ALBERT GOODMAN

Rural Intelligence *for* Farms & Estates

AUTUMN 2020

Introduction

Welcome to Albert Goodman's Autumn 2020 agricultural accountancy newsletter.

The last year has been strange, with difficult weather, a difficult disease and sometimes difficult prices. Little things can help lift our mood when times are tough though. I just have to think of the comment one of my farming clients made in June to put a smile on my face. When asked how he was getting on during the lockdown he said "Iain, I have been practicing self-isolation for 30 years". That says a lot in one short sentence.

Much is being talked about the Chancellor of the Exchequer having to raise money from somewhere to balance the books. The Autumn budget has been cancelled, and the tax regime in the UK has not changed much recently. There was a recent parliamentary report recommending inheritance tax changes and a consultation is underway in government regarding capital gains tax. Therefore, change is on the horizon and we need to be vigilant to understand how this might affect farm businesses.

In this newsletter we have articles on grants, government schemes, tax, tariffs and many other subjects, so please enjoy.

Iain McVicar

Partner and Head of Farms & Estates, Albert Goodman

Tax efficient farm investments

Investments in farm plant and machinery are reasonably tax efficient at present due to the Government's Annual Investment Allowance (AIA), but this is about to change.

The AIA means that an investment in plant and machinery of up to £1 million is fully tax deductible in year one. For example, if you change a combine for a net £150,000, then the full £150,000 is deducted from your profit, before we calculate your tax bill.

As there was no autumn budget this year, the AIA is expected to fall from £1 million to £200,000 from 1 January 2021. Whilst this level of AIA covers the annual plant and machinery investment made by most farming businesses, there are pitfalls.

Where your accounting year end straddles the period of change then the timing of your purchase can be critical to receiving tax relief. For example, if a farm has a 31 March 2021 year end they will have total AIA available of £800,000 (9 months at £1 million plus 3 months at £200,000).

The problem is that no more than £50,000 of the business's actual expenditure from 1 January to 31 March 2021 will qualify for the AIA.

The table below sets out the tax relief available on the combine purchase and the tax relief available under three scenarios:

	Combine purchased before 31/12/20	Combine purchased between 01/01/21 and 31/03/21	Combine purchased after 31/03/21
Accounting year end	**31 March 2021**	**31 March 2021**	**31 March 2022**
	£'000	**£'000**	**£'000**
Total AIA available	800	800	200
AIA available in the period when the combine is purchased	750	50	200
AIA tax relief on purchase of £150,000 combine	150	50	150
Tax saving at 40%	**60**	**20**	**60**

As you can see purchasing the combine between 1 January and 31 March 2021 results in a much lower level of up-front tax relief on the machinery purchase.

Farm businesses investing a lot in plant and machinery should consider this tax change and how this may affect their plans. In particular, expensive changes in plant and machinery early in 2021 should be thought through for the best tax relief to be achieved.

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Rishi Sunak's CALL FOR A REVIEW OF CAPITAL GAINS TAX

Capital gains tax (CGT) is the tax paid on gains realised on the sale of assets such as land, buildings, dwellings, shares and other property. The rates of CGT are low compared to personal income tax rates with CGT rates on residential property 18% to 28% and all other property at 10% to 20%. This compares to personal tax rates of nil% - 60%.

Many farming businesses benefit from Entrepreneurs Relief (ER) on gains on farmland which halves the tax rate to 10%. This is particularly beneficial when land is sold for development.

In the early stages of the Covid-19 pandemic we had the Spring Budget which reduced the renamed ER, now Business Asset Disposal Relief (BADR) lifetime limit from £10M to £1M per individual. Even if we ignore development gains, given the average worth across all UK farms is £1.82M per farm (DEFRA 2018/19) the impact on the sale of farms and farmland will be considerable - additional tax due of £100K for each additional £1M of gain. Planning can be put in place to maximise the use of the £1M BADR lifetime limit so if a sale is planned advice should be taken over two years in advance of sale.

Against the backdrop of Covid-19 and unpresented Government support, in July Rishi Sunak wrote to the Office of Tax Simplification (OTS) asking for CGT to be reviewed. Whilst CGT receipts have soared to record levels (£9.5bn in 2018/19) the number of taxpayers chargeable to CGT has decreased - 40% of CGT came from those who made gains of £5M or more and this group represented 1% of CGT payers. Further 25% of CGT came from disposals qualifying for ER with £2.7bn lost to the relief.

