

## Rice chair of county NFU

Despite being discouraged by his school's careers office from pursuing a career as a vet, Paul Rice has achieved his original objective of working in the countryside albeit in a rather different field. As well as heading up Wright Hassall's farming and rural business unit, Paul has been elected chair of the Warwickshire Branch of the National Farmers' Union.

Having got involved in the steering group of Warwickshire's Rural Hub, an invitation to the annual meeting of the NFU followed which led to him being elected to the vacant post of vice-chairman. The chairmanship soon followed.

Paul will spend two years at the head of the county's NFU and believes the agricultural scene has some problems but is generally in good health.

"I have been made very welcome by the industry as a whole. The NFU work probably takes up a day a week of my time but as my role at work is to strengthen relationships with rural industries, the partners here very supportive.

"Hopefully I can bring a slightly different



*New role: Paul Rice has become chair of the NFU in Warwickshire.*

perspective to the role which will help.

"If you take Warwickshire as a whole, then agriculture is generally on the up, with some sectors (arable) more buoyant than others (livestock). There are, for example, some parts of the county which are, by EU standards, socially deprived. That is scored by factors such as

availability of public transport, schools and doctors. But by and large the location of Warwickshire is a help. Being near to a large urban conurbation is good for diversification, be it storing caravans, setting up a farm shop or running a bed and breakfast.

"The downside to that is that when grant money has been available, Warwickshire appears, at times, to have been overlooked – perhaps because it is perceived as affluent.

"Also, and I have some sympathy for this, being located where we are means that farmers are under constant scrutiny. That might sound odd, but imagine if you owned a factory and had the public peering inside every single day, or if you are in an office having people just wandering in and commenting on your working practices.

"Farmers have no more to hide than any other business owners and there is no doubt that they love the countryside as it has often been a part of their life for generations. It may look idyllic on a nice sunny day, but it is probably as testing an existence as it has ever been."

## WH appointed to NFU panel

Wright Hassall is delighted to announce that it has been appointed to the NFU Legal Assistance Scheme panel for Leicestershire, Northants and Rutland.

WH is looking forward to working with NFU members in the East Midlands which will complement the work it already carries out in Warwickshire and the West Midlands.

## Wright Hassall sponsors Simmental World Congress



*The World Simmental Congress will be in Warwickshire in June.*

The British Simmental Cattle Society is hosting the 17th Simmental World Congress this year – an event for which Wright Hassall is proud to be one of the co-sponsors.

The congress is a two week affair starting with a pre-congress tour in Northern Ireland on 15 June and then moving across to Scotland for the main tour starting on 18 June at the Highland Show. The tour then wends its way southwards via Edinburgh, Preston and Huntingdon to the Royal Norfolk Show on 25 June. From there it moves to the Midlands, via Warwick, with the closing ceremony taking place on June 29 at the Boddington Estate in the Cotswolds.

The congress usually attracts more than 200 delegates from around the world and also has an accompanying programme for Simmental Young Members. Last year's congress in Calgary, Canada was a great success with well over 250 delegates and non-delegates attending. The Brits are hoping to go one better!

## ON THE BACK PAGE

- Remain tax efficient by ensuring your business structure is right
- CAP subjected to health test

## Make sure the business structure is right

Traditionally farming businesses have had a relatively straightforward business structure. The farming business would be run as a partnership or company with the agricultural land often held outside the business but farmed by the business.

For inheritance tax purposes, the value of the agricultural land was covered by 100% Agricultural Property Relief and the value of the business covered by 100% Business Property Relief, provided that it was a trading business. A drop in farm incomes over recent years and ever-decreasing profit margins have forced traditional farming businesses to look to other sources of income to earn a living. This often involves renting out land or buildings to non-farm businesses, caravan storage, one-off property development projects and diversification of the business.

Whilst this entrepreneurial spirit should be applauded, it can have an adverse affect on the inheritance tax treatment of the business. Legislation states that business property relief is not available if the business consists wholly or mainly of "inter alia" dealing in land or buildings and making or holding

investments. Therefore, if the farm business has diversified and more income is derived from land rental or, for example, profits from the storage of caravans, than the profit from the farm business, HM Revenue & Customs may argue that the company is no longer a trading business and therefore does not qualify for business property relief. This results in the value of the business being chargeable to inheritance tax. This can be fairly easily rectified by separating the secondary business into a separate partnership business or company. The profits can still be received but by using a separate business structure, business property relief can be protected on the farming business.

