

tax advisers as a rather vague concept. Where the farmland is let out for agricultural purposes and is given a high value under s160, say £12,000 per acre, although there is no chance of building development on that land it is very easy for the DV to argue amenity value and try to restrict APR to, say, £7,000 per acre. Many farmers have been paying high prices for pure farm land to help the commerciality of their operation which has confused the concept of amenity. This approach by the DV can apply to let land that has been used in a farming operation for many years.

This highlights the need to ensure that farmland is 'farmed in hand' where possible rather than let out, so that BPR can be claimed on the amenity value, as with potential development land. There is also the need to present strong arguments against this amenity value argument and HMRC's interpretation of the definition in s115(3). Statistics of agricultural prices paid by farmers around the date of death will be important. The DV visit is often 18 months to two years after death and by this time executors and beneficiaries may not be in the mood for a fight. Early instructions by the executors to the probate valuer with regard to the 'amenity value trap' are advisable.

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IHT

142. AMENITY VALUE OF FARMLAND

Most tax advisers are aware of the restriction of agricultural property relief (APR) for IHT to the agricultural value (AV) of property under s115(3), Inheritance Tax Act 1984 (IHTA 1984). The most common application of the AV restriction is when trying to reduce the APR on the farmhouse and reducing the APR claim on the hope value on development land. Hope value is the difference between the market value (s160, IHTA 1984) and the AV of land, ie, the hope for potential development of the land for building houses. It is important to ensure the land is used in a trade so that hope value is protected. Tax advisers have been very aware of the need to protect the hope value of farmland with IHT business property relief (BPR) where appropriate.

With land prices having achieved very strong selling prices (at least until very recently) the District Valuer (DV) has over the past few years been trying to deny IHT relief on the amenity value of land. Amenity value is the difference between the high market value of some land and the pure agricultural value and is considered by many land agents and