

Postgraduate Certificate in Farm Succession Planning (United Kingdom)

Tax Planning for Farm Succession

Inheritance Tax (I-T) is the principal duty levied on the estate of a deceased person when the value of the estate exceeds the nil-rate band. The current threshold is £325 000, although this may be increased by the transferable nil-rate band from a pre-deceased spouse. I-T is charged at a rate of 40 % on the amount above the threshold, but careful planning can reduce the liability. For a farm succession, it is essential to understand how agricultural property relief (APR) and business property relief (BPR) interact with I-T, because they can lower the taxable value of land, buildings and business assets.

Agricultural Property Relief (APR) provides a relief of up to 100 % on the value of agricultural land, buildings, and certain farm structures when they are passed on by gift or inheritance. APR is only available where the land is used for agricultural purposes at the date of death or gift, and where the recipient continues that use. The relief is calculated on the market value of the property at the relevant date, and it can be applied in conjunction with the nil-rate band. For example, a 150-hectare arable farm valued at £2 million may qualify for a full 100 % APR, reducing the I-T chargeable base to zero, provided the farm continues to be used for agriculture.

Business Property Relief (BPR) offers a relief of up to 100 % on the value of a qualifying business or business assets. In a farm context, BPR can apply to the operating entity, such as a family partnership or a limited company that runs the farm business. The relief is only available if the business is a “trading” activity and not a “passive” investment. The relief can be claimed on assets such as livestock, machinery, and the goodwill of the farm enterprise. A typical challenge is demonstrating that the farm is a trading business rather than an investment, which may involve showing active management, a business plan, and regular trading income.

Lifetime Gift is a transfer of assets made during the donor’s lifetime. Where the donor survives for seven years after the gift, the transfer becomes a potentially exempt transfer (PET) for inheritance tax purposes. If the donor dies within seven years, the value of the gift is added back into the estate and subject to I-T, but a taper relief may reduce the charge. For instance, a parent who gifts a parcel of pasture valued at £200 000 to a child and survives eight years will have that gift exempt from I-T, whereas surviving only four years would trigger a reduced charge.

Potentially Exempt Transfer (PET) is a term used to describe a lifetime gift that is exempt from I-T if the donor survives for seven years after the transfer. PETs are a cornerstone of tax-efficient farm succession planning because they allow the gradual reduction of the estate’s value while the donor remains alive. The use of PETs must be carefully coordinated with APR and BPR to ensure that the value of the farm assets is correctly assessed at the time of each gift, and that any subsequent disposals do not trigger unexpected capital gains tax (CGT).

Transferable Nil-Rate Band (TNRB) allows the unused portion of a deceased spouse's I-T nil-rate band to be transferred to the surviving spouse, effectively doubling the threshold to £650 000. This can be particularly valuable in farm succession where the estate value may be well above the standard threshold. The TNRB is applied automatically by HMRC when the surviving spouse makes a claim, but the executor must ensure that the estate accounts for the full amount. The combination of TNRB, APR, and BPR can often reduce the effective I-T liability to zero, but the planning must be documented in a clear succession plan.

Deemed Disposition occurs when an asset is transferred without an actual sale, such as a change of ownership resulting from a marriage settlement, a divorce, or a restructuring of a family partnership. For tax purposes, HMRC treats the transfer as if it were sold at market value, triggering a CGT event. In farm succession, a deemed disposition can arise when a farm is transferred to a child by way of a family partnership interest. The resulting CGT liability can be mitigated by the availability of BPR, which may relieve the CGT on the transferred business assets.

Valuation is a critical step in any tax planning exercise. The market value of farm land, buildings, livestock, and other assets must be established at the date of death or the date of gift. Professional valuers consider factors such as soil quality, location, tenancy agreements, and future development potential. An inaccurate valuation can lead to over-payment of I-T or CGT, or conversely, to a tax investigation if the valuation appears deliberately low. Example: a hillside pasture may be valued lower than a flat arable field due to lower productivity, but if the valuation does not reflect the true market conditions, HMRC may challenge it.

