FOCUS ON

Succession Planning for Farmers

Succession planning can be a thorny issue and many farmers haven't thought through what will happen to their farm when they die - they just assume the family will carry on.

However, this might be a disastrous assumption. Will their heirs willingly take over or have they already flown the nest and pursued other careers? Does the farmer have an exit plan in place or are they working for as many years as possible and hoping for the best?

According to DEFRA statistics, in 2013 the average age of a farm owner was over 65, implying that succession planning isn't as straightforward as it once might have been.

What can farmers do now to secure their future?

If there is no business plan in place then that's probably a good place to start.

Once you have identified where the business is now and where you want it to go in the future, a succession plan will be much easier to create. Be clear on roles, responsibilities and objectives and ensure that the farm is owned in the most tax efficient business structure for your unique needs. Farms and their businesses have often grown in an ad-hoc way over the years and it could be unclear where the ownership lies. Just like the owners of any business, a farmer needs to think about their exit route and put plans in place many years before they are ready to retire to ensure that all runs smoothly.

Careful planning and advice will ensure farmers can maximise the tax reliefs available to them and pass their business on to the next generation in the most tax efficient manner possible. Over a generation, a 1,000 acre farm might pay £1m in Income tax. If the taxpayer gets it wrong, the inheritance tax bill could be nearer to £4m - with a likely Capital Gains Tax charge on top. With examples like this, it's not difficult to see the importance of careful planning.

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The key is to think between five and ten years ahead and to ensure that the retiring generation have adequate provision.

Other issues that could be considered include:

- Incorporation - should you operate as a Partnership or a Limited Company or even as a mixture, to get the best of both?
- Annual Investment Allowance - have you correctly planned your capital expenditure?
- Agricultural Property Relief - does your current structure guarantee this?

Contact Us

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