The OTS survey provides an indication of the areas subject to scrutiny including the rates of CGT, principal private residence relief (the relief for the main home) and other reliefs which could include, ER, rollover relief (where gains are reinvested into other qualifying assets) and holdover relief (where CGT can be deferred on gifts of qualifying assets). All these reliefs are important to family farming businesses.

Farming business are often handed down through the generations, either on death, gifts in lifetime or a combination of both. Many don't realise that a gift is a disposal for CGT purposes and is deemed to take place at market value with the difference between this and the acquisition value chargeable to CGT. However, where the property is used in a trading business or qualifies for agricultural property relief (APR) for inheritance tax purposes (IHT) CGT can be deferred to the new owner, by claiming holdover relief. The gain then becomes chargeable when the new owner disposes of the property.

As a result of the OTS recommendations following their review of IHT and the later report from the All-Party Parliamentary Group on the removal of reliefs from IHT (see earlier newsletters) many landowners are considering the farm business succession plan and gifting to the next generation. It is critical to the farming sector that CGT holdover relief is protected enabling farming businesses to be handed on in lifetime leaving a viable business for the successor.

The Government has a difficult choice sourcing tax rises without affecting employment and the economy negatively or alienating voters. With IHT and CGT in governments sights, the close interaction of the two taxes (CGT uplift on death, even where no IHT is payable) calls into question the opportunity for Government to raise the tax base from these two taxes.

The next Budget will be in the Spring. This might be too early for major reform, and we may not by then be through the pandemic, but it would not be unexpected if there were rises in CGT rates and further restrictions to BADR. Anyone looking for certainty should take advice and consider what action should be taken now to bank the rates and reliefs in the current CGT and IHT system.

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Research and development & AGRICULTURE

What is research and development?

Research and Development ("R&D") tax relief provides innovative businesses with a valuable tax incentive where works have been carried out on a project that seeks to achieve an advancement in the overall knowledge or capability in a field of science or technology.

The relief can be for capital or revenue costs but is only available to **companies,** with the rate of relief being dependent on whether the claim is being made under the small or medium sized company (SME) scheme or the R&D Expenditure Credit (RDEC) large company scheme.

Many farming businesses are run as partnerships and so cannot qualify, but this could be a planning point for innovative farmers as incorporation may be worth considering for those wishing to make the most of this generous scheme.

The relief

For SME companies for every £100 spent, the net cost to the business after R&D relief is only £56, compared with £81 without the relief. The net saving is 43.7% of the qualifying R&D spend.

Qualifying costs are generally those spent on staff, consumables and materials, subcontractors, and software.

Further guidance on R&D relief can be found here **https://albertgoodman.co.uk/research-and-development/**

What types of projects may qualify for r&d

Within the sector the possibility for claims is vast and if you think you may have a qualifying project then do please get in touch to discuss the detail. Examples of some of the development works that are likely to qualify are:

- Feeds
- Disease control
- Sustainable farming
- Animal welfare
- Fertiliser
- Waste reduction
- Pest control
- Robotics and artificial intelligence
- New machinery
- Increase of yields
- Soil management and smart irrigation
- Vertical farming

How could R&D relief help during Covid-19

With all the uncertainty and financial concerns facing businesses at present, dealing with R&D claims for earlier years may not necessarily be a top priority. R&D is however a fantastic form of tax relief which can result in **cash back** for a company, either by producing a refund of tax already paid or through the surrender of R&D losses to HMRC for a 14.5% cash credit.

Where a profitable company has yet to pay HMRC for its current year corporation tax liability, the R&D claim will instead reduce the tax payment to be made to HMRC by the due date.

A company only has a two-year window to deal with its R&D claims. For example, a company with a year end of 31 December 2018 will need to submit its claim before the end of December 2020.

We recommend you get in touch to ensure any R&D claims are dealt with as soon as possible. HMRC can then begin processing any repayment and/or your business can accurately pay only what is due by the payment deadline.

Special rules and conditions

To claim relief, a company must be a going concern. There are also special rules if a company has received state aid in respect of the project, or any other form of funding, which can limit the claim available.

If you think your company may have carried out R&D and is now looking to make a claim, or if you would like to discuss any of issues raised, please contact AG Tax Consulting or your usual point of contact.

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STAMP DUTY LAND TAX (SDLT)
CHANGES TO SDLT 8 JULY TO 31 MARCH 2021

To support the housing market's return to good health following lockdown and to encourage buyers to proceed with property purchases, in July, the Chancellor granted a temporary SDLT holiday on the first £500,000 of residential property purchases in England and Northern Ireland, saving buyers up to £15,000. Further, even those purchasing an additional dwelling will benefit from a saving of up to £11,250, paying only 3% on the first £500,000.

