



OTS Considers The Simplification Of Property Income – Impact For Farmers

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Property income can form a large and a significant part of the farm operation. It is therefore important to engage farmers in discussion about the possible tax changes and to plan ahead. However, some farmers and farm advisers might be cynical as to whether any changes will actually be actioned by government as so many OTS reports, eg on Capital Gains Tax (CGT), Inheritance Tax (IHT) and property VAT have been sidelined. Ironically when considering the subject of property, it is key to also consider the sidelining of the Planning Bill. This will cause further scepticism amongst the farming world who are battling with quite alarming changes to the farming industry.

The Office of Tax Simplification (OTS) is seeking views about how the taxation of property income could be simplified. The review will consider the current regimes for the taxation of residential property held by individuals, partnerships and micro-companies. In particular, the review will consider:

- The way the taxation of property income fits into the overall scheme of income tax, and the rationale for the similarities and differences between the treatment of property and trading income and income from other investments;
- The differences between the rules for residential lettings generally and those applying to furnished holiday lettings, the incorporation of property businesses, including stamp duty land tax aspects;
- The factors that influence the choice between using the cash basis rather than accruals accounting, where rental income is less than £150,000 a year;
- Reliefs and exemptions, including CGT aspects;
- Income received from property in the UK, including by individuals living abroad;
- Income from property overseas, including the complexities of the definition of qualifying European Economic Area property in relation to furnished holiday lettings;
- Any difficulties arising in understanding the rules, or in the tax processes involved in becoming or ceasing to be a landlord; and
- The impact of the use of intermediaries by those letting property, and any potential for them to assist in easing administrative burdens.

The OTS is keen to hear directly from individual landlords and small businesses as well as from professional advisers and representative bodies. Those with personal experience in this area are invited to complete an online survey. More detailed comments should be emailed to ots@ots.gov.uk by 5 June 2022 – hurry the deadline is close!

Many farmers would probably consider that they must consider the immediate concerns of rental income. For example, the need to raise energy standards within properties and the costs this involves together with increasing repair costs generally.



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