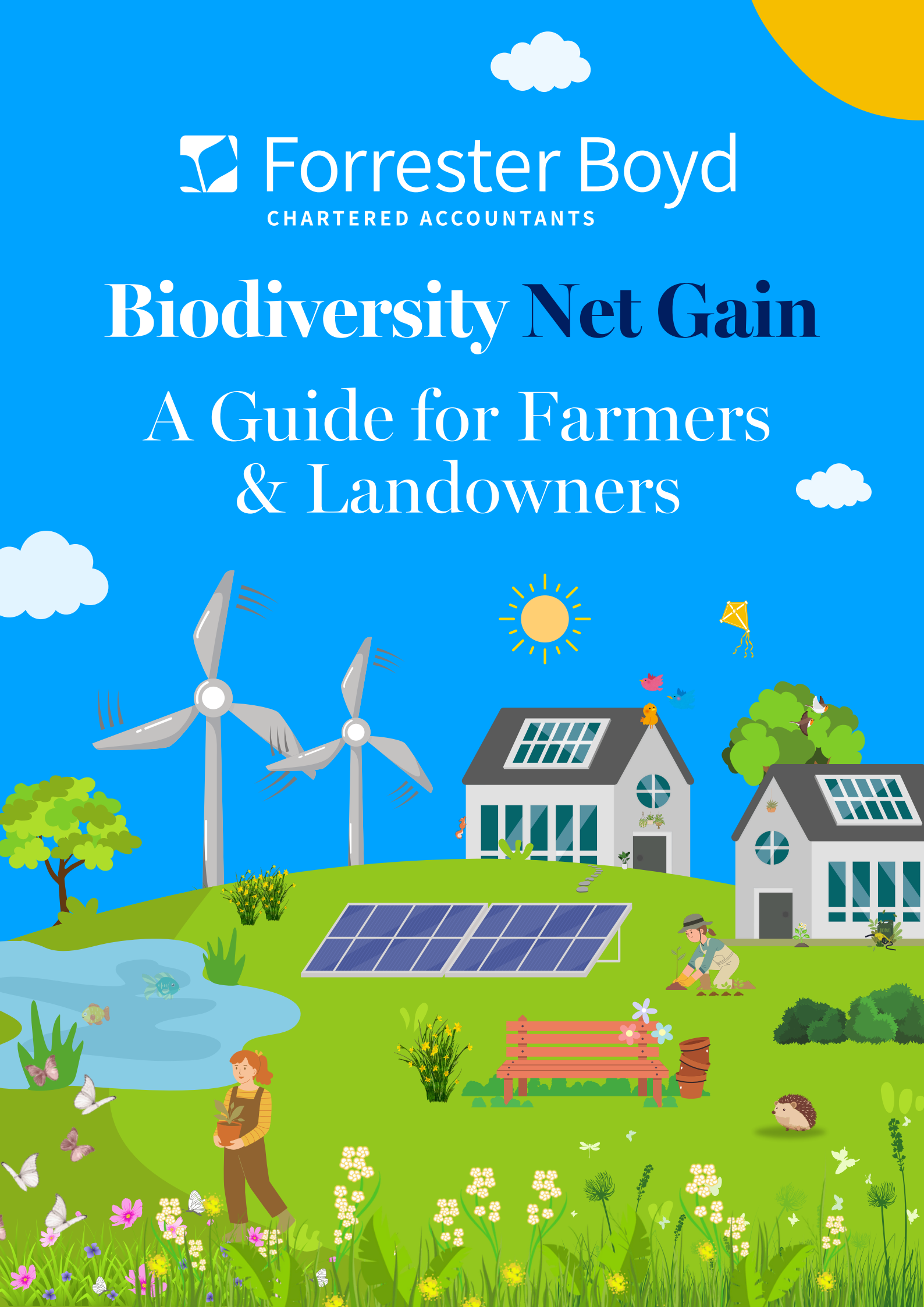




Forrester Boyd  
CHARTERED ACCOUNTANTS

# Biodiversity Net Gain

## A Guide for Farmers & Landowners





# Introduction

Biodiversity Net Gain (BNG) represents a transformative approach to development and land management in the UK aiming to enhance biodiversity.

Developers in England are now required to deliver a 10% biodiversity net gain when building new housing, industrial or commercial developments.

This guide provides farmers and landowners with essential information on the regulatory requirements and potential tax implications of implementing BNG strategies.



# Understanding Biodiversity Net Gain

BNG requires that development projects deliver measurable improvements in biodiversity. This is typically achieved by enhancing natural habitats and creating new habitats, offsetting the ecological impacts of development. The goal is to achieve a minimum of 10% net gain in biodiversity value, ensuring long-term sustainability and ensuring the development benefits the environment rather than causing harm.

## Regulatory Requirements

The Environment Act 2021 mandates BNG for most new developments in England. From 12 February 2024, all planning permissions (with some exceptions) will need to demonstrate at least a 10% biodiversity net gain. Developers must submit a Biodiversity Gain Plan detailing how they will achieve the net gain. This plan should be approved by the local planning authority before development begins.

The DEFRA Biodiversity Metric 3.0 is the standard tool for calculating biodiversity net gain. This metric assesses the baseline biodiversity value of a site and the predicted post-development value, ensuring compliance with the 10% net gain requirement.

Ongoing monitoring is required to ensure that biodiversity gains are maintained. Landowners may need to commit to a management plan that spans several decades, often 30 years, to ensure the sustainability of biodiversity improvements.





