Where There's Muck There's Brass:

Revealing the billions hidden in farmland tax shelters.

people need nature

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contents

Executive Summary

Farmers receive subsidies totalling nearly £2.5 Billion

Farmland covers three quarters of England. Roughly half of the food consumed in England is produced from that land. Farmland also provides other benefits to society, including flood prevention, drinking water, carbon sequestration, access for enjoyment; and archaeology, landscape and wildlife.

Farming is a very small part of England's economy. Farmers have received subsidies of one kind or another throughout most of the last 100 years. Currently, they receive subsidies from the Government (up until 2019 via the European Union) totalling nearly £2.5 Billion (for England). **At present there are few obligations placed on farmers when receiving these subsidies.** Less than a sixth of these subsidies are paid through environmental schemes, which require farmers to carry out actions, which, for example, benefit wildlife or reduce downstream flooding.

Sheltering wealth

As a result of Brexit, subsidies will eventually no longer be paid on the current basis, as the Conservative Government has introduced an Agriculture Bill which will mean that most future support is conditional on farmers providing 'public goods.' Public goods include farming in a way which supports more wildlife, flood prevention, carbon sequestration and others.

Farmland has long benefited from a sympathetic approach to taxation. Originally this stemmed from supporting farmers through agricultural depressions when land was abandoned. Now there is a very complex system of tax exemptions ranging across a wide range of taxes, including Business Rates. **This byzantine system offers opportunities to individuals to, quite legally, shelter their wealth from the Treasury and Local Authorities.** This report explores the extent to which farmland provides a tax shelter, the types of tax breaks available, and the cost to the Exchequer of those exemptions.

Extent of tax loss to the state

While the exemptions for farmland from Inheritance Tax have received wide publicity, they are not the largest source of tax loss to the state. This dubious honour goes to the long-standing exemption from **Business Rates** (officially known as National Non-Domestic Rates), which applies to farmland. Using official figures from a variety of sources, **the current loss to Local Authorities (where Business Rates are used to support local services) is up to £1.02Bn a year.**

Farmers benefit from being able to use Red Diesel. This is available to farmers and other parts of industry at a much lower cost than normal diesel fuel; and again, using official figures from a variety of sources, we have calculated that **the tax loss to the Exchequer from Red Diesel Use in agriculture is between £940M and £990M a year (for the UK) and £550M in England alone.**

Exclusive tax benefits for landowners

Two main elements of Inheritance tax relief are available for farmland – Agricultural Property Relief (APR) and Business Property Relief (BPR). An additional relief is available for heritage assets, which can also occur on farmland. HMRC calculates **APR creates on average a £500M a year tax loss to the Exchequer**, although admit this figure is only an estimate. **BPR may also provide another £200M to £300M a year tax exemption for farm businesses.**

There is a wide range of other tax benefits available to farmland and farms which are not available to other businesses. Though each benefit may be relatively small (compared to the main three listed above) they add up to a significant additional tax benefit. **Opaque and secretive Trusts are also used to shelter wealth**, in the form of farmland and farm businesses, from taxation.

Bringing all of these tax benefits together, it is possible to estimate that **the cost of tax exemptions for farmland and farm businesses totals £2.4 Billion a year, which is almost as much as the subsidies provided.**

Introduction

Farming and the economy

Farmland covers around three quarters of the land surface of England. As well as providing around half of our food, farmland also provides a home for wildlife, our water is stored under it, and it supports a great wealth of archaeology and history. Farming directly supports several hundred thousand jobs, and many more indirectly. Some particular types of farming, such as the fell sheep-flocks of the Lake District, have ancient roots and help conserve rare breeds of livestock. Farming dates back at least five thousand years in Britain; it has helped form our culture and shaped how our countryside looks.

However, **farming is now a very small part of the economy of England – it contributes less than 1% to the national economy** (GB). Recent Government figures showed that Total Income from Farming for England in 2018 was £4,047M, while Agriculture contributed £7,785M to the economy (using the Gross Value Added measure).

