

### IMPACT OF THE OCTOBER 2024 BUDGET'S INHERITANCE TAX CHANGES ON NORTHERN IRISH FARMS AND FARMING TAXPAYERS

4<sup>th</sup> February 2025

#### **The Aim – What Will be the Inheritance Tax on a Family Farm in Northern Ireland?**

The Northern Irish Rural Valuers Association (NIRVA), in conjunction with the Central Association of Agricultural Valuers (CAAV), has used available data to look at the impact of the October Budget's proposed changes to Inheritance Tax on the differing types of typical farms in Northern Ireland that are at the scale that could be expected to produce a livelihood. This is before considering any additional non-agricultural income from renewables, leisure, added value, tourism, diversification or other sources that might add further value.

This work uses nine different types of farm, each a scenario with the total net value of land, livestock, machinery, stocks and dwellings after debt and set out in the table below, together with the number of farms assessed as at least meeting the need to produce a livelihood.

The full report can be seen [here](#).

It finds that at least 6,000 Northern Irish farming taxpayers are affected by the tax change over a generation, say 200 a year, and identifies those who are most trapped by the introduction of the tax, unable to avoid it. With other higher estimates possible from other data, Northern Ireland alone could provide between 40% and 85% of the number estimated by the Government for the whole UK. These are essentially farms that simply provide a livelihood, not large farms.

The [CAAV](#) represents, briefs and qualifies 3,000 agricultural valuers across the United Kingdom who provide professional advice and action for farmers, landowners, utilities, public bodies, environmental charities and others on the wide range of matters affecting agricultural and rural property and business. [NIRVA](#) is the professional association for rural valuers in Northern Ireland, affiliated to the CAAV since 2015.

#### **Ownership of Farms in Northern Ireland**

Inheritance Tax is tax on the net value of what was owned by the deceased taxpayer. Where there is a sole owner of a farm that will include the net value of the farm. Where a farm is jointly owned, as by a husband and wife, then the tax is on the individual share of ownership, which might or might not be equal shares. While there is more data about farms, this requires a judgment about how they are owned for the impact of the change to Inheritance Tax to be assessed.

Northern Ireland has a distinctive farm structure of smaller, more owner-occupied farms than much of the UK. It has distinctively high land values in many areas, at £15,000 to £20,000 an

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acre, sometimes more. It is heavily livestock-based with a large fraction of the UK's poultry sector and some vegetable production. Farms are thought to be more often owned by a single person than in England, Wales or Scotland where joint ownership of the business and/or land is more common.

The analysis shows that at least 4,240 farms in Northern Ireland produce a livelihood from agriculture. Of these, only the upland sheep farm has a taxable value of under £2 million and five types have a taxable value over £3 million.

If two thirds of these farms have a sole owner and one third has joint ownership that points to some 6,000 taxpayers affected by these changes over a generation, taken as 30 years. The additional owners identified here will typically be spouses, currently using spouse relief to transfer assets to the surviving spouse, only becoming the subject of taxable inheritance on the second death. The new situation might lead to new APR and BPR claims that are not currently made because the proposed £1 million full relief band is not transferable between spouses. However, there will be circumstances, especially on smaller and medium sized farms, where it would not be appropriate or possible for the first deceased spouse to use some or all of the £1m full relief band because of concern that the surviving spouse has income and accommodation.

**The Contrast with the Government's Figure**

Considering the Government's estimate of some 500 farming taxpayers affected by the changes in the first year, these scenarios indicate that Northern Ireland on its own would have 200, some 40 per cent of the total the Government expects for the whole United Kingdom. We note that figures drawn from DAERA analysis point to a figure of over 400 a year, over 80 per cent of the UK total. These assessments again point to the Government having significantly underestimated the impact of its proposed measures.

**The Impact of the Tax Charge**

It is then possible to look at the impact of the tax payment on such a business, though each will depend on its own facts and how farming businesses and ownership adapt over time.

**Those Trapped by the Tax** - However, those who are now elderly, terminally ill or single sole owners typically have least flexibility to use the options that, over a longer period, could mitigate the tax charge and protect the business. As noted, many spouses might not use their full £1 million band in order to support the surviving spouse.

For any gift not to be liable for Inheritance Tax, the donor has to live for a further seven years. That may simply not be a realistic prospect for the very elderly, frail or terminally ill. Those with longer life expectancy have more flexibility in planning effectively.

Further, the donor must not reserve any benefit from the house, land or assets that have been given. In reality, that can be much easier where there are more assets but very difficult on a small farm if the donor still needs income or accommodation.

**Example Assessments**

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These example assessments drawn from the scenarios are of the extra exposure to tax caused by the change, taking no account of other assets (including personal effects and diversified activities) or reliefs as these would already be part of the picture. However, from April 2027, unused pension funds would add to the taxable value.

These are given for farms in sole ownership on their agricultural assets only. If owned in equal shares by a couple, the tax charge would be less but still be a cumulative burden if both died within ten years of each other.

All nine scenarios see a tax charge on the death of a sole owner and all but one (upland sheep) see a tax charge on two joint equal owners if they both fully use their £1 million full relief bands, rather than reserve assets for the survivor.

**Dairy** – If the tax charge arising from the reduced reliefs for a 100 head dairy farm in sole ownership is £457,800 and paid over 10 years, the cost to the farming business will be £45,780 a year, money that could other have been spent or serviced borrowings for growing the business or compliance for nutrients and emissions.

On a total expected labour requirement over the year of 5,500 hours, that adds an extra £8.32 per hour worked, say two-thirds of the minimum living wage in 2025.

The farm would need to carry an additional 41 dairy cows to pay the tax, with no wider improvement in the business.

**Lowland Suckler** – If the tax charge for a 67 head lowland suckler herd in sole ownership is £297,000, paid over 10 years, that is £29,700 a year.

With an annual labour requirement of 1,407 hours that would equate to an extra £21.11 per hour, almost twice the minimum living wage.

The herd would need to increase by 90% with another 60 sucklers to meet this charge from production.

**SUMMARY OF SCENARIOS**

<b>Farm Type</b>	<b>Summary Business</b>	<b>Net Asset Value</b>	<b>No of Farms</b>
Dairy	100 cows with followers on 100 acres and additional grazing	£3,289,000	1,200 farms
Lowland Sheep	300 ewes with ewe lambs and lambs on 99 acres and additional grazing	£2,303,000	1,900 farms
Upland Sheep	200 ewes with ewe lambs and lambs on	£1,771,000	

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	200 acres and additional grazing		
Beef	67 sucklers with youngstock on 99 acres and additional grazing	£2,545,000	520 farms
Pigs	300 sows, 2,000 weaners and 40 acres	£3,750,000	60 farms
Chickens	Two sheds, 40 acres	£3,252,000	260 farms
Vegetables	40 acres owned with rented land with buildings and equipment	£4,086,000	50 farms
Potatoes	40 acres owned arable land and then rented land, buildings and machinery	£2,667,000	100 farms
Arable	299 acres and rented land with buildings and machinery	£6,210,000	150 farms

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