fully furnished residential property, a deduction could only be claimed for a wear and tear allowance of 10% of the 'net rent' from the furnished letting, designed to cover the depreciation of equipment.

Partly Furnished Property

Furthermore from the same date where a dwelling is let partly furnished, there are no allowances due at all unless costs are incurred on equipment and can be classified as a repair. Relief will then be given for these costs. In some cases, a repair will include the replacement of that item if that item can be regarded as a 'fixture' in the building.

Whether expenditure is a repair can be complex and is governed by principles established in a number of tax cases. Please ask us if you are not sure.

Replacement Cost

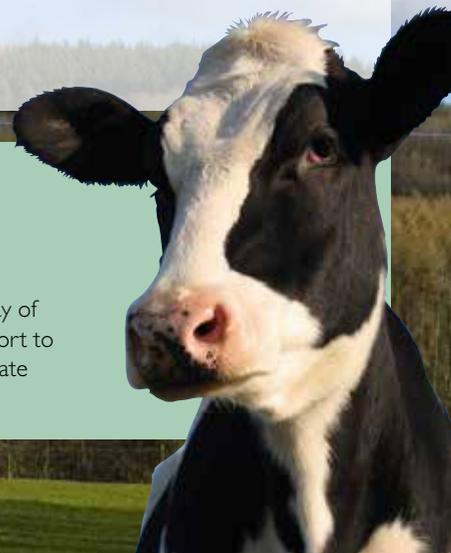
From April 2016 the government is removing the wear and tear allowance. A new relief will allow all residential landlords (in respect of a fully furnished dwelling or not) to deduct the actual costs of replacing furnishings provided for the tenant's use in the residential property. The initial cost of furnishing a property will not be included.

Capital allowances will continue to apply for landlords of furnished holiday lettings.

Please contact us if you need assistance with tax planning and deciding what will qualify for which relief.

MAKE BCMS WORK FOR YOU!

Download a report of all your stock on the farm at the last day of your financial year and save it on your computer. Send the report to your accountant with your other year end records as an accurate count of your cattle.





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