Landowners receive £2.5Bn in subsidies

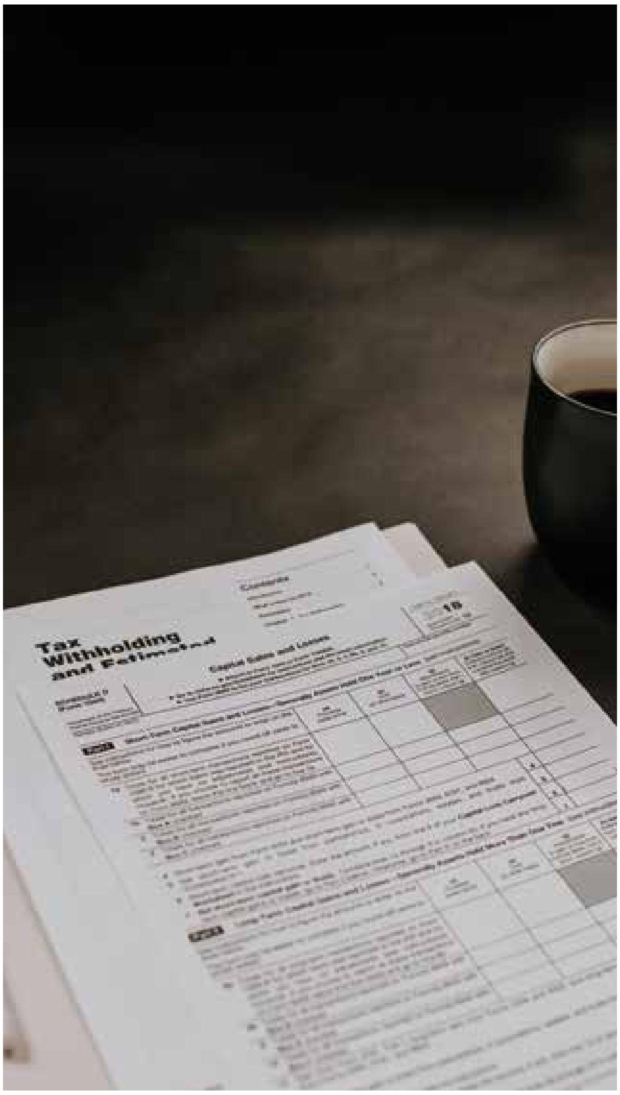
The farming sector has benefitted from a wide range of public subsidies for the past 79 years, and since 1973 subsidies have been provided for farming via the European Union Common Agricultural Policy (CAP). In 2017, **nearly £4 billion of subsidies were paid to farmers across the UK – most of these were paid merely for owning farmland**: there was no requirement to either produce food, or to provide public goods (for a definition see page 15).

Farmers in England received £2.5Bn in subsidies last year (2018): £2.1Bn of which was paid as direct farm subsidies[1] plus around £400M for agri-environment schemes. (£387M in 2017-18)[2]

1.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/779978/agriaccounts-tiffEnglandStatsnotice-19feb19a.pdf

2.
go to **page 20** of:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725030/defra-annual-report-2017-18-print.pdf

Can exclusive tax benefits for landowners be justified?



Subsidies have been paid to farmers for a variety of reasons over the last eight decades. In the past (e.g. during World War Two) farmers were paid to produce more food – payments were made to buy machinery, fertilisers and pesticides. More recently, one argument, which is still put forward to justify these payments, is that **subsidies recompense farmers for the low value of payments made for their products by retailers. This makes farming a rather unusual - possibly unique - industry in Britain today.**

Farming also occupies a unique position within the system of taxation that applies to individuals and businesses in England. Farmland benefits from a very unusual range of **tax exemptions and deductions, which are not found in any other part of the tax system**. While it is true that other businesses also benefit from tax exemptions and deductions, there are a specific set of benefits that only apply to farmland.

This report explores what some of those benefits are, how much they may be worth, and **to what extent they can be justified when there is such a squeeze on funding for the public sector**; funding which is provided solely from the income derived from taxation.

A brief history

Taxation of farmland has evolved over the Centuries. There was no grand plan to create a single coherent set of taxes, deductions or exemptions that applied to farmland. The Poor Laws created the first local land tax, raising money to support the poor of each Parish in Elizabethan times. Subsequently, **farmers had received generous subsidies during the First World War**, to increase domestic food production (Britain produced only about one third of the food it consumed at the outbreak of war in 1914). This subsidy continued after the end of the Great War. **Income from farmland was taxed (Schedule Tax), but the sale of farmland was not** – this encouraged tenants who had done well during the heavily subsidised war years, to buy the freehold of their land. Nearly **a quarter of all farmland changed hands** by the end of 1922.[3]

The Government found itself making large subsidy payments to farmers who had already done very well from the War, and resentment was rising as the post-war economic boom faded. Cheaper food imports were also available again now that the U-boat threat had faded. **The subsidies were removed, suddenly plunging British agriculture into a depression.** This depression lasted through the twenties and into the thirties. While subsidies were not introduced again in any significant way until 1940 (when once again the blockade forced another push to increase domestic food production), **the Treasury and local authorities started to make changes to local and national taxation systems to help struggling farmers**. Similarly, excise rates for diesel use in off-road vehicles were reduced in 1934 (though there were presumably very few diesel farm vehicles then) and exemptions were further extended during the Second World War.

3. http://www.nationalarchives.gov.uk/cabinetpapers/themes/agriculture-act-depression-subsidy.htm

Red Diesel

Red Diesel, also known as gas-oil, **is simply diesel fuel, which has been dyed red.** It is available for use in the agriculture, fishing and construction industries and is **subject to a much lower level of duty than standard diesel** or derv. Red Diesel as of January 2019 cost 61p/litre, compared with a retail price of around 130p/litre. The duty on Red diesel is currently 11.14p/litre (but Red Diesel only attracts 5% VAT compared to 20% on normal diesel.)[4]

25% estimated to be used in agriculture

HMRC figures show **£2.46Bn of tax revenue was lost due to red diesel usage in 2018-19**. The Government doesn't actually know how much of this is used in agriculture and last year it published a consultation asking for views[5]. This was followed by a further consultation in June 2018[6]. In this consultation document, Defra estimates that **25% of Red Diesel is used in Agriculture**, though it does not give any reference to support that claim (section 3.12).

Red Diesel accounts for 15% of all diesel used in the UK. As well as being used in agricultural vehicles, Red Diesel is also used in agriculture for heating animal sheds and running grain dryers. A 2004 report to the DoT[7] found there were 240,000 tractors and 12,000 combines using Red Diesel. Industry estimates indicate 2 million tonnes of Red Diesel were consumed annually by off road vehicles. The report did not attempt to calculate the proportion of Red Diesel used in different industries.

