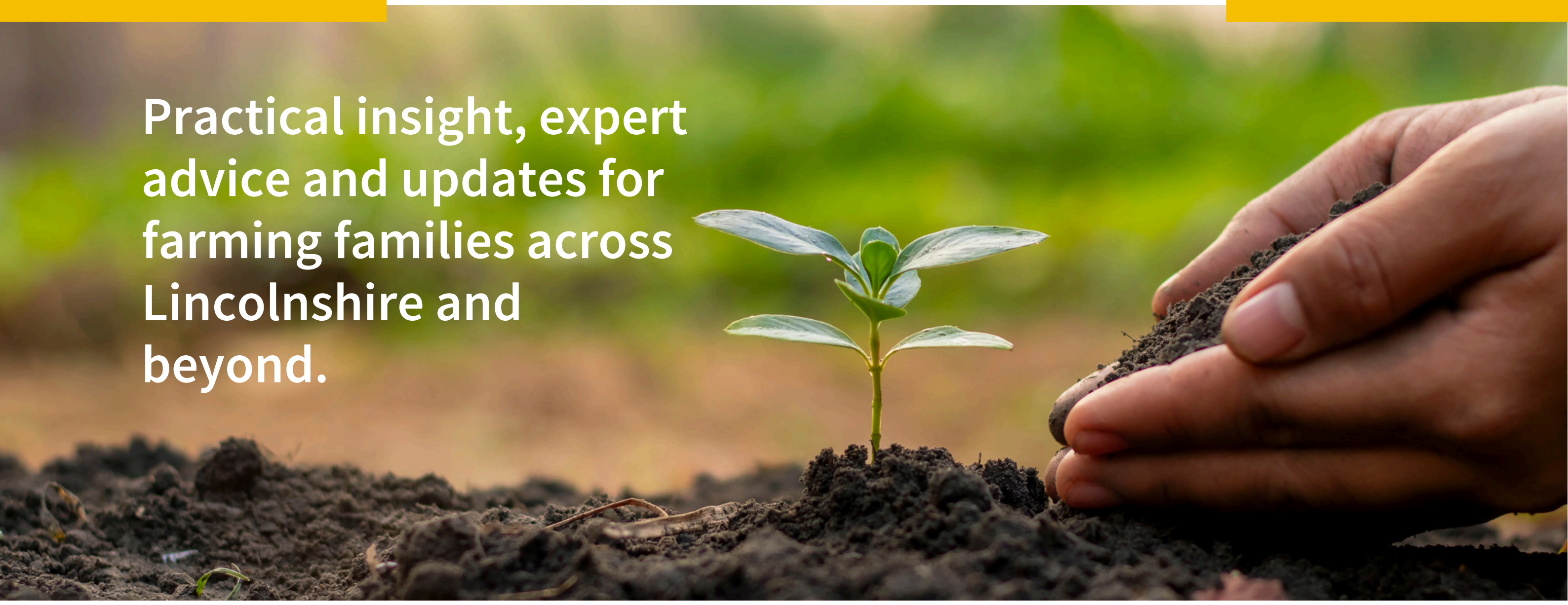
June 2025

FARMING FOCUS

Forrester Boyd
CHARTERED ACCOUNTANTS
EST 1935



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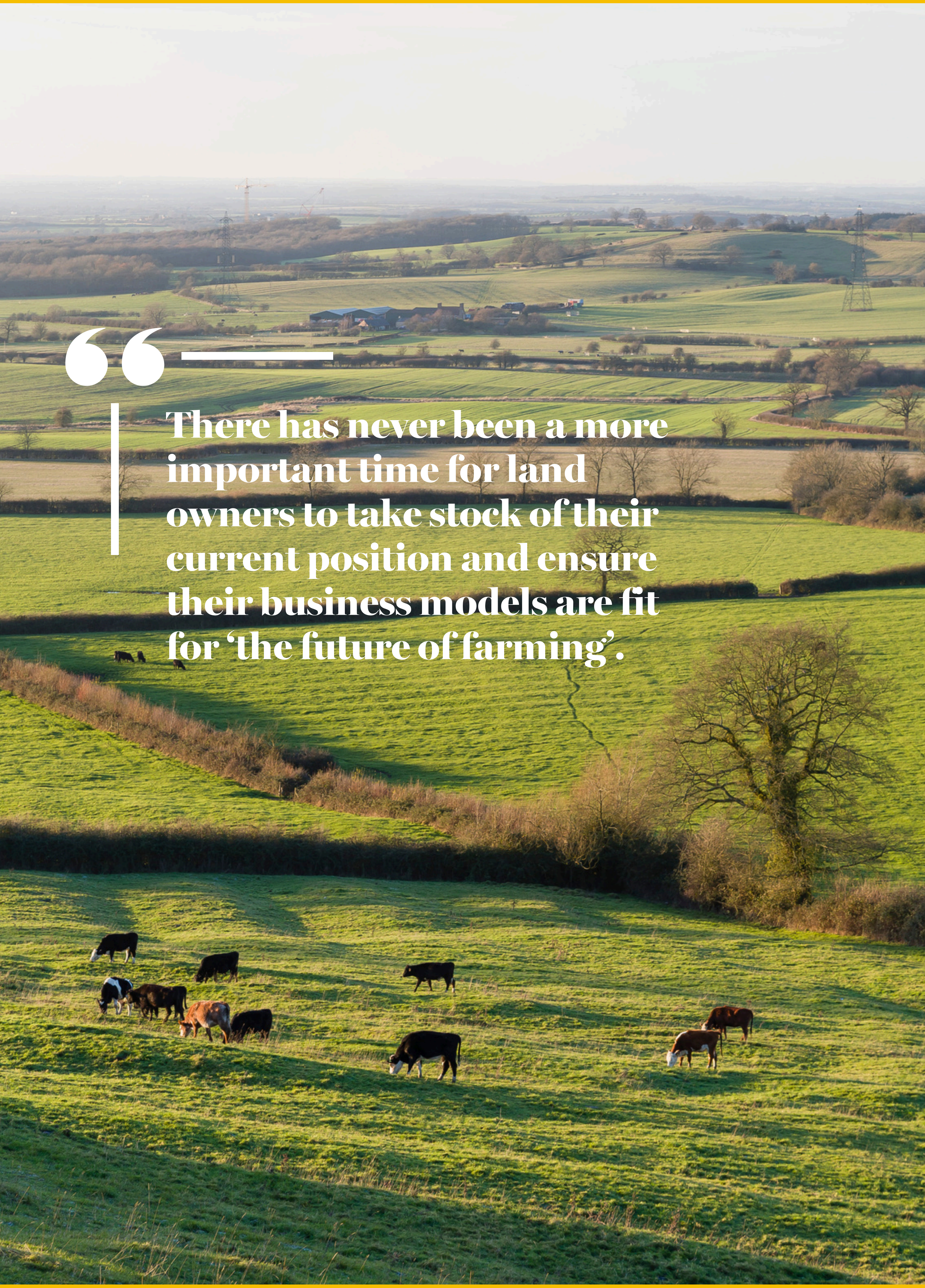


> There has never been a more important time for land owners to take stock of their current position and ensure their business models are fit for 'the future of farming'.

DEFRA'S DROUGHT RESILIENCE FUND

OPPORTUNITY FOR LINCOLNSHIRE

Lincolnshire has long been one of the UK's most water-stressed agricultural counties. In response, DEFRA has launched a £1.1m fund to support collaborative water infrastructure projects, including fast-tracked reservoir development and improved abstraction strategies.

