Heritage farming

Farm heritage property is not well understood. Julie Butler discusses the complex heritage tax relief and its accounting treatment.


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With the news that agricultural property relief (APR) is under more scrutiny from HMRC, the tax treatment of heritage assets comes into more focus and popularity.

The heritage tax relief is complex and it therefore follows that the accounts treatment is also in need of a lot of careful consideration.

Farms are unusual in that they can hold and use working land and buildings as heritage assets. Generally the land and buildings benefit from such use.

The use of the potential inheritance tax relief of national heritage assets came under the spotlight with the promoted possible reduction of business property relief (BPR) and APR for IHT by the all-party parliamentary group (APPG).

> "The potential inheritance tax relief of heritage assets needs regular review as part of all farm tax planning and overall succession planning."

Although the APPG suggestion has now been sidelined, the potential IHT relief of heritage assets needs regular review as part of all farm tax planning and overall succession planning. For example, when farm advisers analyse the detail to support the ability to claim BPR and APR on farm assets and flag up that there could be concerns on whether the assets are used in the business or for use for agriculture sufficiently to make a valid claim for BPR and APR, alternatives have to be considered.

The claim for the national heritage property exemption comes with the condition of the obvious need of qualifying as designated heritage property, but also the conditions of giving undertakings for the preservation of the property as well as agreeing to public access.

The disadvantages of the heritage property exemption compared to BPR or APR is that if the undertakings are broken in the future, the tax charge is reinstated. Reinstatement of the tax liability can also be forced by a sale or transfer.

With this risk of reinstatement of IHT liability there are needs for full accounts disclosure for the protection of all parties.

The accounting treatment is financial reporting standard (FRS) 102 which replaced FRS 30. In view of the individual nature of the heritage claim every asset should be on a case-by-case basis with the emphasis on clear and practical disclosure. The accounting policy note should provide good explanations setting out how the heritage assets are shown in the accounts. The assets need to be shown at market (fair) value. They should be shown separately from non-heritage assets. It is likely that the heritage assets will be held in trust so registration on HMRC's trust register is required.

If heritage assets are to be held within a farming partnership business, a very complex partnership agreement must be drawn up.

Key points

- Farms can hold and use working land and buildings as heritage assets.
- The potential inheritance tax relief of heritage assets needs regular review as part of all farm tax planning and overall succession planning.
- The accounting treatment is financial reporting standard (FRS) 102 which replaced FRS 30.

Author details

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