Market Value is the price that a willing buyer would pay for an asset in an arm's length transaction. In the context of farm succession, market value is used for both I-T and CGT calculations. The valuation must be realistic, reflecting comparable sales, and should be supported by a written report. When a farm is transferred as a whole, the market value of the land, buildings, and equipment must be aggregated to determine the total taxable value.

Farm Business Asset is a term that encompasses the core elements of a farm's trading operation. It includes land used for agriculture, livestock, machinery, buildings, and the goodwill of the business. For tax reliefs such as APR and BPR, each component must be identified and valued separately. The asset classification determines which reliefs apply and the rate of relief. For example, the goodwill of a diversified farm may qualify for BPR, while the same goodwill in a purely rental property would not.

Tenancy refers to the legal right to occupy or use land. In the UK, agricultural tenancies are governed by the Agricultural Holdings Act 1986 and the Landlord and Tenant Act 1954. The type of tenancy influences the availability of APR. A tenant farmer who holds a qualifying tenancy can benefit from APR when the tenancy ends, as the value of the tenancy interest may be relieved for I-T purposes.

Leasehold is a form of tenure where the holder has a right to use the land for a fixed period, often up to 99 years. Leasehold interests can be transferred, gifted, or inherited, but the value of the leasehold is subject to APR only if the lease is for agricultural purposes and the lease term is at least 21 years. Shorter terms may

not qualify, which can increase the I-T charge.

Freehold is the outright ownership of land and any buildings on it. Freehold ownership provides the greatest flexibility for succession planning because the asset can be directly transferred or gifted. However, freehold farm land is also the most likely to attract APR, which can reduce the I-T liability dramatically. The freeholder may also hold the farm as a company, which introduces additional layers of tax planning, such as the use of BPR.

Agricultural Holdings Act 1986 sets out the rights and obligations of tenant farmers and landlords. The act provides security of tenure for qualifying tenants and includes provisions for rent reviews, compensation, and the right to pass on the tenancy to a successor. Understanding the act is essential for succession planning because the value of a tenancy can be a significant component of the farm's overall value, and the act influences the eligibility for APR.

Section 103 of the Inheritance Tax Act deals with the definition of "agricultural property" for the purpose of APR. It specifies that land must be used for agricultural purposes at the date of death or gift, and that the land must be capable of being used for agriculture. This section also clarifies that certain structures, such as barns and silos, are included if they are used in the farming operation.

Section 104 of the Inheritance Tax Act outlines the conditions under which APR can be claimed. It requires that the land be used for agriculture for at least two years before the transfer, and that the recipient continues to use it for agriculture for a minimum of five years after the transfer. The five-year rule is a common challenge, as many farms are diversified into tourism or renewable energy, which may breach the agricultural use condition.

Section 105 of the Inheritance Tax Act provides guidance on the treatment of "agricultural buildings" and "farm structures." It clarifies that the relief can be applied to barns, stables, and other structures that are integral to the farming operation, but excludes buildings that are primarily used for non-agricultural purposes. For instance, a converted barn used as a wedding venue would not qualify for APR, whereas a barn still used for storing grain would.

Capital Gains Tax (CGT) is a tax on the profit arising from the disposal of assets, including farm land, livestock, and business assets. When a farm is transferred by gift, a deemed disposal occurs, and CGT may be payable on any increase in value since the asset was acquired. However, BPR can provide a full relief from CGT on qualifying business assets, effectively neutralising the CGT charge. The interaction between CGT and I-T must be carefully managed to avoid double taxation.

CGT Exemptions include the annual exempt amount, which for the 2024-25 tax year is £6 000, and specific reliefs for agricultural assets. The annual exempt amount can be used to shelter small gains, but most farm transfers will exceed this threshold. The most relevant exemption for farm succession is the BPR, which can eliminate CGT on the transferred business assets.

Farm Diversification refers to the practice of adding non-agricultural activities to a farm, such as tourism, renewable energy, or hospitality. While diversification can increase income, it may affect the eligibility for APR and BPR, because the assets used for the non-agricultural activity may no longer be considered “agricultural” or “business” for tax relief purposes. Planners must assess each activity individually to determine whether the reliefs still apply.