Disproportionately high use of red diesel to land area

Research into Farm Energy Use from Defra in 2012 found a wide range of Red Diesel use per hectare for different farm types/crops.[8] This research estimated a hectare of cereal crops used 116 litres of Red Diesel per annum, which would suggest that the **3.2Mha of cereal crops across the UK consumed 371M litres of red diesel per annum**. The figure is even higher for Dairy farms, though a figure per hectare is more difficult to calculate, because Dairy farm size statistics are based on the number of cows in a herd, rather than an area figure.

4. https://www.nationwidefuels.co.uk/what-is-red-diesel/

5. https://www.gov.uk/government/consultations/red-diesel-call-for-evidence/red-diesel-call-for-evidence (June 2017)

6. https://consult.defra.gov.uk/airquality/non-road-mobile-machinery-and-red-diesel/supporting_documents/reddieselnrmmcallforevidence.pdf

7. https://uk-air.defra.gov.uk/assets/documents/reports/cat15/0502141215_NRMM_report_Final_November_2004_3.pdf

8. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/230090/fbs-energyuse-statsnotice-16aug13.pdf

Estimates from Emissions

£939M loss to the Exchequer

Another way of estimating the use of Red Diesel by the Agriculture Industry is to use figures for different types of fuel, for calculating Greenhouse Gas Emissions. The Business Department BEIS publish figures for the use of "Residual (non gas non electricity non road transport) fuels." Using a unit of Tonnes of oil equivalent (Toe). 1 Tonne of diesel is equivalent to 1.01 Toe. The figures from BEIS suggest that agriculture in the UK used 1.375M Toe in 2016, which is **equivalent to 1.361 Million Tonnes of diesel**[9]. Roughly 60% of this use occurred in England. At a difference of 69p per litre – **this means the loss to the Exchequer is £939M**.

Is it correct to assume that the entire 1.375MToe was Red diesel? The BEIS figures explicitly exclude propane (used for heating indoor crops), electricity (used in dairy, poultry housing) and natural gas (also used for heating).

Red Diesel is also used in agriculture for uses other than vehicles, although figures from the National Air Emissions Inventory suggest that this is a very minor use (producing 62kT of CO2) compared with vehicles. Likewise fishing boats produce 143kT of CO2 from burning Red Diesel, compared with 1,092kT of CO2 from "agriculture/forestry – off road".

The Petrol Retailers Association estimates that **30Bn litres of Diesel was sold for road use in 2017**[10]. If Red Diesel provides 15% of all diesel consumed, this would suggest that around 5Bn litres of Red Diesel was sold. If we use the BEIS figure of 1.361MT, this suggest that 28% of Red Diesel is used in Agriculture, which tallies quite closely with Defra's rough estimate of 25%.

Assuming the figures from BEIS are correct, 1.361MT of Red Diesel used in Agriculture, with a difference in cost between Red Diesel and Road Diesel of 69p per litre, means the Exchequer is losing £939M a year - £550M in England.

The NAEI explicitly separates out "agriculture-stationary combustion" from "agriculture – off-road."
NAEI data shows "agriculture – stationary combustion" CO2 emissions at 62kT in 2016.[11]
Whereas "agriculture/forestry/fishing – off-road" 1,092kT CO2 emissions in 2016 (1,091 from gas oil i.e. Red Diesel).[12] *This at least shows that agriculture-stationary combustion is irrelevant as far as the Residual fuel – agriculture estimate is concerned.*
Fishing produces 143kT of CO2 from gas oil (= Red Diesel)

9. https://www.convert-measurement-units.com/conversion-calculator.php?type=oil%20equivalent

10. https://www.ukpra.co.uk/en/about/facts-and-figures

11. http://naei.beis.gov.uk/data/data-selector-results?q=116230

12. http://naei.beis.gov.uk/data/data-selector-results?q=116231

Business Rates

Landowners are exempt

Agricultural land and buildings are excluded from Business Rates (technically speaking National Non-Domestic Rates). **Even allied rural enterprises, which fall outside the strict definition of agriculture, can benefit from small rural business exemption**, although a recent re-valuation of rural businesses has led to substantial increases in business rates for rural activities such as equestrian activities like stables and livery yards. [13]

The Agricultural Land and buildings exemption is so deeply embedded in the rates system that **the Government does not even attempt to identify how much is lost to Local Authorities'** (who now gather Business Rates) income. For the current tax year (2018-19) The Ministry of Housing Communities and Local Government (MHCLG) estimate that[14] **Local Authorities will grant £4.1Bn of relief** – via small business exemption, charitable relief and for empty premises. However, **these figures do not include Agricultural relief**, or the very minor reliefs available to other land-uses (parks and places of worship).

How much might this Agricultural Relief be worth to the farming community?

Research carried out for the Farmers Club in 2011 sought to calculate a value for this relief for England's agricultural land, looking at how rate valuations were calculated in Australia[15]. This work concluded that, based on 2011 land values, **Agricultural Relief was valued at between £644-£921M a year**. These figures used the NNDR rate of 0.414pence per pound in use at the time. It is possible to update these figures using current land values, which have increased since 2011; and the current NNDR multiplier of 0.493. see Table 1 below

England farm rental values for AHA farms were £77/acre and FBT rents were £93/acre according to Defra figures for 2016/17[23]. It's worth noting that Savills estimate higher values[24] for GB farm rents – at £120/acre for FBTs and £85/acre for AHA land.

