



LEWIS BROWNLEE

CHARTERED ACCOUNTANTS & TAX ADVISERS

RECENT ISSUES RAISED BY OUR **AGRICULTURAL AND HORTICULTURAL CLIENTS**



RECENT ISSUES RAISED

ANNUAL INVESTMENT ALLOWANCE

The annual investment allowance is £1,000,000 for qualifying expenditure incurred between 1 January 2019 and 31 December 2020. But do be aware of the pitfalls. Where an accounting period straddles the 31 December 2020, and a company acquires a qualifying asset on say 1 February 2021 for £60,000 it will in fact only be able to claim $90/365 \times £200,000 = £49,315$ irrespective of the fact that might be their only capital expenditure in the whole of the year 1 April 2020 to 31 March 2021. HMRC are not sympathetic to this unfair result – their attitude is the you must get the timing right.

The special writing down allowance rate is 6% from 1/6 April 2019. This mainly applies to motor vehicles with CO2 emissions greater than 110g/km, integral fixtures and fittings and long life assets.

Structure and buildings allowance (SBA) is for expenditure on or after 29 October 2018 and is given at a straight line rate of 2% on new farms, shops, hotels and offices as well as industrial units. On sale the remaining relief available transfers to the new owner.

FARMERS' AVERAGING

Farmers can average their profits over two or five years. This allows the smoothing of fluctuating results for tax purposes.

FIVE YEAR LOSS RULE

If losses have arisen in the five consecutive previous tax years, then loss relief cannot be claimed against other profits in the tax year. The losses in the sixth tax year can still be carried forward and used against farming profits, as they arise.

TAXING PROFITS AND LOSSES FOR A DIVERSIFIED FARM

Farming profits or losses are taxed as one trade. Other income and expenditure, such as for letting land and property; selling land and property; income for a mobile phone mast; and income from solar panels or wind generated energy are taxed according to the rules of that type of income.

SUCCESSION PLANNING, INHERITANCE TAX & CGT

Now is the time to act. Inheritance tax and Capital Gains Tax are about to change and it will not be a change for the better.

If you can make gifts, want to look at your will or set up a trust now is the time to do it. This is a complex area and we will be happy to make it as easy as possible for you.

VALUATION OF STOCK

LIVESTOCK, GROWING AND HARVESTED CROPS

PRODUCTION COST

The production cost is expenditure incurred to get the produce to its state at the balance sheet date. This could include a fair proportion of indirect costs.

DEEMED COST

Valuations are based on deemed cost where the cost of production cannot be determined. Deemed cost can be a specific percentage of final market value in certain circumstances.

USE OF THE FARMHOUSE

If the farmer's premises, such as a farmhouse, are used partly for farming and partly for domestic purposes, HMRC in practice allow a deduction for that part of the rent attributable to the farm business. The maximum amount allowable is usually one-third, but may be less where the extent or cost of the premises is out of proportion to the size of, or revenue obtained from, the farm land.



Our Horticultural and Agricultural Specialists



Christine Deacon
Business Services Group Director



Melanie Phillips
Business Services Group Manager

If you would like some advice please call us on 01243 782 423!

Services we offer include:

Audit & Assurance
Year-End Accounts
Cash Flow Forecasting
Management Accounts
Tax Planning & Returns
Outsourced Back Office
Payroll & Benefits-in-Kind
Virtual Finance Directors
Virtual Financial Controllers
Business Advisory & Transformation
Cloud Based Accounting & App-Stacking



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Lewis Brownlee (Chichester) Limited, Chartered Accountants, Registered Auditors and Tax Advisers.

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