

TAXline

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Business tax

237. Where there's muck there's tax relief

The ICAEW's Farming Special Interest Group has agreed with HMRC that both 'silage clamps' and 'slurry handling facilities' (pits) qualify for capital allowances. These items are included in List C at s 23, Capital Allowances Act 2001.

Therefore, any farmers proposing purchasing and installing new silage clamps and slurry handling facilities can obtain capital allowances and may currently qualify for the 100% annual investment allowance (AIA) tax relief on expenditure of up to £50,000. With the complexities of the AIA and capital allowances generally, tax planning in advance is going to be important, particularly as there is likely to be further investment in slurry storage for a large number of farmers due to the Nitrate Vulnerable Zones (NVZ) rules.

Clearly the tax efficient route is to ensure the new work qualifies as plant and machinery with the appropriate claim for capital allowances incorporating AIA where appropriate.

What are the NVZ rules?

The new NVZ rules implement the EU Nitrates Directive in the UK, and came into effect on 1 January 2009. By 1 January 2010 a risk map must be produced for all holdings that spread organic manures. From 1 January 2012 livestock farmers must have sufficient storage capacity to store all slurry and poultry manure produced on the holding between 1 October and 1 March (1 October and 1 April for pigs and poultry). Storage facilities are not required for slurry sent off the holding. Slurry stores must have, in addition to the slurry capacity, the capacity to store all the rainwater, washings or any other liquid that enters the store. More details are on the Environment Agency website.

So watch out for bigger and better slurry pits at a farm near you. As they say, 'where there is muck there is money' or at least in this case tax relief.

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