Using the more conservative Defra figures, **Agricultural Relief from Business Rates would be worth between £844M (based on AHA rental values) and £1.02Bn per annum** (based on FBT rental values).

Table 1: An estimate of the cost of the business rate exemption on agricultural land and property

Valuation basis for rateable value	Rateable value per acre	Total rateable value of agricultural land in England[16]	Potential rating bill standard multiplier[17]	Potential rates as % age of TIFF[18]	Potential rating bill reduced multiplier (75% relief)[19]	Potential rates as % age of TIFF[20]
Average AHA rent[21]	£70/ac	£1.557Bn	£0.644Bn	19%	£0.161Bn	5%
Average FBT rent[22]	£100/ac	£2.224Bn	£0.921Bn	27%	£0.230Bn	7%

16. Based on total utilised agricultural area (TUA) of England of approximately 9M hectares (22,239,000 acres) TUA is made up of all arable and horticultural crops, uncropped arable land, land used for outdoor pigs, temporary and permanent grassland and common rough grazing (Defra, 2010a).
17. Based on the 2010/11 Standard Multiplier of 41.4p in the pound (Shropshire Council, 2011.)
18. Based on the 2008 TIFF figure for England of £3,414,400,000 (Defra, 2010c)
19. 19. 75% relief applied in line with reliefs on agricultural land granted in Victoria, Australia –10.35p in the pound
20. Based on the 2008 TIFF figure for England of £3,414,400,000 (Defra, 2010c)
21. Based on average AHA rents (restricted, farm budget related rents) for 2010 (Savills, 2011)
22. Based on averageFBT/open market rents 2010 (Savills, 2011)

13. https://www.theequinelawfirm.co.uk/2018/07/12/business-rates-and-equestrian-establishments/

14. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684793/NNDR1_2018-19_Stats_release_-_revised.pdf

15. https://cdn.harper-adams.ac.uk/document/profile/Farmers_Club_Research_Paper.final_version.pdf

23. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695370/fbs-farmrents2016-29mar18.pdf

24. https://www.savills.co.uk/research_articles/229130/228021-0

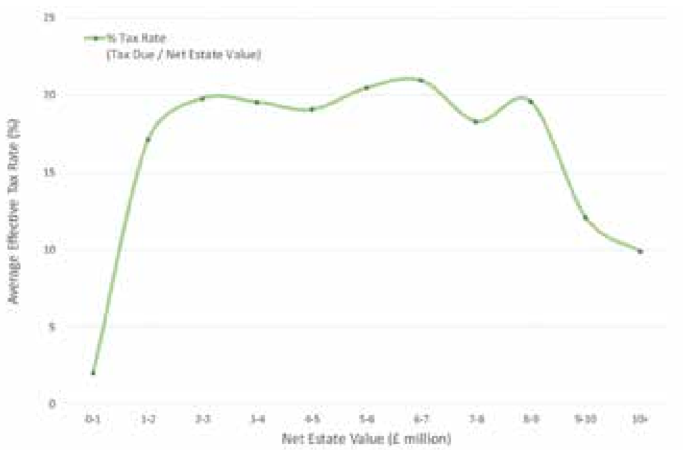
Inheritance Tax

Agricultural Land, woodland and buildings are exempt from Inheritance Tax (IHT). For the purposes of Inheritance Tax Agricultural Property Relief (APR), the land must be held in the UK, the Channel Islands, the Isle of Man, or a Member State of the European Economic Area. HMRC estimates that **the value of this exemption, in terms of losses to the Treasury have varied between £395M in 2013/14 to £365M in 2018-19**, although they admit that this is a rough estimate.

Large estates subject to less tax

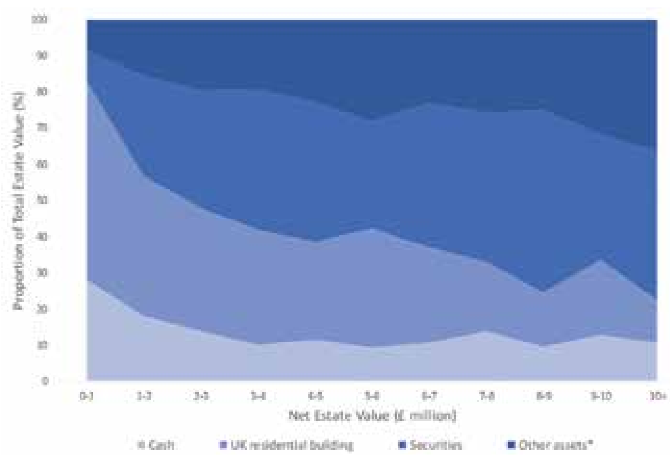
The Office of Tax Simplification carried out a review of Inheritance Tax, published in November 2018. Using HMRC data, they neatly illustrated how Inheritance Tax rules mean that the larger (in monetary terms) the Estate, the less Inheritance Tax is paid. **Estates worth £10M only paid an effective IHT rate of 10%; half that of estates worth £2M.**

The average effective tax rate paid by estates[25]



Another graph from the same source shows that farmland is an increasingly significant asset within large Estates, exceeding 30% (among other things – for example insurance policies, loans and other assets) of Estates valued at over £10M.

