

Budget day look at that old barn

The farming community might think that at the moment it has nothing for which to thank the Government.

But proposed changes to the capital gains tax relief could be of tremendous advantage to those who own their land and buildings.

The chancellor is reported to be planning a budget package costing hundreds of millions of pounds under which the 40% rate will taper to 10% after a business has been in operation for five years, rather than 10 as at present.

This could be very helpful for landowners who are proposing to take advantage of South-East Structure Plan and develop redundant farm buildings, brownfield sites and other areas of the farm.

With the phasing out of retirement relief for

capital gains tax in April, 2003, and the fall rates of tapering relief not hitting until 2007/2008, the fact that they will come into operation in five years' time and at accelerated rates could be extremely good news for the farming and landowning community.

It is this area of redundant farm buildings which is of the greatest importance. One of the advantages for farmers to keep farming is that their land and buildings qualify for 100% agricultural property relief for inheritance tax. However, certain areas of the farm are coming under attack from the District Valuer. These include farm-

houses, the size of the farmhouse in relation to the holding, farm cottages and redundant farm buildings. It is well understood that there would be an outcry if a farmer was forced to give up an area of farming which created a redundant building and then, when he died, to be denied 100% agricultural property relief on this building.

However, the rules have never stated that they will be fair—they merely set out the principles by which tax liabilities are calculated. By definition, a redundant farm building is not used in the farm. Therefore, it could be argued that it does not qualify for agricultural

property relief, although there would be strong arguments to say that it should qualify for business property relief.

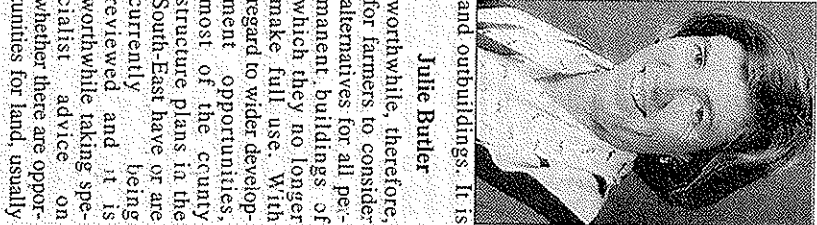
The alternative uses of all redundant farm buildings should be considered.

This comes back to the question of keeping farming and, if in doubt, all buildings should be used for farm purposes, whether it be the storage of farm machinery or storage of farm stocks, it is important that they are used.

The next stage to farm survival will be, of course, using the redundant farm building for some form of development so as to generate funds to help the farm survive the current crisis.

Most local councils already have planning policies which allow the conversion of redundant agricultural buildings. The first preference is to find alternative employment uses—workshop, offices etc. to encourage creation of new jobs in rural areas.

Conversions can therefore provide either a boost to farm incomes or a capital sum by way of sale. In some cases, it is still possible to gain planning consent for conversion to residential use which, in current market conditions, can bring the greatest capital return.



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worthwhile, therefore, for farmers to consider alternatives for all permanent buildings of which they no longer make full use. With regard to wider development opportunities, most of the county structure plans in the South-East have or are currently being reviewed and it is worthwhile taking specialist advice on whether there are opportunities for land, usually that adjoining existing towns and villages, to be promoted for particularly housing development.

For most farm owners if there is potential, economically, it is sensible to consider entering into property negotiated options with developers who will bear the substantial costs of planning promotion through local council planning reviews.

Because there are deadlines for the submission of representations to these reviews, however, it is important to take proper advice. With the proposed changes by the chancellor under the budget package and the attack by the District Valuer on redundant farm buildings there has never been a better time to have a look at redundant farm buildings and see how they can help a farm keep on farming.