The SDLT rates from 8 July to 31 March 2021 for residential and non-residential or mixed property are

Residential property	Rate	Non-residential or mixed property	Rate
On band of consideration		On band of consideration	
Up to £500,000	Nil	Up to £150,000	Nil
£500,001 - £925,000	5%	£150,001 - £250,000	2%
£925,001 - £1,500,000	10%	£250,001 +	5%
£1,500,001 or more	12%		

From 1 April 2021 the SDLT rates are set to return to:

Residential property	Rate	Non-residential or mixed property	Rate
On band of consideration		On band of consideration	
Up to £125,000	Nil	Up to £150,000	Nil
£125,001 - £250,000	2%	£150,001 - £250,000	2%
£250,001 - £925,000	5%	£250,001 +	5%
£925,001 - £1,500,000	10%		
£1,500,001 or more	12%		

3 percentage point surcharge

It should not be forgotten that there is a 3 percentage point SDLT surcharge which applies to purchases of additional residential properties including main residences, farm workers cottages, buy to lets and furnished holiday lets.

The net is cast widely so it can catch circumstances where:

- one spouse already owns a property and they both or the other spouse buys a property;
- a buy to let landlord purchases their first home;
- there is a purchase of more than one dwelling which could include annexes and holiday let units;
- a parent helps to buy their child their first home by reason of a joint purchase;
- a purchase of a property by a partner in a farming partnership which has let property.

It is important to remember that you can be taken to "own" property even in circumstances where you are deemed to have only a small share. It is not uncommon for a farming partnership to own property which is let out and as such, if one of the partners purchases their first home in their own name, they may incur the SDLT surcharge.

Non-residential or mixed property

For purchases of non-residential or mixed property the rates may be lower than those applied to purchases of only residential property. For example, where a farm is purchased which includes a farmhouse and land the entire purchase cost could be charged to the lower mixed property rates of SDLT, with no surcharges for additional dwellings. Recently, for example, we have been able to reduce an expected SDLT bill of over £105,000 to less than £25,000. For purchases of six or more dwellings the non-residential rates can apply, with no surcharges.

HMRC are actively raising enquires into the rates of SDLT applied on property transactions. Therefore advice should be taken to ensure the property justifies the application of non-residential SDLT rates.

Multiple dwellings relief

In addition to ensuring the correct rate applies to a transaction consideration should also be given to relief from SDLT. This is particularly important if the purchase involves multiple "dwellings". Relief in such circumstances can reduce the rates of SDLT applying – even in cases where a mixed property is purchased.

"Dwelling" is not helpfully defined in the legislation so the relief can prove to be difficult to apply in certain cases.

With SDLT payable within 30 days of completing on a purchase it is important to take advice early on. Speaking to your advisor to help understand the SDLT cost could also mean you are more able to secure a farm under tender or at auction, or achieve a better price if you are selling.

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Buy or rent - what stacks up best?

As agricultural accountants we deal with a mix of both owned farm businesses, tenant farmers, estate landowners and a mix of the three.

Most of our tenant farmers would strive towards one day being able to purchase a farm, whether it be the current one they operate on, or another. However, with land being at an average of £8,000/acre, does it really stack up to purchase?

If we consider the following two scenarios:

1. You purchase an acre of land for £8,000 with all of the value being on a loan for 25 years at 3% interest.
2. You are a tenant farmer with a farm business tenancy (FBT) and you rent an acre of land for £150/acre with BPS being claimable by the tenant of £75/acre

	Buy		Rent
	£		£
Capital cost of repayment of land	218	Cost of rent on average FBT	150
Basic Payment Scheme	(75)	Basic Payment Scheme	(75)
Interest cost of loan on land	237	N/A	-
Tax relief on net cost of interest and income	(32)	Tax relief on net cost of rent and income	(15)
Yearly cost of owning land	**348**	**Yearly cost of renting land**	**60**

On purely a year for year basis, it would therefore look like a fool's game to purchase land.

