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# Investigate new fields and cut the Revenue's harvest

## Reap worthwhile benefits in your own kingdom, says Ross Davies

**V**ALUABLE tax reliefs continue to support the price of farmland, despite the difficulties faced by people trying to make a living from farming.

Now one estate agent claims that more than half the farms being sold are bought by non-farmers, seeking to shelter gains generated by other activities from tax.

Of course, said Edward Welton of Knight Frank's country department, there is also the desire to "have my own little private kingdom". But there is a better reason for getting into agricultural land, he points out. "Becoming a farmer allows you to roll over a capital gain you have made in, say, selling a business. If you then use the money to buy and develop an agricultural property - whether that is the land itself and buildings situated on it, or businesses operating from it."

Nor does it stop there. You can benefit from tax advantages when you sell and invest the proceeds - or you can keep all or part of what you have and leave it to the family free of inheritance tax. No wonder, perhaps, that despite foot and mouth disease, the weak euro and low commodity prices, Knight Frank reports that the price of agricultural land is rising in some areas.

due partly to the combination of low interest rates plus the tax breaks open to farmers that help existing owners of land to buy yet more.

Mr Welton added: "Some buyers get their 'kingdom' - the house, the 40 acres and the shooting or fishing - and then decide to develop or dispossess of the rest."

"Similarly, when we're selling farms, we may advise against selling the whole property in one go, and sell it in lots instead."

Big buyers of farmland, newcomers or otherwise, rarely make a move without taking professional advice. The same, said Julie Butler, cannot be said of those she calls "reticent farmers".

Mrs Butler, author of *Tax Planning for Farm and Land Diversification* (Butterworth, Tolley, £49.95), said: "These are the men and women - and there are many, many of them - who wake up one day and become farmers whether they like it or not, and sometimes whether they know it or not."

She explained: "Historically, land has been passed from one generation to another and not necessarily to people who are interested in farming. What happens is that a farm may be sold but some of the land closest to the village is often retained for any development value."

But sometimes the owner

dies before there can be any development, Mrs Butler adds and so lots of little parcels of agricultural land - a common size is 20 acres - end up in the ownership of family trusts or individuals.

Neither may I know the land's true value. It is classed as agricultural, with all the tax advantages that can entail.

Mrs Butler, who is married to a farmer, and is senior partner in Butler & Co, a Hampshire accountancy firm, said: "Land is not classed as agricultural because it is in an agricultural district but on the use to which it is put."

"Some uses which may seem 'agricultural' quality and others do not land let to another farmer for 365 days or more, for example, is not 'agricultural', but land on which the owner is paid for not growing can be 'development value'."

"If you should inherit a piece of land, therefore, it is

well worth establishing whether it or any business conducted upon it is defined as agricultural."

The system of reliefs, Mrs Butler said, is generous but complicated, as well as freedom from inheritance tax, there is also the ability to change up to five years' trading losses against your non-farm income. You can also claim capital gains relief of up to 750p when the land is sold.

The benefits of being a farmer are enough to assure Knight Frank and other estate agents of a steady supply of buyers. Mrs Butler, however, warned against seeing farm tax reliefs as a panacea.

She said: "You can forget inheriting or buying an attractive cottage in the country, keeping a few sheep or chickens there and claiming all sorts of expenses, let alone trying to avoid inheritance tax."

"Rules to restrict 'hobby farming' date back nearly half a century but genuine attempts to establish or run an agricultural business - however oddly authority defines 'agricultural' - are still encouraged by the tax system."

"Unfortunately, it's not a system many existing small farmers are equipped to play but if the countryside is to survive, then a lot depends on newcomers - reticent or otherwise."

**6**If the countryside is to survive, then a lot depends on newcomers?

**Julie Butler**

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