If any property is used for the new non-farming business venture, it will not be used for the purpose of agriculture and it will lose the benefit of 100% agricultural property relief. Consideration ought to be given to bringing the property onto the balance sheet of the partnership or as an asset of the company which could allow 100% business property relief to be claimed and the land could become an asset of the

trading business. Furthermore, if you own land with any development value, that additional "hope value" will not be covered by agricultural property relief.

Serious consideration ought to be given to bringing the ownership of the land into the partnership of the family company so that any excess value can be claimed as business property relief.

In practice the partnership business will still own the land; however, further protection for inheritance tax can be achieved.

In conclusion, if you derive income from non farming activities, it is important to consider your business structure. Your solicitor and accountant can advise you on some straightforward business structures that can maximise the inheritance tax saving on your estate. Do keep these structures under review as non-farming income is often built up over a number of years as small scale projects grow into prosperous businesses which will affect inheritance tax relief. For more information please contact John Rouse on 01926 880743 or via email.

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## Is the SPS healthy?

As you read this, hopefully your SP5 will have been submitted and you will be focusing on your core business. In April I held a workshop for those SPS claimants who wanted some reassurance when submitting their form but was pleased to note that significantly fewer issues were raised than in preceding years.

However, for the rest of this year the Common Agricultural Policy is being subjected to a "health-check" that is taking place mid-way through the SPS. The last mid-term review introduced the SPS; for this one, the agriculture commissioner, Mariann Fischer Boel, has stated that she does not want another major overhaul of the CAP but does want it to be simpler and more efficient. There are a number of proposals around and draft legislation will be published at around the same time as publication of this newsletter.

### What will it contain?

The Commission wants full decoupling for wheat and protein crops and for beef to be fully decoupled over the next two years. However, where there is currently headage payments for suckler cows and sheep, these may be retained. However there is no chance of them being reintroduced in the UK.

Payments made on the basis of historic payments (such as Wales and Scotland) do not fit with a decoupled system. The desire of the Commission is that payments move to a regional basis, as soon as possible. There is resistance to change from the Welsh and Scots (and others) but we will have to wait to see

the proposals to ascertain what is on the table.

Capping has gone off the agenda but we are going to see increased compulsory modulation. However, as EU rates increase, national modulation must decrease, therefore it is hoped that there will be either an insignificant, or no, increase on the total amount suffered by English farmers. A new idea being discussed is "degressive modulation". This means that if you are paid over a certain amount, you will pay a higher rate of modulation, increasing, the more you receive. The current proposal is that this will start at 100,000 euros (or c£80,000). "Article 69" permits a further 10% modulation to go from one sector to another. It is not clear yet how this might work in England.

There are also other measures such as the abolition of set-aside, the introduction of a minimum payment (EU say 250 euro or one hectare, Defra suggest five hectares), and the introduction of new measures to deal with issues such as climate change.

### Will it happen?

Yes - the French take over the presidency on July 1st. They want to start talking about the CAP, post 2013 and cannot do this until the health-check is complete. There is a real political drive to get the health-check complete. Watch this space!

For more information, contact Paul Rice on 01926 880777 or via email.

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## Kenilworth Show has something for everyone

Dancing Diggers, Cyril the Squirrel and his racing terriers, sheep dog demonstrations and livestock competitions will be among the attractions at this summer's Kenilworth Show.

The family day out, sponsored by Wright Hassall, takes place on Sunday, June 1 with gates opening from 9.00am.

Wright Hassall will once again have a stand at the show and we extend a warm invitation to clients and their families to drop by and see us.

As well as the 'main ring' attractions there will also be a food marquee promoting local produce, children's activities and plenty of opportunities to shop.

Tickets bought in advance are £6 for adults and £2 for children. On the day the cost will be £8 and £3. For more details visit [www.kenilworthshow.org](http://www.kenilworthshow.org).

### NEWS from the Farming and Rural Business Unit

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