However, if we consider the long term, of say, the land being on FBT and the loan being on a 25-year term, then over the 25-year period the following applies:

	Buy		Rent
	£		£
Capital cost of repayment of land	8,000	Cost of rent on average FBT	3,750
Interest cost of loan on land	3,381	N/A	-
Basic Payment Scheme	(1,875)	Basic Payment Scheme	(1,875)
Tax relief on net cost of interest and income	(301)	Tax relief on net cost and income	(375)
Total cost of owning land	**9,205**	**Total cost of renting land**	**1,500**

Though on a total basis it will still cost you more to buy than rent, it is important to consider the investment you have made. If you remove the £8,000 capital cost of the land, then buying the land is actually cheaper than renting it.

As a tenant by the end of the 25-year term you are left with nothing except any retained profits you have kept from trading.

However, as an owner you are left with an asset. An asset which if we look back historically has almost always increased in value.

Of course, it is also the case that from the end of the 25 years you can continue to farm the assets with no finance costs at all. Whereas, as a tenant you may be able to negotiate a new FBT, but you will continue to pay that rent cost.

In practice, the difference in cost of purchase versus rent is negligible, for tenant farmers the goal is to one day own their own farm and that initial cost is one they may bear in the short term in lieu of future generations benefitting as a result.

It is however important as purchasers you consider the total debt service cost for your farming business and your ability to service any debt before looking to purchase any land.

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THE WINTER ECONOMY PLAN: **the financial support**

Following the Chancellor's statement on 24 September, the UK Government has extended support to both the self-employed and the employed for the winter.

The following support measures were announced and/or extended:

Job Support Scheme

With the job retention scheme coming to an end on 31 October 2020, the replacement scheme will be the job support scheme and it will launch on the 1 November 2020.

The scheme is only available when staff are working a minimum of 33% of their usual hours. For every hour not worked the employer and the government will each pay one third of the employee's usual pay, and the government contribution will be capped at £697.92 per month.

Employees on the scheme should receive a minimum of 77% of their normal salary capped at £2,097.

Self Employed Income Support Scheme (SEISS) Grant Extension

The extension of the SEISS will be in the form of two taxable grants. The first grant will cover a three-month period from the start of November until the end of January. This initial grant will cover 20% of average monthly trading profits, paid out in a single instalment covering 3 months' worth of profits, and capped at £1,875 in total. The second grant will cover a three-month period from the start of February until the end of April. The government will review the level of the second grant and set this in due course.

Extending the temporary VAT reduced rate for hospitality and tourism

The government is extending the temporary reduced rate of VAT (5%) from 12 January to 31 March 2021. This will continue to apply to supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises, supplies of accommodation and admission to attractions across the UK.

Extension of access to finance schemes

The government will give all businesses that borrowed under the Bounce Back Loan Scheme the option to repay their loan over a period of up to ten years. This will reduce their average monthly repayments on the loan by almost half. UK businesses will also have the option to move temporarily to interest-only payments for periods of up to six months (an option which they can use up to three times), or to pause their repayments entirely for up to six months (an option they can use once and only after having made six payments).

VAT deferral 'New Payment Scheme'

The government will give businesses which deferred VAT due in March to June 2020 the option to spread their payments over the financial year 2021-2022.

Enhanced Time to Pay for Self-Assessment taxpayers

The government will give the self-employed and other taxpayers more time to pay taxes due in January 2021, building on the Self-Assessment deferral provided in July 2020. Taxpayers with up to £30,000 of Self-Assessment liabilities due will be able to use HMRC's self-service Time to Pay facility to secure a plan to pay over an additional 12 months.

Any Self-Assessment taxpayer not able to pay their tax bill on time, including those who cannot use the online service, can continue to use HMRC's Time to Pay Self-Assessment helpline to agree a payment plan.

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How will *No Deal Brexit* affect livestock farming at farm level?

Under current EU legislation UK livestock farming is well protected from cheaper imports from abroad. This is down to tariffs and quotas on meat coming in from outside of the EU.

As we edge nearer to the 1st January, a No Deal Brexit looks highly likely. It is therefore important for you to consider how this change will impact at farm level.

No Deal Brexit will mean that tariffs will be placed on UK exports into the EU. It will also mean that tariffs are placed on imports into the UK.

Based on current tariff levels this could mean that imports and exports between the EU and UK disappear overnight as trade between the UK and the EU becomes unviable.

Beef

For the red meat market, the initial impact of No Deal Brexit is less of a worry at farm level.

On projections by Defra/Andersons it is anticipated that UK total production will remain static. As the UK is a net importer of beef, to fulfil our consumption there is likely to be a vast increase in Non-EU imports from Brazil and the USA. The impact of the EU market becoming unviable will mean that meat is not exported but is instead sold on domestic market to help meet the demand for it.