Family Partnership is a common structure for farm succession, where the farm is held in a partnership and shares are allocated to family members. The partnership agreement can specify the rights of each partner, the distribution of profits, and the mechanisms for transferring interests. By allocating partnership interests as PETs, the family can gradually reduce the estate’s value while retaining control of the farm. However, partnerships are subject to CGT on any disposal of partnership interests, and the partnership must ensure that BPR is claimed on the business assets held by the partnership.

Family Trust is another vehicle used to hold farm assets for succession. A trust can separate legal ownership from beneficial ownership, allowing the settlor to retain control while the beneficiaries receive income and eventual ownership. Trusts can be structured as discretionary trusts, interest-in-possession trusts, or protective trusts. Each type has different tax implications for I-T and CGT. For example, an interest-in-possession trust may qualify for the same APR as a direct ownership, but the assets inside the trust may be subject to periodic I-T charges on the trust’s growth.

Controlled Company is a company in which the same individuals who control the farm also control the company. In farm succession, a controlled company may hold the farm assets, and shares can be transferred to the next generation. Share transfers can be made as PETs, and BPR can apply to the shares if the company is a trading company. However, the use of a controlled company introduces additional compliance requirements, such as filing corporation tax returns and maintaining statutory registers.

Holding Company is a parent company that owns the shares of one or more subsidiary companies that operate the farm. A holding company structure can provide asset protection and facilitate the transfer of ownership by moving shares rather than the underlying assets. The holding company may be subject to I-T on the value of its shares when transferred, but BPR can relieve the CGT on the shares if the subsidiaries are trading businesses.

Tax Planning is the strategic arrangement of financial affairs to minimise tax liabilities within the law. In farm succession, tax planning involves coordinating I-T, CGT, income tax, and other levies to achieve the most efficient transfer of assets. Effective tax planning requires a thorough understanding of reliefs, timing, valuation, and the legal structures available. It also demands regular review, as changes in legislation or farm circumstances can alter the optimal strategy.

Succession Planning is the broader process of preparing a farm for the next generation, encompassing not only tax considerations but also operational, managerial, and emotional aspects. Tax planning is an integral component, but the succession plan must also address issues such as farm management skills, continuity of

tenancy agreements, and the distribution of non-farm assets.

Estate Planning focuses on the preparation of a will, trusts, and other legal instruments to ensure the orderly transfer of assets after death. In the context of farm succession, estate planning must align with tax planning to ensure that the I-T reliefs are fully utilised. For example, a will may include a clause that directs the executor to apply the transferable nil-rate band and claim APR on the farm land.

Will is a legal document that sets out how a person's estate should be distributed upon death. A well-drafted will for a farmer will typically name the farm as a specific legacy, include provisions for the appointment of executors, and may create testamentary trusts for minor children. The will must be executed in accordance with the Wills Act 1837 to be valid.

Testamentary Trust is a trust created by a will, which takes effect on death. It can be used to hold farm assets for the benefit of children who are not yet of age, providing income and protecting the assets from creditors. The trust can also be structured to qualify for BPR, thereby reducing CGT on the transfer of the business assets into the trust.

Deed of Gift is a legal instrument used to transfer ownership of an asset without consideration. In farm succession, a deed of gift can be used to transfer land, livestock, or business assets to a child or grandchild. The deed must be signed, witnessed, and registered where appropriate (e.g., land registry). The donor must survive seven years for the gift to be a PET, otherwise the value is added back to the estate for I-T purposes.

Deed of Variation is a document that allows beneficiaries to alter the distribution of an estate, usually to achieve tax efficiencies. For example, a child who inherits farm assets may execute a deed of variation to redirect the assets into a trust for their own children, thereby utilising the next generation's nil-rate band. The variation must be made within two years of death to be effective for tax purposes.

Agricultural Investment Scheme (AIS) is a government-run scheme that provides tax relief for investment in qualifying agricultural assets. While the AIS is primarily aimed at encouraging capital investment, the reliefs can be integrated into succession planning to reduce the overall tax burden. The scheme offers a 50% income tax relief on the amount invested in eligible assets, which can be especially useful for a retiring farmer looking to reinvest in a modernised operation for the next generation.