The DEFRA Drought Resilience Fund was officially announced on 4 June 2025. The fund will back 12 new Local Resource Options (LROs) studies, focusing on solutions like multi-farm reservoirs, recycled wastewater systems, and shared irrigation networks.

https://farming.co.uk/news/defra-electronic-id-for-cattle-mandatory-in-step-forward-for-uk-biosecurity-

EID FOR CATTLE BECOMES MANDATORY

ELECTRONIC IDENTIFICATION

In a move to enhance biosecurity and streamline livestock management, DEFRA has announced that electronic identification (EID) for cattle will become mandatory in England. This policy aims to improve traceability, reduce trade friction, and bolster the UK's ability to export agri-food products. Farmers are encouraged to adopt EID systems promptly to comply with the new regulations and benefit from improved herd management.

https://farming.co.uk/news/defra-electronic-id-for-cattle-mandatory-in-step-forward-for-uk-biosecurity-

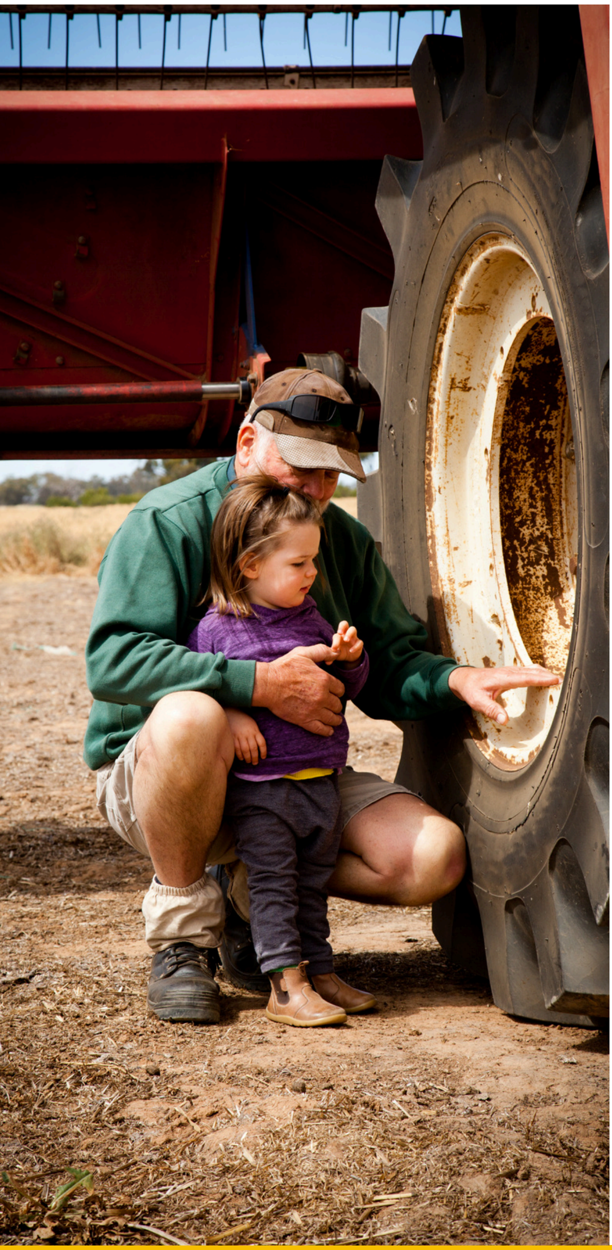
PROTECTING THE FAMILY FARM

By Nicola Massey, Partner and Agriculture Specialist at Forrester Boyd

THE £1M IHT RELIEF CAP

From 6 April 2026, significant changes to inheritance tax (IHT) rules will come into effect that will particularly impact business owners and those with agricultural property. HMRC has now closed its consultation on the proposed changes, which clarify how the new £1 million cap on 100% IHT relief for business and agricultural property will operate.

Currently, business and agricultural assets that qualify for relief can be passed on free of IHT, regardless of their value. This has allowed families to hand down farms and trading businesses without incurring significant tax liabilities. From 2026, however, the amount of qualifying property that can benefit from full relief will be capped at £1 million. Any eligible property above this threshold will still receive relief but only at a reduced rate of 50%. The implications of this are substantial. For example, if a business is valued at £5 million, this change could result in an additional IHT liability of £800,000.



THE DETAIL

The new allowance will apply to both lifetime transfers made within seven years of death and transfers made on death. Like the existing nil-rate band of £325,000, the £1 million allowance will renew every seven years on a rolling basis. Not all assets will count against the allowance. Business or agricultural property that only qualifies for 50% relief, such as Alternative Investment Market (AIM) shares, will not use up the £1 million threshold. While each spouse or civil partner will be entitled to their own £1 million allowance, there will be no facility to transfer any unused amount to a surviving partner, unlike the current nil-rate band rules.

