

# Knowing your value

**Julie Butler** and **Fred Butler** explain the importance of farm valuations for inheritance tax in light of the forthcoming reductions in agricultural and business property reliefs.

**W**e first looked at the importance of farm probate valuations in the context of inheritance tax (IHT) changes in the *Taxation* article 'Filing your claims', 27 February 2025.

That article focused on agricultural occupancy conditions (AOC) and explored possible concerns about increasing value, alongside the pressures placed on agricultural value by the proposed drop to 50% for agricultural property relief (APR), together with the drop to 50% for business property relief (BPR) on amounts above a £1m threshold from April 2026 on market value farm valuations.

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At the time of writing, we still do not have the final legislation on this issue and also await the Budget of 26 November 2025. It is important for farmers and landowners to understand that IHT is a self-assessed tax and the taxpayer is expected to get it right, which is very difficult with such

## Key points

- The limitation of 100% relief to a combined £1m of qualifying assets from April 2026 makes the market value of farms for probate incredibly important.
- A complete forensic understanding of ownership, activity, legal agreements and planning permissions prior to the valuation should all to be assessed as part of the valuation.
- Breaches of planning requirements or listed building regulations, or planning permission conditions that have not been fulfilled can cause serious commercial concerns and problems for the heirs that follow on.
- There could continue to be a large number of lifetime transfers to take advantage of 100% APR and BPR between now and 5 April 2026.



marginal decisions on APR and BPR and the complexities of farm probate valuations.

## Professional valuation

The value of assets for an IHT claim should be their market value at the date of death. From April 2026, the limitation of 100% relief to a combined £1m of qualifying assets makes this incredibly significant. The valuation of farming assets will usually demand the services of a professional valuer, with a qualified probate practitioner applying for probate and submitting the IHT claim via form IHT400. When HMRC investigates a claim for IHT, it calls the Valuations Office Agency (VOA). Having a valuation by a professional qualified to do so helps to support the claim, although this is not a requirement. However, with the high value of farms, it is good practice to have the valuation carried out to the highest standard.

It is the role of the executor to instruct the valuer, and these instructions must be carefully considered. Professional advisers, eg solicitors and accountants, should help in this regard. In anticipation of the probate valuation, the family executors and advisers should gather documents to help establish ownership that may influence the value of an estate – for example, title deeds, tenancies, grazing and cropping licences, wills, partnership agreements. Title deeds, partnership deeds and agreements, who owns debt, tenancies, grazing and cropping agreements should all be checked so that it is clear what would be included in an individual's estate and exactly who owns what. Ideally these should all be cross-referenced to the farm partnership accounts. If there is no partnership agreement, the Partnership Act 1890 will prevail.

It is expedient and makes practical sense for the valuer to be invited to the farm as soon as is decently possible after a death, which can be emotionally difficult but also essential for financial clarity and peace of mind. The longer valuation instructions are left, the more work it will be to get back to the value at the date of death.

## Matters that can devalue the farm

How assets are used affects their value – for example, letting buildings on a handshake to a third party for non-agricultural uses can cause problems and possibly future financial liabilities. The handshake may have created a secure business lease under the Landlord and Tenant Act 1954, which may reduce the market value of the asset and the farm. In addition, if such agreement has been actioned without planning permission for a change of use etc, that may also have a negative impact on value. Similarly, any breaches of planning requirements or listed building regulations or planning permission conditions that have not been fulfilled would also affect the value, so such violations should be made clear to a valuer. It is important not to keep anything from the valuer, because the more transparent the information, the more accurate and expedient the valuation.

Some farmers might read this ‘good news’ of possible lower values and think that irregularities such as these should be continued or even encouraged if the aim is to keep the farm, to reduce the IHT liability. Such decisions must be carefully managed because the lack of tenancies and planning permission can cause serious commercial concerns and problems for the heirs that follow on. In addition, to fund the potential IHT bill with the drop to 50% relief, many farmers are identifying a ‘hit list’ of assets to sell to fund the liability, and irregular tenancies and planning permission can make the sale more problematic, especially in this difficult property market. The answer is a complete forensic understanding of ownership, activity, legal agreements and planning permissions prior to the valuation, all to be assessed as part of the valuation.

Some farmers/landowners may be tempted to embrace ‘self-help’ tax planning by reading this and deliberately not sorting tenancies and planning permission. Obviously, such action is very risky and full of potential problems and cannot be condoned by tax planners. There would always be a risk of professional indemnity insurance claims. Once farmers and landowners grasp the full implications of ‘erroneous behaviour’ on potential IHT valuations, there could be mayhem.

## Valuations of lifetime transfers

While it is often not until a death occurs that a professional valuation is needed, if a gift has been made or contemplated, a

valuation at the time of the gift is essential. Many of the issues that need to be identified will take time, and farmers must start the housekeeping process of preparing for valuation in the same way as for probate.

Good preparation can help reduce the time and cost of a valuation at every level – for example, preparing an ongoing list of assets, from property to machinery and livestock numbers that is kept up to date. Accountants should help with this in the fixed asset schedule etc that they hold in their working papers for reconciliation. The internal farm recording should also keep a good recording of assets at the date of valuation.

Lifetime gifts will have capital gains tax (CGT) and IHT concerns (see *Taxation* article ‘Meticulous forward planning’, 23 January 2025). On the basis that there is a small window between now and 5 April 2026 in which to take advantage of 100% APR and BPR, there could continue to be a large number of lifetime transfers, and the full position of valuations will be key to the tax planning. A very busy time lies ahead for all planners and farm owners. ●

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