It is estimated that there will be an initial 4% decrease on beef prices at a farm level. Therefore, the impact of No Deal Brexit on the red meat industry in the initial 12-month period following a No Deal Brexit would be limited.

The impact for the beef industry may come later when trade deals are struck in South and North America. This could result in the import and export tariffs on red meat with these countries being lowered to allow the UK to access their markets for other benefits and leave the UK producers unprotected from imports.

Sheep

For the sheep meat market, the impact of a No Deal Brexit is hugely negative at farm level.

As with the red meat industry the viability of trade between the UK and the EU will disappear. It is therefore anticipated that UK production will decrease by around 10% in the 12 months following a no deal exit from the EU. This is because the UK is a net exporter of sheep meat to the EU and this market will disappear.

The oversupply in the UK domestic market as a result of the over production is likely to mean that consumption will increase in the UK, but at farm level this means much lower prices. Defra/Andersons have projected that the impact in the first 12 months of No Deal Brexit that sheep prices would fall by around 30%.

This would decrease the viability of sheep enterprises. This will be especially the case for those farming in lowland beef and sheep where subsidies are at risk of falling significantly.

Conclusion

In conclusion, the impact of a No Deal Brexit for both the beef and sheep meat industry is that trade in the short

term between the EU and the UK will not be viable. This will mean that UK production will remain in the domestic market and will result in an oversupply.

For the red meat trade the initial impact of no deal will have little impact on farm level prices, this is because the UK market is still protected by the tariffs on imports from Non-EU countries. As time goes on and trade deals are struck it will more than likely be that the UK red meat market is put at risk for other trade deal benefits.

For the sheep meat trade the result of no deal will have a huge impact on farm prices, the main reason for this is the oversupply in the UK markets is as a result of the UK being a net exporter of sheep meat to the EU and this market will disappear.

At farm level it is important that you review your business to see how at threat to these changes you are. For those lowland livestock farms in particular the impact of no deal could be to make the whole farming business unviable. Action may need to be taken now to either diversify into new income streams away from farming or into other farming enterprise such as dairy or arable.

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Contract Farming Agreements - Can I benefit?

With the proposed phasing out of the current Basic Payment and Environmental Stewardship Schemes coinciding with the introduction of the Environmental Land Management Scheme the structure of UK farm businesses is likely to change.

The evidence of this was apparent to me whilst harvesting in Australia. The Australian government has taken a hard-line approach to reduce farm subsidies with the aim to boost overall productivity. This approach has left Australian farmers amongst the lowest receivers of government grants second only to New Zealand. The result of this reduction encouraged the nationwide expansion of both corporate and cooperative farming.

Although contract farming agreements can be successful in the South West they are inherently more widespread with arable enterprises in the Eastern counties. These agreements can take any number of forms from a simple machinery share to more formal Farm Business Tenancy (FBT) agreements. The specifics of each agreement should be flexible to satisfy both parties, however, I will summarise key potential benefits and pitfalls.

Machinery Share

- More efficient use of large capital expenses such as combines, forage harvesters, sprayers or large tractors.
- Timing of use, for example, harvest or flag leaf spraying must be agreed upon by each party.
- Repair/Renewal policy must be in place.

Contracting

- Landowner/farmer retains day to day control of the business.
- Can release equity from machinery sales for other investment.
- Access to modern machinery with skilled labour.
- Frees up time to focus on other areas of the business, for example, milk yield/herd fertility or diversification.
- Often short term agreements which allow contractor cost competition.
- Reduction in running costs for repairs, renewals and insurance.
- Potential frustration to ensure optimum timing of operations.
- Structured correctly, retaining title of 'farmer' rather than 'landowner' has tax relief advantages

Profit Share

- Landowner participates with higher level decision making without day to day involvement and associated stress.
- Contractor motivated by profit rather than strictly output to increase share of profit. This can also result in priority at critical times.
- Typically short to mid term agreements as some capital expenditure may be incurred by contractor.
- Retaining title of 'farmer' rather than 'landowner' has tax relief advantages.

Farm Business Tenancy

- Allows easy forecasting/budgeting and lowered risk as income is fixed.
- Provides predictable cash flow throughout the year.
- Typically mid to longer term agreements.
- Landowner must be prepared to give full control to farmer, accepting their farming practice.
- Landowner no longer has title of 'farmer' and associated tax benefits.