The average effective tax rate paid by estates[25]



**Other assets include farmland, insurance policies, other land and buildings, loansand other assets*

Hundreds of millions of pounds p/a lost to the Exchequer

HMRC reports on inheritance tax exemptions and relief each year. Last summer (July 2018) it reported that **1300 estates had claimed Agricultural Property Relief (APR) worth £996M**. Applying the 40% inheritance tax rate gives a figure of **£398M lost to the Exchequer**. Earlier years show larger amounts for relief – in 2014/15 1850 estates worth £1.53Bn provided relief totalling £612M. An average APR figure (for the value, not the relief) from the last six years gives £1,278Bn a year – giving **an average of £511M a year lost to the Exchequer.** (Even this figure seems on the low side though).

Consider England's farmland – the total area is 9.2M ha. With average farmland values at £17,700/ha (June 2018 figures) the total value of England farmland

25. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/758367/Final_Inheritance_Tax_Report_-_web_copy.pdf

is £163Bn. If every farm owner died aged 80 then 1/80 of this land would be subject to Inheritance Tax every year, which would give a figure of £2Bn a year – at 40% tax, this would mean £800M a year lost to the Exchequer. Taking into account the 1.4M ha of land under agricultural tenancies (where 50% APR relief is applicable) this still gives a total of around £1.75Bn a year, resulting in **£700M a year tax lost.**

This suggests that £200 to £300M a year of tax exemption on farmland is not being provided by APR

Some farmland will not be subject to APR, because a business, rather than an individual, owns it. Under these circumstances Business Property Relief (BPR) will apply, rather than APR. **Business Property Relief is widely used in agriculture (and allied industries such as forestry and field sports) as an exemption from IHT, in addition to APR.** BPR will apply to farm businesses of all kinds, from sole trader, partnerships, unincorporated and incorporated businesses. This is regarded as particularly useful for where non-agricultural activities (e.g. residential lets, equestrian, shooting businesses etc) take place within agricultural estates.

Multiple ways for landowners to avoid tax

HMRC estimates that Business Property Relief applied to £1.6Bn of estates in 2015/16, and £2.29Bn in 2014/15, so this is a larger total value than Agricultural Property Relief. Business Reliefs were estimated to have cost the Exchequer £710M in 2017/18, although of course not all of this will have arisen from agricultural business. Business Property Relief on farmland and farm businesses could go a long towards plugging the tax gap identified above. **Another way for owners of farmland to find exemption from Inheritance Tax (and other forms of tax) is to place their farmland and other assets in a Trust.**

In addition to the exemptions provided by APR and BPR, any other parts of a farm business or estate which falls outside these exemptions will be exempt from IHT if the estate is passed on to the next generation seven years before death.

To the benefit of the few

Tax Justice Network UK released research in June 2019, which illustrated how APR and BPR benefits a tiny number of families. The report, In Stark Relief, revealed official data showing **261 families shared £208M in Agricultural Property Relief in 2015/16 – 62% of all APR in that year.**

Trusts

One very effective way of sheltering farmland (and rural estates in general) from many forms of taxation is the use of Trusts. Trusts may be Charitable (if they meet the tests of public benefit which are supposed to lie at the core of all charitable activity) or they may not. The National Trust, for example, is a charitable Trust and it owns 250,000ha of land, mostly farmland, across England, Wales and Northern Ireland. As a charity it makes no profit and all income it receives is used to provide Public Benefit, as defined in its charitable objectives.

Universities are also charities (known as exempt charities because they are not regulated by the Charity Commission) and they also own large areas of farmland - although much less than they used to own.[26]

Who really owns land held in trusts?

Non-charitable trusts include discretionary trusts, family trusts and will trusts. Trust law is complex and opaque. **While it is possible to identify land registered under the name of a Trust it is often impossible to tell who is the actual beneficiary of that Trust.** This is known as the Curtain Principle and can mean that it is not possible, or at least very difficult, to establish the true owners of farmland.

No Inheritance Tax on Duke of Westminster's £9Bn estate

Trusts can own land on behalf of their beneficiaries, which means that they are not liable for taxation in the way individuals or businesses are. The Duke of Westminster for example, placed his land and other assets into a series of Trusts, such that **when he died in 2016, no Inheritance Tax was liable on the Estate, estimated to be worth over £9Bn**[27]. This includes large areas of farmland. The estate, responding to press at the time of the succession, explained that **the Trust would be paying 6% inheritance tax on the value of its assets every ten years**[28]**, though this would not include farmland owned by the Trust, which is IHT exempt.**

26. https://whoownsengland.org/2016/09/25/what-do-the-oxford-colleges-own/

27. https://www.gov.uk/government/consultations/red-diesel-call-for-evidence/red-diesel-call-for-evidence (June 2017)

28. https://www.independent.co.uk/news/uk/home-news/duke-of-westminster-son-avoids-inheritance-tax-billions-britains-richest-men-family-trusts-rules-a7998246.html

758 farm subsidy recipients with a Trust in their name

Defra provides information on all landowners who receive farm payments – currently (March 2019) via the Common Agricultural Policy (CAP). The Defra database lists **758 farm subsidy recipients with Trust in their name, with a total value of £43M a year.** Some of these will be Charitable Trusts – the National Trust for example received £3.8M in rural development payments during 2017. Many are not charitable trusts though.