This shift is likely to change how families approach succession and estate planning. Up until now, the focus has largely been on ensuring assets qualify for relief. With this cap in place, the emphasis will increasingly be on making full use of the allowance during one's lifetime, especially where the value of qualifying assets exceeds the threshold. This could mean more people considering lifetime gifts, which may help reduce their taxable estate but could give rise to capital gains tax considerations.

There may also be value in placing high-value assets, such as agricultural land, into trust. For example, the lifetime IHT payable on a £2 million gift of agricultural property into trust could be just £35,000, depending on the circumstances. It's also worth noting that if business or agricultural property is transferred to a spouse or civil partner during their lifetime, it must be held for at least two years before it becomes eligible for relief.

TIGHTENING RULES

Nicola Massey, Partner and Agriculture specialist, commented:

"These changes are a clear signal that HMRC is tightening the rules on IHT reliefs that have, until now, offered generous exemptions. While the reliefs are still valuable, the introduction of a cap means that business owners and farming families need to revisit their estate plans with care. Leaving it too late could result in unintended tax liabilities for the next generation."

Nicola Massey

EXAMPLE - DIVERSIFIED RURAL ESTATE

A landowner with farmland, let cottages, a trading solar enterprise, and investment property. Historically structured to qualify broadly for BPR/APR. Estate value £5 million.

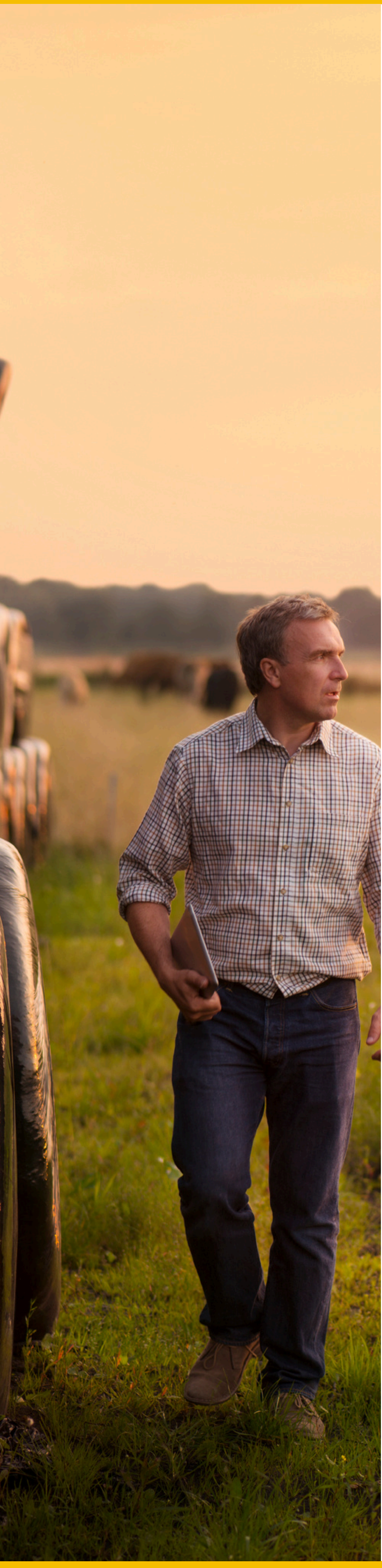
TAX SITUATION UNDER CURRENT RULES

ASSET	VALUE	RELIEF TYPE	RELIEF %	TAXABLE	IHT RATE	IHT DUE
Farmland (owner-run)	£2,500,000	APR	100%	£0	0%	£0
Solar business	£1,200,000	BPR	100%	£0	0%	£0
Let cottages (non-farm)	£800,000	no relief	0%	£800,000	40%	£320,000
Investment property	£500,000	no relief	0%	£500,000	40%	£200,000
Nil-rate bands	£650,000	NRB + RNRB	100%	£-650,000		£-260,000
TOTAL	**£5,000,000**			**£650,000**		**£260,000**

