

Business taxes

182. Stud farm losses

Practical point 135 in the June issue of *TAXline* outlined the removal of the Thoroughbred Breeders' Association agreement on stud losses from HMRC's *Business Income Manual* at BIM55725. That agreement allowed up to 11 years of stud farm losses from the start of the business.

HMRC has now confirmed that opening stud farm losses are restricted to the normal 'hobby farming rules' when starting to trade. While the need to prove commercial intent has always been imperative, there is now greater emphasis for tax advisers to check on behalf of their clients the recent compliance with the loss rules, (eg, 2020/21, the history of loss claims and stud business plans).

This change, combined with other operational pressures could see some small breeders leaving the industry. The VAT and tax impact of such action, including the timing, will need to be calculated by tax advisers. Likewise, the potential negative impact on capital taxes must be considered. Contributed by Lucy Knighton ACA, Managing Director, and Julie Butler FCA, Founding Director, Butler & Co Alresford Limited