For example, **The B D Harris Farm Trust received £307,000 of CAP subsidies in 2017**. A search of the MAGIC website reveals that the Trust owns 574ha of land on the South Downs of Sussex. Brian Harris, the previous owner, died in 2007. His land was placed into the BD Harris Farm Trust before his death. Although this is all perfectly legal, t**he Trust is not listed at Companies House, nor as a Charity with the Charity Commission.** As with so many other Trusts, it holds a privileged position where information is not available for public scrutiny.

Trusts are exempt from Inheritance Tax

Trusts also benefit from a range of tax benefits, including exemption from Inheritance Tax. This is just a random example from the over 700 trusts in receipt of farm subsidies. **The Defra farm payments database lists 40 separate Will Trusts, in receipt of £902,000 in 2017.** However, there are likely to be far more Will Trusts in receipt of farm subsidies, as they are often not specifically named as the subsidy recipient.

Large landed Estates will also often set up parallel trusts - a Charitable Trust to maintain heritage assets such as a country house or mansion, and a family trust to own other parts of the estate. Income from the family trust can then be gifted to the charitable trust, gaining from gift aid which flows both to charity and back to the family trust. **Both Trusts are protected from exposure to Inheritance Tax or Capital Gains Tax.**

For example, The Ancaster Estates (owned by a family Trust) and the Grimsthorpe and Drummond Castle Trust operate in tandem covering the 75,000-acre estate of the Baroness Willoughby-de-Eresby. The

Ancaster Estate doesn't file accounts with Companies House so its income is unknown. The Grimsthorpe and Drummond Castle Trust is a Charitable Trust and received £114,000 of farm subsidies in 2017. The Charity pays no tax, but it is not possible to determine whether the Family Trust pays any tax as its financial affairs are opaque.

Trusts are one of a variety of tools available to landowners to enable themselves to be exempt from paying a variety of taxes. Before Inheritance Tax was introduced, Death Duties could often force large estates to sell off land - Ancaster Estate sold the village of Empingham[29] to pay Death Duties in 1924.

The Treasury is slowly tightening up the tax exemptions available to Trusts and recently carried out a consultation into the taxation of Trusts.[30]

29.
https://www.empinghamcouncil.org.uk/about1.html

30.
https://www.gov.uk/government/consultations/the-of-taxation-of-trusts-a-review

Other Tax Benefits which accrue to farmland and agriculture

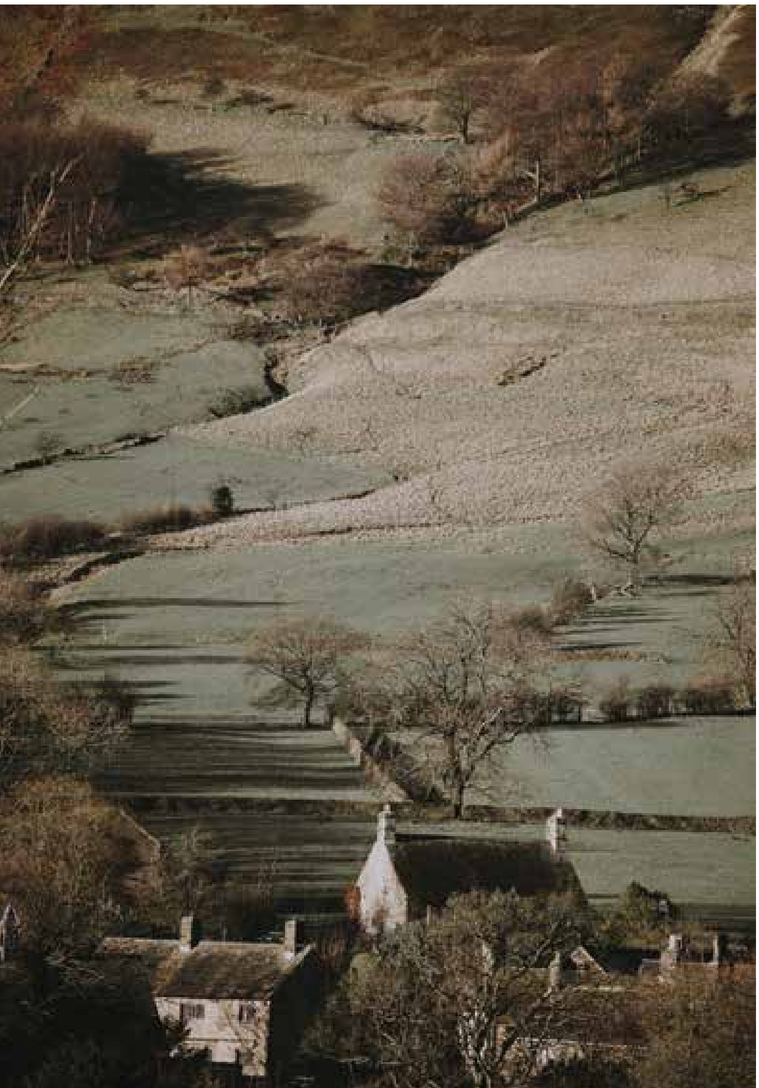
Agriculture in general and farmland in particular benefit from a wide range of other tax benefits. These include various **reliefs from Capital Gains Tax – investment allowances, capital allowances and roll-over relief.**

Profit averaging enables farmers to average their profits over a number of years and to be taxed on the average profit instead of annually.