With the UK government's environmentally focused subsidy initiative leaves farmers fearing the future of commodity prices and a potentially more complicated/labour intensive application format. This combined with current dependence of many farmers on government subsidies and the general uncertainty of their future value may give rise to a rethink of business structure.

A landowner/farmer must determine the level of control/risk, farm suitability and income potential when considering an appropriate agreement. As an opinion I believe that contract farming agreements potentially provides collections of ambitious farmers the opportunity to reduce scale inefficiencies. Also, for farmers/landowners with different priorities or nearing retirement age an ability to enjoy farming by providing opportunities to others without the stress of finances, management and weather. However, to minimise stress, finding someone suitable with the potential for a successful business relationship must not be understated.

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Running your business through a limited company? How can I extract profits tax efficiently?

All profit generated by a company belongs to it and should not be taken by the director/ shareholder as their own money in the same way that a partner might in a partnership. While it is possible to borrow money from a company, this can lead to extra tax being paid by the company.

Directors are often paid a salary; however, this can be tax inefficient, see the example below. Therefore, whilst you should pay a salary, the most tax efficient method is to pay one that allows qualifying years for national insurance, without having to pay any national insurance. This was previously an easy amount to set, however, following the changes in the budget, the rate an employer and employee start paying national insurance have become misaligned. In the examples I have assumed there is sufficient employment allowance, so the tax efficient salary is £9,500.

Tax efficient remuneration has for numerous years worked on a basis of this basic salary and dividends to provide the level of income that is required. While for lots of businesses this may well be the case, for farmers this is not always so.

If you either own substantial farmland personally, or the company owes you money, which could easily be the case if you have incorporated recently, then there are even more tax efficient options available. I will only look at interest as this provides the best tax savings.

If you have personally loaned the company money or recently incorporated and have a directors loan account, this is money you can withdraw tax free. Whilst it is possible to draw down these funds and not take any remuneration from the company, this can only go on so long. It is possible to top this loan up in a tax efficient way each year.

Example

In this example, I compare a director who takes the tax efficient salary and dividends to utilise their basic rate band with one that also takes interest on his loan account. In this case, the director has a loan to the company of £350,000. They have no other income. The company has profits of £100,000 each year. For comparison I have also included the cost of taking just a salary.

	Salary	**Salary and dividend**	**Salary, interest and dividend**
	£	**£**	**£**
Salary	50,000	9,500	9,500
Interest	-	-	35,000
Dividend	-	40,500	5,500
Total income	50,000	50,000	50,000
Personal tax	12,360	2,663	5,463
Corporation tax	12,490	17,195	10,545
Total tax	**24,850**	**19,858**	**16,008**

This saving arises because the interest paid by the company is tax deductible for the company. Also as individuals, it is possible to receive some of this money tax free if your first £5,000 of income is interest. Whereas, dividends are not tax deductible in the company. Further considerations should include the effect of the extra expense on the business and the fact that withholding tax needs to be paid to HMRC and the interest reported to HMRC. This withholding tax is then reclaimed on the individuals tax returns.

Where all income is derived from your personal company and you have loans to the company, charging the company interest should be an option that is considered to reduce the total tax liabilities for all involved.

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State pension are you receiving enough?

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If you are a married woman receiving state pension, then it is worth checking that you are receiving at least 60% of the income that your husband is receiving.

It has been reported that 130,000 women could be receiving less than they should. This is a result of computer errors by the Department of Work and Pensions plus the complex rules surrounding entitlements.

If you reached state pension age before April 2016 (i.e. born before 6 April 1953) or you husband reached state pension age after March 2008 and you are not getting at least 60% of the amount they are receiving then it would be worth checking to see if you are entitled to claim a back dated top up.

You can contact the Department for Work and Pensions or there is an online tool to help provide information on individual circumstances which can be found at **https://www.lcp.uk.com/is-your-state-pension-being-underpaid/**

Do you qualify for a full state pension?

If you haven't reached state pension age yet, then it would be worth checking that you have enough qualifying years to ensure that you get the full pension when the time comes.

You need 35 qualifying years of contributing national insurance to get a full state pension.

If there are breaks in your national insurance contributions there are options to fill in the gaps and, in most cases, the extra costs will be paid back over short period of time after you start receiving the state pension.

You can check you record with HMRC online by searching personal tax account and following the instructions.

POWERS OF ATTORNEY

A Power of Attorney is a document which enables someone to support you and make decisions regarding your property and financial affairs or heath and personal welfare if you are unable to.

There are different types of Powers of Attorney.

