

Rural Bulletin



Succession Planning *Don't put it off for a rainy day*

According to a recent survey conducted over the summer by Farmers Weekly and the NFU, 54% of UK farming families lack a written succession plan, even though 64% of families believe the absence of such a strategy threatens the future of the farm.

Lack of time and a desire to avoid family conflict are among the biggest reasons for not having a succession plan. 46% of those questioned said they had delayed making any plans because of the difficulty of raising the issue of who will take over. A reluctance to retire and businesses that can only support one successor were also mentioned as major challenges to planning ahead. However not having any immediate plans to retire should not be a reason to delay thinking about the future.

Like making a will, succession planning is all too easy to put off to another day – however the earlier plans are put into place the better as it will increase the chance of taking full advantage of the tax opportunities available, thereby maximising the amount that goes to beneficiaries.

At Lentells we provide a comprehensive service for retirement and succession planning, allowing you to retire and leave a viable business for your family. In addition we can advise you on all aspects of estate

planning, including:

- Help in drawing up and reviewing wills
- Transferring agricultural or business property
- Transferring assets into trust
- Optimising lifetime transfers between spouses
- Arranging adequate life assurance to cover potential inheritance tax liabilities
- Dealing with probate and estate administration

If you would like to discuss succession planning in more detail please contact a member of our agricultural team.

Debbie Thatcher to join Lentells' Board

As part of our continuing expansion we are delighted to announce that Debbie Thatcher will be joining the Lentells' Board as of March next year.

Debbie has been with Lentells since 1992. Coming from an agricultural background Debbie primarily focusses on looking after our farming clients but

also has experience working with other businesses as well as personal tax clients.

Commenting on the new appointment Chairman Andrew Spear said "This is a very exciting time for Lentells and we are delighted that Debbie will be joining the Board; it recognises the continuing strength of our agricultural team."





Fraudsters targeting farmers

Farmers are being warned to be extra careful as the sector becomes increasingly susceptible to scams via the phone, emails and invoices.

It is a worrying fact that over 40% of all UK businesses experienced some sort of fraud last year. The agricultural sector has been identified as especially vulnerable by the NFU and British Banking Association, who are running a campaign to raise awareness.

With BPS payments to be made soon, farmers are being urged to be extra vigilant over the next few months. The NFU has warned that fraudsters are aware of the timing of payments as much of the information is publicly available. From this they are able to target specific individuals via phone calls and emails.

Your bank will never ask you to disclose

any online passwords or security details over the phone, or ask you to move funds to a different account. They will not email you requesting your log-in details or email a link straight to a log-in page.

Invoice Fraud

Fraudulent invoice scams are also on the increase. If you receive a letter from a regular supplier informing you that they have changed their bank account and need to update their financial records, be vigilant. It could be a scam so it is worth checking with your regular day to day contact at the suppliers before divulging any information.

Is it time to move your accounts to the cloud?

With ever increasing use of the internet, cloud accounting is becoming extremely popular.

Cloud accounting systems provide access to your financial information anytime, anywhere and in real-time. There is no need to buy expensive software and install upgrades. So long as internet access is available, you can access the data on your PC, tablet or smartphone.

The privacy and security of the data is taken care of by storage on secure servers, where it is backed up regularly; this means even if your computer needs repairing or is stolen, your data is still safe.

Many of the online software packages have an automatic bank feed function that allows your bank transactions to be automatically

uploaded without the need for manual data entry.

There is also the facility to invite a number of trusted people to view your data, including your accountant, without the burden of transferring large amounts of data or ceasing data entry.

Lentells' staff are experienced users in the following packages:

Xero, QuickBooks, Sage, Kashflow

If you are considering moving your business to an on-line accounting solution, Lentells has compiled a decision tree which can be used to make an informed decision about which package is the best for you and your business. For further advice or guidance on this area, including initial set-up, conversion, training and on-going support, contact a member of our agricultural team.

Changes to tax averaging

From April 2016 farmers will be able to average profits over five years for income tax and Class 4 NIC purposes rather than the traditional two year period. This is part of a move by the government to help farmers cope better with volatility. These changes should help improve budgeting and tax planning where periods of higher rate tax liabilities are followed by poorer years, putting a strain on cash flow.

Currently farmers are permitted to average profits over two years if the profit of one year is less than 70% of that of the second year.

Details of exactly how the new system will operate are still to be confirmed. The government's consultation outlines two options – the first would involve extending the existing two-year scheme to a rolling five-year basis with a volatility test in place to assess eligibility.

The second would be an optional scheme where farmers could irrevocably opt in for a fixed five-year period, irrespective of the level of volatility.

There are currently specific issues which will require further clarification, especially in regards to qualifying periods and loss of relief. In addition there are concerns that the self assessment system may not be able to cope with the proposed amendments. This could be especially complicated where claims for tax credits, high income child benefit charges and business losses have been applied in earlier years.

Further details are expected early next year.

BPS 2015: Exchange rate confirmed



The Euro exchange rate for BPS 2015 payments has been confirmed by the RPA as €1 = £0.73129.

This does not compare favourably to the rate set for SPS 2014, which was €1 = £0.77730.

Basic Payment Scheme – Annual Review

As we approach the end of 2015, Will Handel from Greenslade Taylor Hunt looks back at the first year of The Basic Payment Scheme.