VAT & road tax exempt

Farmland and farming benefits from a range of exemptions to Value Added Tax. **Farmland for rent, for example, is exempt from VAT. Farmland for sale is also exempt from VAT.**

Farm vehicles such as tractors pay no vehicle excise duty (road tax), are not required to have an MoT test and are also therefore exempt from emissions testing.



No stamp-duty on farmhouses

Farmhouses benefit from being subject to non-residential stamp duty, even if also used as a residence - non-residential stamp duty is paid at 1% up to £5M.

Eccentric exemptions

There are some really eccentric exemptions too. For example, **National Insurance Contributions (NICs) normally chargeable on all salaries and wages are not chargeable on casual farm labour engaged in harvesting outdoors, if the workers are paid at the end of each day.**

Data on the cost to the Exchequer of each of these farmland tax exemptions is hard (or impossible) to track down. One example where it might be possible to hazard a guess is Road Tax exemption. This may be costing the Exchequer a great deal of money. If there are 100,000 tractors and other agricultural vehicles in the UK and Road Tax was charged at £300 per vehicle per annum, that would create a notional tax benefit of £30M a year. Many of these vehicles are now equivalent to HGVs, but have none of the usual road-use costs or driving test requirements.

Public Benefit

Brexit and the Agriculture Bill

As a result of the UK **voting to leave the European Union** in 2016, the Government realised that it needed to create a new Agriculture Policy to replace the EU Common Agricultural Policy. Most (perhaps all) within the environmental sector – or those with an interest in farmland wildlife, had been advocating that the CAP should be fundamentally reformed for at least 20 years.

A system which rewarded farmers for farming in a way which benefitted wildlife had been introduced in the late 1980s: the so-called agri-environment schemes. But these schemes were still only a minor component of the CAP (around 25% of the budget), despite successive rounds of policy reform. The 2013 CAP reforms introduced the concept of 'greening' where a quarter of the main CAP subsidy was tied to supposedly green measures, but these were **so watered down they were effectively rendered meaningless.**

Farmer to be paid to provide public benefits

Brexit created the opportunity for the UK to develop its own agricultural policy, where farmers and landowners would only be paid for providing benefits back to society – benefits that were not being paid for via the market. Through 2017 2018 and 2019 these ideas developed, culminating in the **introduction of an Agriculture Bill** to Parliament. In this bill these 'public benefits' were described – to include things like **the provision of farmland wildlife, clean water, clean air, carbon sequestration** (to mitigate climate change) and more nebulous concepts such as rural vitality.

Benefits to protect and support wildlife & eco-farms

In relation to nature on farmland, payments for public goods could include **maintaining wildlife-rich field margins; sympathetically managing hedgerows, banks, stone walls and ditches; protecting ponds streams and rivers from agricultural pollution; and protecting other areas of farmland currently rich in wildlife, such as wildflower meadows.**

There are other public goods whose provision could be tied to the tax breaks described in this report, which also provides benefits for nature on farmland. These include support for agro-ecological farming; and support for small farms.

As a result of the tortuous progress with the Brexit negotiations, the Agriculture Bill is currently stuck in a limbo of Parliamentary process. But **the principle that farmers are paid to provide public benefits, rather than just because they own the land, is still intact.**

Inheritance Tax exemption for Heritage Assets...

... a tax exemption for public benefit already exists

The principle that tax benefits should also be tied to the provision of public benefits has already been established, in Inheritance tax.

A Tax mechanism already exists to provide full or partial exemption to Inheritance Tax and Capital Gains Tax, for owners of property (land, buildings and objects), which has a formal status as Heritage. **This includes things like Sites of Special Scientific Interest, Scheduled Ancient Monuments, registered Parks and Gardens, and even amenity land providing a setting for a Listed Building.** This exemption is in recognition of the fact that these Heritage properties provide some form of public good – and that their maintenance should garner a tax benefit. Those who are claiming this exemption are required to produce a Heritage Management Plan which must be submitted to HMRC, to show why the property should be treated as a Heritage Property, and how the owner intends to maintain its Heritage features. Natural England has a fund from which it can offer owners up to 50% of the cost of preparing a Heritage Management Plan.[31]

Less than 1000 estates claim Heritage exemption per year

HMRC provides figures for heritage exemption for IHT. These are wrapped up with "other exemptions" and show the value of the estates claiming these exemptions were £828M in 2010-11 but only £393M in 2015-16. **Less than 1,000 estates claim these Heritage exemptions per year.**[32]

31. https://www.gov.uk/guidance/heritage-properties-prepare-a-heritage-management-plan

32. https://www.gov.uk/guidance/heritage-properties-prepare-a-heritage-management-plan

Conclusion

Farmland benefits from £2.4Bn a year tax exemptions

Farmland and farms in England benefit from a large and comprehensive system of tax exemptions, reliefs and rebates, of the order of £2.4 Billion a year. **This is nearly as much as they receive in agricultural subsidies. As we move away from paying subsidies to farmers because they own the land, towards a system of "public money for public goods" it would be timely now for the Treasury, and wider Government, to review these tax breaks for farmland.**

To what extent are benefits used to shelter wealth?