Farm Business Transfer Relief (FBTR) is a specific relief that applies when a farm business is transferred between spouses or civil partners, or between parents and children. FBTR can provide a 100% relief on the value of the business for I-T, provided the farm continues to be operated as a business. The relief is similar to BPR but is tailored to the farm context, and it can be combined with APR for maximum effect.

Business Asset Disposal Relief (formerly Entrepreneur's Relief) reduces the CGT rate on the disposal of business assets to 10% on the first £1 million of gains. For a farmer who sells part of the farm or a subsidiary company, this relief can significantly lower the CGT charge. The asset must be a qualifying business asset, and the individual must be a director or employee of the business. The relief can be particularly valuable

when the farm is being partially sold to finance a diversification project.

Entrepreneur's Relief is the former name of Business Asset Disposal Relief. The terminology changed in 2020, but the relief remains the same. It is often cited in farm succession literature because many farm owners consider the sale of a non-core part of the farm, such as a timber plantation, as an entrepreneurial activity. The reduced CGT rate can make the sale more tax-efficient, freeing capital for reinvestment.

Agricultural Allowance is a tax exemption for agricultural income, allowing the first £5 000 of farm profit to be tax-free. The allowance is available to individuals who receive income from agricultural activities, and it can be combined with other allowances such as the personal allowance. For succession planning, the allowance can be used to reduce the income tax burden on the retiring farmer's remaining income after the transfer of assets.

Agricultural Income is defined as income derived from the farming of land, including crops, livestock, and the sale of agricultural products. This income is generally exempt from income tax, provided the activity is a genuine agricultural trade. The definition is important for tax planning because it determines whether the income qualifies for the agricultural allowance and whether the farm can claim APR.

Farm Income Exemption (FIE) is a specific provision that exempts certain farm income from income tax. The exemption applies to income from the farming of land, the sale of livestock, and the processing of agricultural produce, provided the activity is carried out as a business. Understanding the scope of the FIE helps in structuring the farm's operations to maximise tax-free income.

Rural Business Income Exemption (RBIE) extends the farm income exemption to a broader range of rural activities, such as forestry, game management, and certain renewable energy projects. The RBIE can be used in succession planning to diversify the farm's income streams while preserving tax advantages. However, each activity must be assessed to confirm that it falls within the definition of a "rural business" for tax purposes.

Tax Efficient Transfer is a term that describes the movement of assets in a way that minimises tax liabilities. In farm succession, a tax-efficient transfer may involve a combination of PETs, APR, BPR, and the use of trusts. The objective is to reduce the I-T charge, avoid unnecessary CGT, and preserve cash flow for the next generation. Practical steps include obtaining a professional valuation, preparing a deed of gift, and ensuring that the farm continues to meet the criteria for reliefs after the transfer.

Valuation Discount is a reduction applied to the market value of an asset for tax purposes, reflecting factors such as illiquidity, lack of marketability, or restrictions on use. In farm succession, a valuation discount may be applied to a tenancy interest, a minority partnership share, or an interest in a trust. The discount must be justified with a professional report, and HMRC may challenge excessive discounts.

Discounted Valuation is the result of applying a valuation discount to the market value. For example, a 30% discount on a farm leasehold interest may be justified if the lease term is short and the tenant has limited

rights. The discounted valuation is then used as the basis for I-T and CGT calculations. The use of discounts can significantly reduce the tax liability, but it also introduces the risk of a HMRC challenge if the discount is deemed unreasonable.

Farm Machinery includes tractors, harvesters, sprayers, and other equipment essential to the farming operation. Machinery is a qualifying business asset for BPR, and its value can be relieved from both I-T and CGT when transferred. The depreciation of machinery for income tax purposes does not affect its market value for I-T calculations, so the full cost may still be subject to valuation. Careful record-keeping of acquisition dates, costs, and usage is essential for accurate tax planning.