CHANGE FROM APRIL 2026

ASSET	VALUE	RELIEF APPLIED	TAXABLE	IHT RATE	IHT DUE
First £1m (APR/BPR)	£1,000,000	100% (APR/BPR cap reached)	£0	0%	£0
Remaining qualifying	£2,700,000	50% (£1,350,000 taxable)	£1,350,000	40%	£540,000
Let cottages	£800,000	no relief	£800,000	40%	£320,000
Investment property	£500,000	no relief	£500,000	40%	£200,000
Nil-rate bands	£650,000	Applied to part of qualfying assets	£-650,000		£-260,000
TOTAL	**£5,000,000**		**£2,000,000**		**£800,000**

OUTCOME: Net increase in tax after changes due in April 2026 totals an additional £540,000



DOUBLE CAB PICK UPS

By Sian Connolly, Partner and Agriculture Specialist at Forrester Boyd

THE TAX SHIFT YOU NEED TO KNOW

Farmers across the UK have long relied on double cab pick-ups as essential tools for both business and personal use. These versatile vehicles, such as the Ford Ranger and Toyota Hilux, have offered the perfect combination of practicality, durability, and tax efficiency — until now.

From 6 April 2025, HMRC has reclassified most double cab pick-ups as cars for tax purposes. This change marks a significant shift in how these vehicles are treated for Benefit in Kind (BiK) and capital allowances, and the impact on farmers and rural businesses could be substantial.

Previously, pick-ups with a payload of at least one tonne were taxed as vans, which meant lower BiK charges and the ability to claim 100% Annual Investment Allowance (AIA) or full expensing in the case of company ownership. However, the updated rules now apply the same treatment as company cars, meaning tax calculations are based on CO_2 emissions and list price. This reclassification also limits capital allowance claims and introduces new restrictions for leased vehicles with higher emissions.

FINANCIAL IMPLICATIONS FAR FROM TRIVIAL

For those in the agricultural sector, where these vehicles often serve dual purposes — transporting feed, towing trailers, accessing off-road fields, and providing passenger transport — the financial implications are far from trivial. The change not only increases the tax burden on new purchases but may also influence future decisions about what vehicles are most appropriate for the business.

Sian Connolly, agriculture partner at Forrester Boyd, explains, “This tax change is a real blow for the rural sector. Farmers have long relied on the versatility of pick-ups, but the shift to company car rules means much higher tax bills for those using them privately or through the business. If you didn’t order your vehicle before the April 2025 cut-off, you’ll now be feeling the full impact of this reclassification.”

EXPERT ADVICE

Sian Connolly, Partner and Agriculture specialist, commented:

"We're already seeing clients assume they can't claim VAT back on their new pick-up because of the new tax rules. That's not necessarily the case. It all comes down to how the vehicle is used and how it's classified under VAT legislation — which is still based on payload, not emissions or list price."

EVERY SAVING COUNTS

Farmers are advised to review how their vehicles are used, particularly where there is any element of personal use. Keeping detailed mileage logs and usage records is vital to support VAT claims and justify business use. It's also worth noting that HMRC does not rely on V5 registration documents or vehicle sales descriptions when determining tax status. Each tax — VAT, BiK and capital allowances — uses its own set of rules.

Ultimately, this tax change may prompt some farming businesses to reconsider their vehicle strategies altogether. In some cases, opting for a single cab pick-up, a van, or even separating passenger and work vehicles may result in greater tax efficiency.

As Sian concludes, "It's a reminder of how essential it is to plan purchases not just around operational needs, but around the wider tax environment. We're here to help clients weigh up their options and ensure they remain tax-efficient, particularly at a time when margins are tight and every saving counts."

For more information or a tailored review of your current and future vehicle plans, the agriculture team at Forrester Boyd is available to help.

Sian Connolly

LET'S TALK

We have a team of agriculture specialists on hand to help you with all your accountancy, financial and business advisory needs.

WE'RE HERE TO HELP

- Inheritance Tax and succession planning
- Diversification and tax reliefs
- Vehicle and machinery tax queries
- Business structuring and partnership advice
- Navigating environmental schemes
- Farming accounts and benchmarking

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