- An Ordinary Power of Attorney covers decisions about financial affairs and is valid whilst you have mental capacity. It is suitable for temporary cover, such as an extended trip abroad.
- There are two types of Lasting Power of Attorney (LPA) one covers decisions about your financial affairs, the other about your health treatment and care. It comes into effect if you lose mental capacity or if you no longer want to make decisions yourself.
- Enduring Powers of Attorney were replace by LPAs in October 2007. EPAs dated before this should still be valid, however if you have one in place, you may want to discuss the suitability of the document with your legal adviser.

When you are healthy, it can be difficult to imagine being unable to make decisions for yourself, however recent global events have begun to make people reconsider this.

Putting in place a Lasting Power of Attorney to cover business affairs is crucial. It is likely to be your main source of income and you must consider the huge impact that loss or impairment of your mental capacity would have on the future for your business and family. You should ask yourself:

- Who would be best placed to manage the day to day running of the farm?
- Will the attorney be allowed to charge or draw a wage for their time in running the business?
- Does the attorney have the necessary skills to continue to run the business?
- If you own several businesses do you need different Lasting Power of Attorney for each business?
- Does the legal structure of the business permit an attorney to act?

A business Lasting Power of Attorney restricts the attorney's authority so they may only deal with the individual's business interests. You can make a separate Lasting Power of Attorney enabling other attorneys to deal with your personal finances.

Anybody over the age of 18 with full capacity can make a Lasting Power of Attorney using the Office of the Public Guardian website. However, using a solicitor order to put in place a Lasting Power of Attorney will ensure that the document is valid and can be used in the way you intend if necessary.

You should carefully consider who you choose to act as your attorney. Most chose family members, but running their own lives and the financial affairs of the donor can become a strain, so careful consideration should be given to the choice of attorney. Once in an LPA is in place, you can change your attorney or revoke the arrangement at any time, providing you have capacity.

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FINAL ROUND OF **COUNTRYSIDE PRODUCTIVITY GRANTS** OPEN

THE THIRD AND FINAL ROUND OF THE COUNTRYSIDE PRODUCTIVITY SMALL GRANTS SCHEME OPENED ON 7TH OCTOBER.

Farmers in England can now apply online for grants of between £3,000 and £12,000 to offset part of the purchase cost of a range of equipment to help improve efficiency and productivity on farm. The grant will cover 40% of a standard cost for each item of equipment and you can apply for more than one item up to the maximum grant value.

Farmers who have been successful in applying for grants in previous rounds will also still be able to apply for different pieces of equipment within this round.

All of the eligible items are identified as helping achieve improvements in either technical efficiency, animal health and welfare, resource efficiency or nutrient management.

It is important to be aware of the scheme rules to avoid an application being rejected. You must not order or pay deposits on any items until you have accepted the grant funding agreement. It is also important to ensure the details entered on the application form exactly matches your details in the Rural Payments Service.

The tax position when receiving grant funding for capital assets is that the grant is usually offset against the cost of the asset before any relevant tax allowances are claimed.

The closing date for applications is midday on 4th November and further details along with a full list of eligible items can be found on **https://www.gov.uk/guidance/countryside-productivity-scheme**

Although this is the final round of the small grants scheme, powers have been included in the Agriculture Bill to allow the government to provide financial assistance to support future farm investment, with further details on the support available from 2021 expected later this year.