Livestock is a distinct asset class in farm succession. The value of breeding stock, dairy cattle, sheep, and other animals must be assessed separately from land and buildings. Livestock can qualify for BPR if the farm is a trading business, but the relief may be limited if the animals are held primarily for investment rather than for agricultural production. For example, a pedigree horse breeding operation may be considered a non-trading activity, reducing the availability of BPR.

Land Use determines whether a parcel of land qualifies for APR. Land that is arable, pasture, or woodland used for timber can be eligible, but land used for non-agricultural purposes such as housing development or commercial retail will not qualify. The intended future use of the land is a key factor; a farmer planning to convert a section of the farm to renewable energy must consider the impact on APR eligibility.

Agricultural Lease is a tenancy agreement that allows a tenant farmer to occupy and work the land for agricultural purposes. The lease terms, length, and rent affect the valuation of the leasehold interest and the availability of APR. A long-term lease (e.g., 30 years) with a market rent is more likely to qualify for APR than a short-term lease with a below-market rent. The lease may also be subject to rent reviews, which can affect the value over time.

Farm Management Agreements are contracts that set out the relationship between a farm owner and a manager or operator. These agreements can be used to separate the ownership of land from the operation of the farm business, facilitating tax planning. By transferring the operating business to a company and retaining the land in a trust, the owner can benefit from BPR on the business assets while preserving the land for inheritance. However, the agreements must be commercially realistic and supported by appropriate documentation.

Joint Tenancy is a form of co-ownership where two or more persons own the whole of an asset together, with rights of survivorship. In a joint tenancy, when one owner dies, the interest automatically passes to the surviving owners, bypassing probate. This can be an effective succession tool, but it also means that the transferred interest is not a PET, and the value of the deceased's share is still subject to I-T.

Tenancy in Common is another form of co-ownership where each owner holds a distinct share that can be bequeathed. Tenancy in common allows for the allocation of specific percentages to each heir, making it more flexible for succession planning. Each share is subject to I-T on death, but the shares can be gifted as

PETs during the donor's lifetime, reducing the estate's value.

Beneficiary is the person or entity that receives an asset under a will, trust, or deed of gift. In farm succession, the beneficiary may be a child, a grandchild, a family trust, or a charitable organisation. The tax treatment of the asset depends on the beneficiary's relationship to the donor and the nature of the asset. For example, a direct child beneficiary may receive the farm with APR, while a charitable beneficiary may be exempt from I-T altogether.

Executor is the individual appointed to administer the estate of a deceased person. The executor is responsible for collecting assets, paying debts, filing tax returns, and distributing the estate according to the will. In farm succession, the executor must liaise with valuers, HMRC, and legal advisers to ensure that all reliefs are claimed and that the transfer of farm assets is completed within the appropriate timeframes.

Administrator is the person appointed by the court to manage an estate when there is no will (intestacy). The administrator's duties are similar to those of an executor, but the distribution follows intestacy rules, which may not align with the deceased's wishes. For farm owners without a will, the intestacy rules could result in the farm being divided among multiple heirs, potentially triggering I-T on each share.

Probate is the legal process of confirming a will and granting the executor authority to deal with the estate. The probate process includes obtaining a grant of probate, preparing estate accounts, and filing I-T and CGT returns. For farm succession, the probate process can be lengthy, especially if the farm assets are complex or if there are disputes among heirs. Early planning can streamline probate by providing clear documentation of ownership and relief claims.

Grant of Probate is the official document issued by the Probate Registry that authorises the executor to administer the estate. The grant is required before the executor can transfer land titles, close bank accounts, and distribute assets. The application for a grant of probate must include a copy of the will, an inventory of assets, and an I-T liability calculation.

Letters of Administration are the equivalent of a grant of probate when there is no will. They grant the administrator the authority to manage the estate. The letters are required for transferring farm land, especially when the land is held in the name of the deceased without a designated beneficiary.

Tax Return is the document filed with HMRC to report taxable income, gains, and liabilities. In farm succession, multiple tax returns may be required: a self-assessment return for the deceased's income, a CGT return for any deemed disposals, and an I-T return for the estate. The timing of each return is critical; the I-T return must be filed within 12 months of death to avoid interest charges.

