Ward and Co
CHARTERED ACCOUNTANTS

ENVIRONMENTAL LAND MANAGEMENT UPDATE

In the Budget on 6th March it was confirmed that land that is in an Environmental Land Management scheme will qualify for Agricultural Property Relief (APR) for Inheritance Tax (IHT) purposes on lifetime or death transfers that occur on or after 6th April, 2025.

This will apply to land in the Sustainable Farming Incentive, Countryside Stewardship and other Stewardship Schemes.

The relief will be available where there is an agreement in place for the scheme on or after 6th March, 2024 and this will include an agreement that was entered into before 6th March provided it remains in place on or after 6th March, 2024.

On the conclusion of an agreement relief will still be available if the land continues to be managed in a way which is consistent with the agreement.

For APR to apply the land needs to have been agricultural land for at least 2 years immediately prior to the change to environmental use. The ownership period for APR will not be restarted by the change in use so it would not be necessary to hold the land for a further 2 years to qualify for relief.

Farmhouses and buildings that are used in connection with environmental land will qualify for APR where they are occupied with, and the occupation is ancillary to, environmental land.

Any hope and development value of the environmental land will not qualify for APR but the Government is not proposing any changes to Business Property Relief (BPR) to "deem" environmental land management as a qualifying activity for BPR purposes. The availability of BPR will be assessed on a case by case basis. Subject to the scheme in operation, where the nature and extent of the activities carried out are such that it could be argued you are still trading on the land in the scheme BPR should continue to apply to that land. In other cases the relief will be available on the hope and development value if the land forms part of an overall trading business in line with the "in the round" principles established in the "Farmer" and "Balfour" IHT cases.

There was no announcement on how income from Biodiversity Net Gain and Nutrient Neutrality schemes would be taxed and a working group is to be set up to consider this. There was also no confirmation whether the activities required for such schemes would be treated as trading for BPR purposes.

Ian Smale
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