# Tax Implications

Landowners selling land for development that includes BNG enhancements may be subject to CGT. However, the enhancement of land to meet BNG requirements could potentially qualify for certain reliefs, depending on individual circumstances.

Land under biodiversity agreements may qualify for Agricultural Property Relief (APR) or Business Property Relief (BPR), potentially reducing the value of the estate for IHT purposes however we strongly recommend that you seek professional advice to navigate these complexities.

Income generated from biodiversity offset agreements, where developers pay landowners to manage land for biodiversity gain, is taxable. However, expenses incurred in managing and maintaining biodiversity can often be offset against this income.

VAT implications can arise from both the sale of land and the provision of biodiversity services. Landowners should ensure they understand their VAT obligations and potential recovery options.

# Opportunities for Farmers & Landowners

Implementing BNG can enhance the ecological value of your land, contributing to broader environmental goals and potentially increasing its long-term value.

Engaging in biodiversity offset agreements can provide new income streams. Developers may pay for the right to use your land for biodiversity enhancement, providing a steady income source.

Demonstrating a commitment to biodiversity can improve the marketability of your produce, appealing to environmentally conscious consumers and businesses.



# Offsite BNG Solutions

When on-site BNG isn't feasible for developers, alternative strategies must be considered. These can include off-site BNG, which is achieved by purchasing BNG units from third parties, or acquiring statutory biodiversity credits from local authorities.

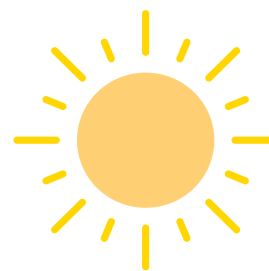
Farmers, utilising their 'less productive' land, can play a crucial role in this process by establishing Habitat Gain Sites (HGSs) or BNG Banks. While both BNG banks and HGSs aim to enhance biodiversity, BNG banks are larger, commercially-oriented entities focused on generating and selling biodiversity units, whereas HGSs are often smaller, site-specific projects that contribute to biodiversity gain and can serve more localised or individual conservation efforts.

Conducting thorough research is essential to assess the viability of establishing a Habitat Gain Site (HGS) or a Biodiversity Net Gain (BNG) bank. Emerging nature markets offer a range of potential buyers for biodiversity and carbon products.

Additionally, it is important to evaluate the impact on your land's baseline before participating in government schemes such as the Sustainable Farming Incentive (SFI) or the Environmental Land Management (ELM) scheme.







# Embracing **BNG**

Biodiversity Net Gain offers significant opportunities for farmers and landowners, aligning economic interests with environmental stewardship. By understanding the regulatory requirements and tax implications, you can effectively incorporate BNG into your land management strategy, contributing to a sustainable future while potentially enhancing your financial returns.

If you are looking to embrace BNG and be a part of the solution for a greener, more sustainable UK, then talk to the experts at Forrester Boyd, your trusted partner in accountancy and business advisory services. Together, we can make a positive impact on your land and the environment.

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## Unlocking Farmer Profits with England's Innovative Biodiversity Net Gain Rules

England's latest environmental regulations are not just about preserving nature—they're opening new revenue streams for the nation's farmers and land managers. With the introduction of the Biodiversity Net Gain (BNG) requirements, the agricultural landscape is set to transform, offering lucrative opportunities for those ready to embrace this green revolution.

From April 2024, all development projects requiring planning permission will need to demonstrate how they will achieve a BNG of at least 10%. This rule will extend to include all nationally significant infrastructure projects starting in November 2025.

If unable to meet the BNG requirements on the development site itself, developers must seek additional biodiversity improvements off-site. This typically involves forming 30-year legal agreements with farmers or other land managers to create or enhance habitats elsewhere.

BNG isn't just a win for wildlife; it's a potential windfall for the agricultural sector. Farmers can now tap into this demand by generating and selling what are termed 'biodiversity units.'

### What are biodiversity units?

Biodiversity units are the currency in this new ecological economy. Determined by factors like habitat size, quality, and location, these units can be accrued by enhancing land to support more diverse ecosystems. Once registered on a national biodiversity register managed by Natural England, these units can be traded to developers needing to meet BNG requirements.

For farmers, the benefits are twofold. Not only can they earn from cultivating crops, but now they can also profit from cultivating biodiversity. Payments for biodiversity units might come as upfront sums or as recurring annual revenues, often surpassing traditional farming subsidies. It's a compelling add-on to the farm's income stream, potentially more profitable than some current agricultural subsidies.

### Tax implications to watch out for...

With new opportunities come new complexities. The tax implications of trading in biodiversity units are still murky. Questions linger about whether lands under BNG contracts will qualify for inheritance tax reliefs or how upfront payments should be taxed. Farmers looking to venture into this new field must tread carefully, armed with the best financial guidance.

Farmers and land managers interested in exploring this opportunity should start with a thorough assessment of their land's biodiversity potential and engage with experts to navigate the registration process. Forrester Boyd Chartered Accountants advises a strategic approach—balancing the benefits against the long-term commitments and potential tax implications.

As this new regulatory environment takes shape, it promises to reshape not just landscapes but also financial outcomes for England's agricultural community.



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Grimsby: 01472 350601

Louth: 01507 606111

Scunthorpe: 01724 863105

Beverley: 01482 889400

Skegness: 01754 761777

Lincoln: 01522 701843



[agriculture@forrester-boyd.co.uk](mailto:agriculture@forrester-boyd.co.uk)