What benefit are they providing to society? To what extent are they being used to shelter wealth generated either domestically or overseas?

Without public benefit, what is the point of tax exemption?

Inheritance tax exemption for heritage assets already exists and shows us that **public benefit can be provided through the tax system, in exchange for tax exemptions.** There is no reason why this approach could not be applied to all of the tax exemptions available for farmland. **And if no public benefit can be identified and obtained, then what is the point of the tax exemption?**

Unconditional tax avoidance

Apart from the conditional exemption from Inheritance Tax for heritage assets, and agri-environment scheme payments, **there are lamentably few (if any) conditions attached to this enormous tax break and subsidy edifice.** These tax breaks and subsidies (including grants) need to be fully and continuously earned by producing 'public benefits' that can be easily seen and measured. If this is not possible or established without delay then the national Exchequer and Local Authorities should be allowed to collect to totality of taxes, duties, levies, etc. due without being compelled to give worthless exemptions, allowances and reliefs which significantly deplete their receipts.

Action needs to be taken

Offshore tax havens are increasingly regarded as damaging to the global economy and to the public sectors in individual nation states. Public sentiment is shifting towards a view that **action needs to be taken, urgently, to address the proliferation of Tax Havens,** not least in the UK's own Overseas Territories.

A focus is also needed now on what could be called England's hidden Tax Haven – farmland.

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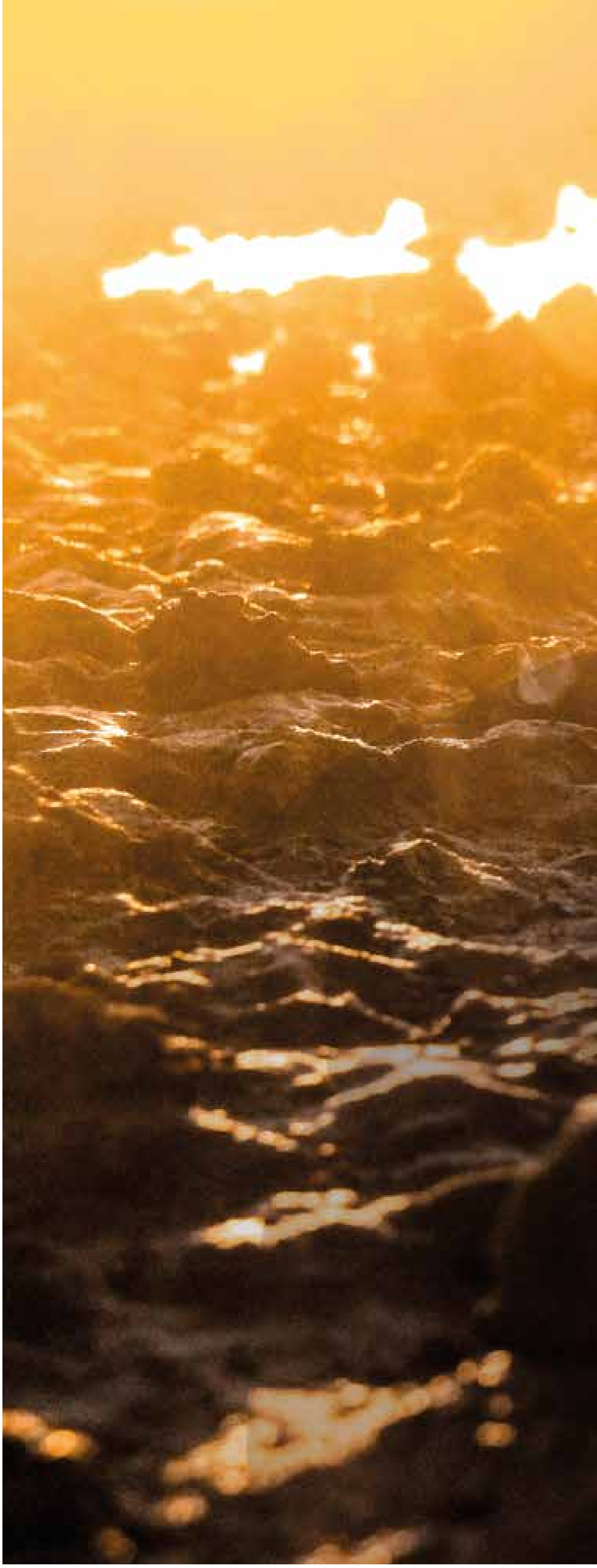

Farmland covers three quarters of England. Roughly half of the food consumed in England is produced from that land. Farmland also provides other benefits to society, including flood prevention, drinking water, carbon sequestration, access for enjoyment; and archaeology, landscape and wildlife.

Farming is a very small part of England's economy. Farmers have received subsidies of one kind or another throughout most of the last 100 years. Currently, they receive subsidies from the Government (up until 2019 via the European Union) totalling nearly £2.5 Billion (for England). **At present there are few obligations placed on farmers when receiving these subsidies.** Less than a sixth of these subsidies are paid through environmental schemes, which require farmers to carry out actions, which, for example, benefit wildlife or reduce downstream flooding.

As we move away from paying subsidies to farmers because they own the land, towards a system of "public money for public goods" it would be timely now for the Treasury, and wider Government, to review these tax breaks for farmland.

A report by People Need Nature

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