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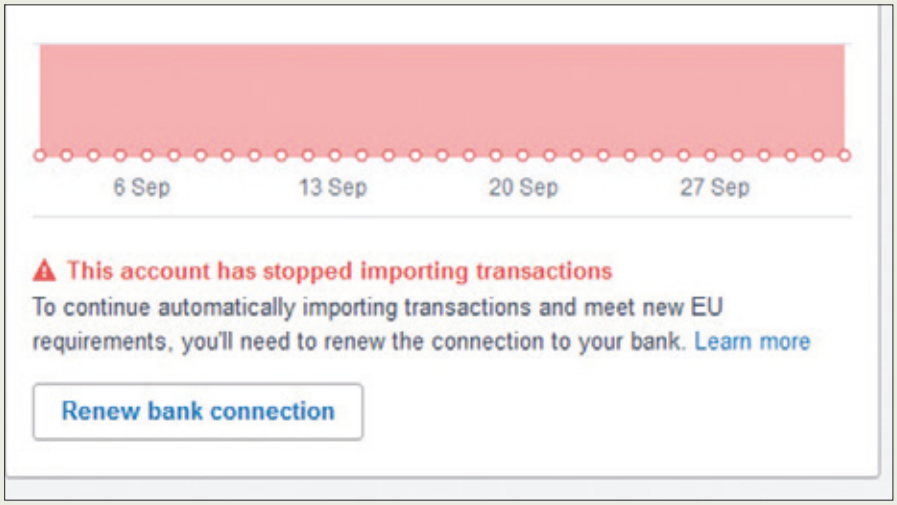
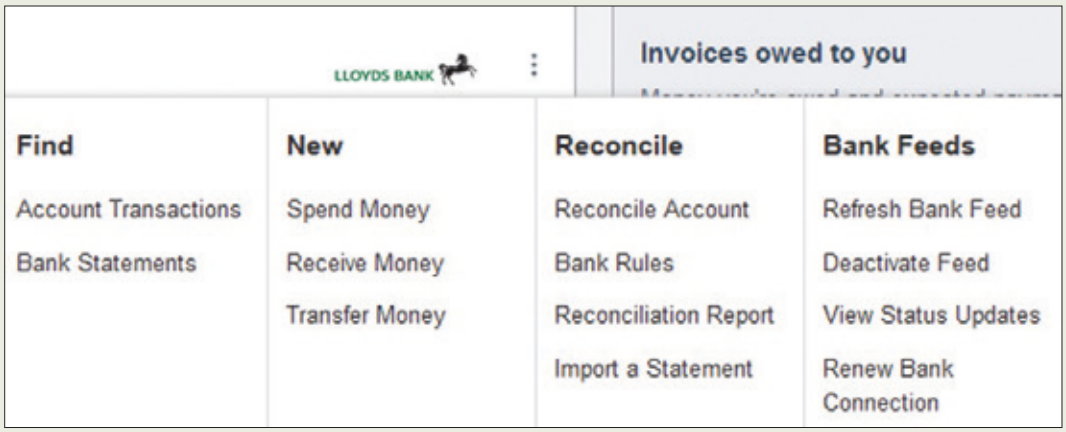
XERO TOP TIP
- Refreshing Bank Feeds

Every 90 days you will have to refresh your bank feed which links your bank statements through to your Xero. Unfortunately, there is no workaround for this as it is a legal requirement for this reauthorisation to happen.

Xero will typically give you several prompts when the link has expired such as the example below taken from a Dashboard screen. If you click **"Renew bank connection"** this will then redirect you to your online banking screen where you can log-in with your online banking details.



On occasion Xero may not give you this prompt but you may notice that it is no longer importing your bank statement lines. To remedy this, you can renew them by clicking on the **3 dots to the right of your bank's logo** and click **"renew bank connection"** from here. If the issue of missing statement lines still exists, then from this option you can choose **"deactivate feed"** and then reconnect it – when reconnecting please ensure you set the date to import from as being the date you are missing statement lines from.



Charlie Green
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Meet the team

Iain McVicar Partner

Iain is the head of Albert Goodman's Farms and Estates team, Iain manages our large team of agricultural accountants and business advisers and has a strong practical background in agriculture, with extensive experience of helping agri-businesses across the country.

Sam Kirkham Partner

A chartered certified accountant and chartered tax advisor Sam specialises in tax planning for agricultural businesses and estates, particularly capital taxes including capital gains and inheritance tax. She also advises high net worth individuals and investors on land and property transactions and is a National Tax Committee of the CLA and Vice Chair of Somerset Committee.

James Bryant Senior Manager

Before qualifying as an accountant James worked on a variety of farms throughout the country, while studying for a degree in Agriculture. James takes an individual approach to every business whilst drawing on the experience that he has gained from past scenarios in order to provide key advice and support to clients.

Kate Hardy Manager

Kate works closely with rural-based and small business clients in the Dorset and Somerset area, together, specialising in rural diversified businesses such as furnished holiday lets and commercial lettings.

Tom Stone Manager

Tom provides accountancy and tax advice to a wide range of farming clients ranging from large estates to owned occupied and tenanted family farming businesses across the South West. Tom regularly leads commercial financing advice to farming businesses, helping to add further value to both existing and new clients on top of the conventional compliance related accountancy work

Keeping in touch

If you would like this newsletter to be sent to a different address then please send your updated details to: gdpr@albertgoodman.co.uk. You may also use this address to opt out of receiving this newsletter or for any other queries you may have. If you would like to see our privacy statement please log on to our website: www.albertgoodman.co.uk/privacy

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