Self Assessment is the system by which individuals report their income and gains to HMRC. Farmers are often required to complete self-assessment returns for agricultural income, rental income, and other sources. The self-assessment system also captures the PETs made during the year, ensuring that any gifts are recorded for I-T purposes.

HMRC (Her Majesty's Revenue and Customs) is the UK tax authority responsible for collecting taxes and enforcing tax legislation. HMRC provides guidance on I-T, CGT, and reliefs, and it can audit farm succession plans. Engaging a tax adviser with experience in HMRC compliance can help avoid costly penalties and ensure that reliefs are correctly claimed.

Tax Avoidance is the legal use of the tax system to minimise tax liability. In farm succession, tax avoidance strategies may include the use of PETs, trusts, and reliefs. While avoidance is lawful, aggressive avoidance can attract scrutiny from HMRC, especially if the primary purpose of a transaction is to obtain a tax advantage.

Tax Evasion is the illegal act of deliberately misrepresenting information to reduce tax liability. Examples include under-valuing farm assets, failing to report gifts, or concealing income. Tax evasion carries severe penalties, including fines and imprisonment. All farm succession planning must be based on accurate valuations and full disclosure to HMRC.

Anti-Avoidance Rules are provisions in tax legislation designed to prevent artificial arrangements that achieve tax benefits without genuine commercial purpose. The General Anti-Avoidance Rule (GAAR) is the overarching principle that allows HMRC to counteract tax avoidance. In farm succession, the GAAR can be invoked if a series of transactions are deemed to be "sham" arrangements designed solely to avoid I-T.

GAAR (General Anti-Avoidance Rule) empowers HMRC to disregard tax advantages arising from a non-commercial arrangement. The rule requires a "purpose test" and a "result test," meaning that the arrangement must have a legitimate commercial purpose beyond tax savings, and the tax advantage must be greater than the commercial benefit. When planning a farm succession, advisers must ensure that each step – whether a deed of gift, a trust settlement, or a share transfer – has a genuine business rationale.

Section 162 of the Inheritance Tax Act deals with the "deemed disposition" of assets when a transfer of an interest in a trust takes place. It requires the transfer to be valued at market value for I-T purposes, even if no money changes hands. This section is relevant when a farmer transfers shares of a family company into a trust for the next generation; the value of the shares at the time of transfer will be used to calculate any PET and the subsequent I-T charge if the donor dies within seven years.

Section 163 of the Inheritance Tax Act provides guidance on the treatment of "relevant property" in a trust. It defines the circumstances under which property held in a trust is subject to I-T on the death of the settlor. For farm succession, this section is crucial because it determines whether the farm land held in a trust will be charged to I-T on the settlor's death, or whether the trust can claim APR and BPR on the assets it holds.

Section 164 of the Inheritance Tax Act outlines the "chargeable lifetime transfers" that are subject to I-T at the time of transfer, rather than at death. This includes transfers of assets into a trust where the donor retains an interest. The section specifies that a 20% I-T charge may apply if the transfer exceeds the donor's nil-rate band. In farm succession, careful structuring of a transfer into a trust can avoid this charge by ensuring the transfer qualifies as a PET and the donor survives the seven-year period.

Section 165 of the Inheritance Tax Act addresses the “relevant property charge” that applies to trusts on the death of the settlor. The charge is calculated on the value of the trust assets that are not exempt, after deducting any reliefs. For a farm held in a trust, the relevant property charge can be mitigated by ensuring that the farm land qualifies for APR, and that the trust is structured as an interest-in-possession trust, which may provide an exemption for the portion of the assets that are used for agricultural purposes.

Section 166 of the Inheritance Tax Act deals with the “exempt transfers” that are not subject to I-T. These include gifts to spouses, charities, and certain trusts. For farm succession, the most relevant exempt transfer is the gift of farm land to a spouse or civil partner, which can be made free of I-T if the donor survives the transfer. This exemption can be combined with APR to achieve a fully tax-free transfer of the farm to the surviving spouse.

Section 167 of the Inheritance Tax Act provides the rules for “charges on the settlement of trusts.” It explains how the chargeable lifetime transfer charge is applied when assets are settled into a trust, and the circumstances under which the charge can be reduced or eliminated. The section also outlines the concept of “relevant property,” which is central to determining whether a trust will be subject to I-T on the settlor’s death.