The year started with considerable uncertainty and confusion surrounding the scheme with farmers and agents battling with the application process, not helped by last minute rule amendments, missing forms and often contradictory answers received from the Rural Payments Agency. Furthermore, the partial scrapping of the online application process complicated matters further as we reverted back to paper forms.

Following the submission of forms in June, the RPA have been processing the applications and also undertaking inspections of farms to ensure compliance with the scheme rules.

2015 has been a challenging year for many farming businesses and at a time when farm incomes have reduced and support payments are also looking as if they will be reducing year by year, it has become more important than ever to protect and safeguard payments. No farming business sets out to break the rules but it is interesting to note the most common cross compliance pitfalls declared from the 2013 scheme year as this provides an insight to what the inspectors are looking at and finding:

1. Cattle Identification & Registration – 950 breaches
2. Nitrate Vulnerable Zones – 536 breaches
3. Soil Protection – 534 breaches
4. Sheep & Goat Identification – 246 breaches

5. Hedges & Watercourses – 221 breaches
6. Animal Welfare – 148 breaches
7. No Spread Zones – 94 breaches
8. Plant Protection Products – 82 breaches
9. Food & Feed Law – 65 breaches
10. Public Rights of Way – 58 breaches

The focus of many businesses is now waiting for the payment. The payment window remains the same as the Single Payment Scheme and it is confirmed that the RPA will make payments between 1 December and 30 June 2016. At a time when cash flows are tight, it is hoped that payment can be made in a timely fashion.

Following the summer harvest, attention turns to cropping for 2016. Particular attention should be taken to ensure that the greening rules are continuing to be adhered to and satisfied. Greening has three default measures:

- Maintaining existing “permanent grassland”
- Crop Diversification on arable land
- Ecological Focus Area (EFA) on arable land

It is important to note that the greening requirements are an annual assessment and therefore it should not be assumed that what was required for 2015 will satisfy the 2016 scheme year requirements. An annual review and update of the calculation is required particularly for crop diversification and Ecological focus areas. Instances which may result in a change could be taking on



If you would like to discuss your own circumstances with regard to the Basic Payment Scheme then please do contact Will Handel in the Greenslade Taylor Hunt Honiton office on 01404 46222.



additional land, relinquishing land or changes to the classification of land with temporary grass becoming permanent. With this in mind, an understanding of the definition of arable land and permanent grassland is essential.

Cash Flow – plan ahead

With falling commodity prices, a strong pound and potential delays to BPS payments, cash flow is likely to become more of a challenge for many rural businesses over the next year.

At Lentells we can help by working with you advising on managing cash flow and general tax planning. Cash flow is the life supply of any business – more businesses go under because of cash flow problems than anything else. Getting a clear picture and proactively managing your cash flow means that you can anticipate any shortfalls in funds in good time, allowing you to make contingency cash flow plans such as extending credit. In addition we can look at your tax position and help maximise the reliefs available and minimise the tax burden.

Please contact a member of our agricultural team for more information.

Basic Payment Scheme payments – expect delays

It is anticipated that on average farmers are going to experience up to three months delay in receiving their new Basic Payment Scheme payments.

This will obviously have negative implications for many businesses. The banks are aware of the situation and have said that they will be making loans available to their farming customers who are adversely affected by the delay. The NFU and CLA have been working closely with all the major banks to keep them updated of the potential short term problems their members could face.

Bridging loans will allow farming businesses to borrow a significant proportion of the amount



they expect to receive from the BPS until the official payment comes through.

It is important to talk to your bank as soon as possible if you feel this could be an issue and get a contingency plan in place.

Annual Investment Allowance limits confirmed



The government has confirmed that the Annual Investment Allowance (AIA) will be permanently set at £200,000 as from 1 January 2016.

This follows a period of uncertainty when it was feared the limit could revert back to the original rate of £25,000 following a temporary rise to £500,000 in 2014/15.

AIA provides a 100% deduction for the cost of agricultural machinery, wind turbines, computer hardware and qualifying software, building fixtures, vans and lorries, office furniture and equipment and computer

aided machinery. It is worth noting that land, buildings and cars do not qualify. All businesses are eligible for AIA, the only exception being a mixed partnership or Trusts.

AIA can also be claimed where there is a hire purchase arrangement with the intent of ownership once the agreement has been signed and the asset is on site. It is not necessary to have paid in full as it is treated as an outright cash purchase with assumed ownership irrespective of the HP agreement.



Funding available for rural diversification projects

Farmers and rural businesses are being encouraged to apply for a share of £138m in Leader funding, a programme dedicated to specifically fund initiatives to help the rural economy. To date, successful applicants have secured funding for investing in new

food processing equipment, setting up farm shops, developing camping and caravan sites and self-catering holiday accommodation.

For additional information go to www.gov.uk/guidance/rural-development-programme-for-england-leader-funding

Solar farms – funding changes ahead

The future of investment in farm-based renewable energy projects has been called into question by several government announcements over the summer.

The Department for Energy and Climate Change has confirmed that the Renewable Obligation scheme for sub-

5 MW solar farms is to be scrapped from 1 April 2016. In addition there will be a review of the rules and regulations surrounding access to the Feed-In Tariff scheme (FiT), removing the process of pre-accreditation that allows projects to secure a fixed price for their energy before they start construction.

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