

# Farmers Exit Payment Still Unknown (Practical Point)

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As the government commence phasing out the Basic Payment Scheme (BPS) in readiness for the new Environmental Land Management scheme (ELMs), farmers may well be considering whether or not the lump sum exit payment proposed at the end of 2020 is worthwhile. Aimed to encourage new entrants into the farming sector, this offers farmers who may be less willing or able to embrace the upcoming changes a chance to surrender their BPS entitlements and “quit” farming in exchange for a one-off lump sum payment. This will be an all-or-nothing scheme and the payment is thought to be set at circa 2.35 times the annual amount of BPS received from 2018-2020, subject to a cap of £100,000.

Land must subsequently be given up either by selling, gifting or surrendering any tenancy over the land.

However, despite this scheme opening in the first half of 2022, the exact details are not expected to be published until October 2021 and the tax position of the proposed exit payment is still unknown, i.e. will the monies fall to income tax or capital gains tax (CGT). There is some surprise as to the lack of enthusiasm from farmers to take advantage of the offer but without further clarification of the tax impact it is understandably difficult to make any informed decision.

A possible reason for a lack of interest amongst landowners is that with retirement comes the loss of business reliefs for inheritance tax (IHT) and CGT; it is the farming tenants who could be most attracted to the offer of the lump sum and the opportunity to leave the industry. Many advisers are therefore surprised to learn of the need to ensure all tenancies are written, including Agriculture Holdings Act 1986 (AHA) tenancies. It might seem unbelievable in this day and age but in reality, some farm tenancies are oral agreements. Section 6 AHA sets out the type of notice needed to start the process of ensuring that a written agreement is in place.

With all the changes currently facing farming NOW is the time to ensure that all legal agreements are in writing and the tax considerations and planning are both up-to-date and understood. Farmers face so much uncertainty at the moment with the possibility of the exit payment together with “farming for the environment” as the direction set for subsidy claims. At the very least the farm legal arrangements that do exist must be in writing and ideally fully understood to allow for quick tax planning as more information on these new schemes arises.



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