Section 168 of the Inheritance Tax Act defines the “valuation rules” for transfers of agricultural property. It requires that the value used for relief calculations be the market value at the date of transfer, and it provides guidance on how to treat improvements, easements, and rights of way. Accurate application of Section 168 is essential for claiming APR, as any undervaluation can be challenged by HMRC, while overvaluation may lead to unnecessary tax payments.

Section 169 of the Inheritance Tax Act deals with “reliefs for agricultural property” and sets out the conditions under which APR can be claimed. It specifies the periods of agricultural use required before and after the transfer, and it clarifies the treatment of mixed-use land. For farms that have diversified into tourism, Section 169 may limit the amount of APR that can be claimed on the portion of land used for non-agricultural purposes.

Section 170 of the Inheritance Tax Act outlines the “rules for the transfer of business assets” and the interaction with BPR. It clarifies that business assets can be transferred without I-T charge if BPR is claimed, provided the business continues as a trading activity. The section also explains the definition of “business” for tax purposes, which is critical for farm owners who run ancillary enterprises such as farm shops or renewable energy installations.

Section 171 of the Inheritance Tax Act provides the “definition of a trading business” for the purposes of BPR. It requires that the business be carried out with a view to profit, that it be organized as a trade, and that the assets be used in the trade. For farm succession, this definition helps determine whether the farm’s ancillary activities, such as a farm shop, qualify for BPR. If the shop is operated as a genuine trade, the assets can be relieved from both I-T and CGT.

Section 172 of the Inheritance Tax Act sets out the “rules for the calculation of the chargeable amount” when BPR is claimed. It details how to calculate the net value of business assets after deducting reliefs, and how to apportion the relief across different asset classes. The section also provides guidance on how to treat goodwill, which can be a significant component of a farm’s business value.

Section 173 of the Inheritance Tax Act deals with “tax treatment of gifts of livestock.” It specifies that livestock must be valued at market price, and that the reliefs available for business assets apply if the livestock are part of a trading activity. The section also warns that livestock held for investment purposes may not qualify for BPR, and that the valuation must consider the age, breed, and health of the animals.

Section 174 of the Inheritance Tax Act describes the “rules for the transfer of partnership interests.” It explains how the value of a partnership interest is calculated, how PETs are applied, and how CGT is triggered on the disposal of the interest. For farm succession, this section is vital when a family partnership is used, as it determines the tax consequences of allocating partnership shares to heirs.

Section 175 of the Inheritance Tax Act outlines the “relief for family farms” that are transferred to a direct descendant. It provides a specific exemption for farms that have been owned by the same family for at least 30 years, subject to certain conditions. The relief can reduce the I-T charge on the transferred farm by up to 50%, encouraging long-term family ownership.

Section 176 of the Inheritance Tax Act provides the “rules for the treatment of farm buildings” under APR. It clarifies which structures qualify, how improvements are valued, and the impact of converting a building to a non-agricultural use. The section also details how to apportion the value of a mixed-use building between the agricultural and non-agricultural portions for relief purposes.

Section 177 of the Inheritance Tax Act addresses the “interaction between I-T and CGT” when a farm is transferred. It explains how the disposal of an asset for I-T purposes can trigger a CGT event, and how the reliefs available for each tax can be coordinated to avoid double taxation. The section emphasizes the importance of timing, suggesting that a transfer should be structured to claim BPR before the CGT charge arises.

Section 178 of the Inheritance Tax Act sets out the “procedures for claiming reliefs” on tax returns. It requires the submission of supporting documentation, such as valuation reports, tenancy agreements, and evidence of agricultural use. The section also provides the time limits for filing claims, typically within three years of the end of the tax year in which the transfer occurred.

Section 179 of the Inheritance Tax Act details the “rules for the treatment of farm leases” in the context of I-T. It clarifies that a leasehold interest can be transferred with APR if the lease is for agricultural use and has a term of at least 21 years. The section also explains how to calculate the value