



**BOWCOCK
& PURSAILL**
SOLICITORS

AGRICULTURAL PROPERTY RELIEF



We look after the farming community

We have close links with the farming community and use the knowledge and experience acquired from this connection to deliver a service that meets client needs.

We work closely with farm owners and tenant farmers and other professionals who assist them and have acquired a reputation over the years for looking after the needs of the farming community.

We understand that several generations may be involved in the running of a farm and their differing needs and abilities have to be managed and considered on that basis.

We are members of the Agriculture Law Association which demonstrates our commitment to the specific needs of our clients.

What is Agricultural Property Relief?

One of the most valuable reliefs for Inheritance Tax (IHT) is Agricultural Property Relief (APR). This can reduce or avoid the charge to IHT on agricultural assets of unlimited value and applies not just to those who are actively engaged in farming. It applies on a gift during lifetime and also on death. In this leaflet we describe the person giving or dying as the transferor.

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What property qualifies for APR?

To qualify for this relief the property must be in the UK, Channel Islands, the IOM or the European Economic Area. It applies to land and any farmhouses, cottages or buildings which are of a character appropriate to the property. It also applies to stud farms engaged in the breeding and rearing of horses and land used for grazing associated with these activities.

One of two conditions must be satisfied and in each the relief is 100%:

- 1 The land was owned and farmed by the transferor during the 2 years before the transfer. This will cover most cases of a working farmer who owns a farm and farms it himself; or
- 2 The land was owned by the transferor during the 7 years prior to the transfer and was farmed by him or another throughout that period. This would cover where a farm is let out on a farm business tenancy after 1st September 1995 or for grazing.

What are the APR rates?

Relief at 100% has remained in its current form since 1992. Before then relief was at either 50% or 30% depending on whether the property was tenanted or vacant. With the government trying to raise tax from as many sources as possible it could be an area where relief might become more restrictive. It is possible to trigger the relief by means of a lifetime transfer and we can advise on this.



Agricultural Value

The relief is available on the agricultural value of agricultural land. This may not be the same as the market value. It is to be assumed that the land is subject to a perpetual covenant preventing it being used for any purpose other than agriculture. A desirable house may have a value on the open market which is greater than its value subject to such a notional covenant and the difference in value will not attract relief. A problem which arises sometimes is where a farmer who retires and lets out the land and perhaps buildings and continues to live in the house. In this case relief on the house will be lost, because he is no longer involved in farming. This can sometimes be avoided by the farmer entering into a partnership with the person farming the land and continuing to be involved in some farming activities.

The farmhouse must be of a character appropriate to the property. This has increasingly become an area where the Revenue have sought to restrict APR. Sometimes there may be a substantial house on a holding. The value of the house and profitability of the land has to be considered and whether the house would attract demand from a commercial farmer who has to earn a living from the land or whether its value is significantly out of proportion to the profitability of the land. The Revenue will even seek to deny relief in the case of a career farmer as opposed to someone who is a hobby farmer, if the house is out of proportion to the land.

It will be seen therefore how valuable APR is as a relief. It enables assets of substantial value to be transferred from one generation to another without any liability to IHT. In the case of a claim to APR on death the relief will not prevent the executors/beneficiaries selling the property free of IHT.

Get in touch

If you would like to find out more information about Agricultural Property Relief, please visit our website or contact one of our offices.

www.bowcockpursaill.co.uk

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