NORTHERN IRELAND RURAL VALUERS ASSOCIATION (NIRVA)

(Affiliated to the CAAV)

Initial Assessment of the Values and Numbers of Farm Businesses and Taxpayers in Northern Ireland Affected by the Proposed Changes to Agricultural Property Relief and Business Property Relief from Inheritance Tax

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Disclaimer

This document sets out scenarios to support the assessment of the future tax liability on farm businesses and taxpayers in Northern Ireland on the basis of what is currently understood. It is not specific tax advice for individual businesses and should not be taken as such. Furthermore, the relevant legislation is not due to be published until July 2025. These scenarios and the conclusions drawn from them may change if the proposals change or as more details emerge.

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KEY POINTS

1. Our analysis, based on Northern Ireland alone, is consistent with all other recent studies in showing how far the Government’s official figures under-estimate the number of farms affected by the Budget’s proposals for Inheritance Tax. Our scenarios and the available data for Northern Irish agriculture point to Northern Ireland alone providing between 40% and 85% of the Treasury’s expectations, 200 farming taxpayers a year (6,000 over a generation) based on scenarios analysis and 420 a year on DAERA figures, all before inflation.

2. Northern Ireland’s livestock-based farming with more sole ownership and higher land values suggest its farmers face a greater impact on a sector that is particularly important in the Northern Irish economy. A higher fraction of family farms may be brought into charge by a tax based on asset values, not profitability. The 4,240 farms we assess as affected are the core family farms, looking to farming for their livelihood.

3. This paper's practical assessment of the impact of the tax proposals uses scenarios for nine types of typical Northern Ireland farm at a scale that could be expected to provide a livelihood from farming alone – the "family farm". This is without (or before) any diversified activity that could add extra value and bring many more businesses into this tax charge. All the scenarios face extra tax for a sole owner and all but one do so when there are two equal owners. The Government's suggested ability to transfer a farm worth £3 million without charge is, in practice, misleading and illusory.

4. The option of paying the tax due over 10 years can be seen as a fixed cost for business that can be compared to the cost of an employee who would contribute to the business. Using two of our scenarios to illustrate the severe effect of the tax proposals:
   - a 100 cow dairy farm in sole ownership would face a tax charge of £457,800 payable as £45,780 each year. That is equivalent to an extra cost of £8.32 for each hour worked in the business or require the income from a 41% increase in the herd
   - a 67 cow suckler herd in sole ownership would face a tax charge of £297,000 payable as £29,700 each year. That is equivalent to an extra cost of £21.11 for each hour worked in the business or require the income from a 90% increase in the herd.

   Such unproductive outgoings pre-empt income, money for investment and the ability to borrow and so the ability to meet the Government's goals of improving growth, efficiency, adapting to climate change, environmental improvement and to bring about more sustainable and modern farm holdings. In turn, that both reduces opportunities for the next generation and economic activity (with its tax yield).

5. The impact in frontloaded on those least able to adapt. Proper tax planning in response to the changes requires at least seven years (with the rules on lifetime gifts). Not only does that trap the very elderly and terminally ill as well as the widowed and unmarried into a tax charge that others may mitigate but small family farms typically have less practical flexibility to do this, needing to retain income and accommodation. This tax change hits those it was said to protect.

Section 1 - Executive Summary

Our most important findings from this report are as follows:

1.1 **It is very clear that Treasury figures suggesting that 500 farming taxpayers would be affected by the reduction in APR and BPR for Inheritance Tax in the year 2026/27 across the UK are a serious underestimate of the full impacts**. The figures that can be identified for Northern Ireland alone are a large fraction of this figure, before considering the position for England, Wales and Scotland.

1.2 This report solely considers the prospective effects of the Inheritance Tax changes on the basis of farms so far as they are used solely for agriculture to produce a livelihood. It does not take account of the extensive non-agricultural diversification, such as renewables or tourism enterprises, seen on many farms which would undoubtedly either bring further units into tax.

1.3 While there are a number of ways to assess the number of Northern Irish farming taxpayers affected by this change, **fundamentally in *every* single scenario we have assessed that the Treasury analysis of 500 estates affected in 2026/27 across the UK appears inaccurate. Our analysis of typical farm types in Northern Ireland points to some 200 taxpayers affected each year in Northern Ireland alone (5,900 over a generation) on the basis of their farming activities and even with its smaller farm sizes.**

1.4 Starting with analysis from DAERA figures suggests that around **418 farms per annum** in Northern Ireland *could* be affected by the Budget's proposed changes to Inheritance Tax. This figure, almost 85% of the 500 farms that the Treasury initially suggests would be affected across the whole UK. Were the Treasury estimate to right, it would mean a disproportionate effect on Northern Irish farm holdings, when compared with the rest of the UK.

1.5 The possible methods of analysing the number of farms (and then taxpayers) affected include:

Method	Number of NI Farming Taxpayers
The value of farms using livestock numbers as an indicator for farm size	3,300 farms in Northern Ireland would be affected on agricultural activity alone. If all were sole traders that would be 110 per year on a 30 year basis to look at this over a generation. (*NB:- This is likely to be an under-estimate as many farms affected could be below the average figure*.)
Average figures from typical Northern Irish farms, applied across all farms (see the scenarios in this report)	4,240 farms in Northern Ireland will be affected on agricultural activity alone. If all were sole traders that would be 141 per year on 30 year basis. (*NB:- This is likely to be an under-estimate as many farms affected could be below the average figure*.)

Average value of farms on a per acre basis taking into account operational farming assets on the farm.	>12,543 farms in Northern Ireland could be affected on agricultural and business property value. If all were sole traders that would be (418 per year on a 30 year basis)

1.6 The majority of farms in Northern Ireland are in sole ownership, more so than the rest of the UK. That means that the value of the business will be the value on which the taxpayer would be assessed. Where the holdings are owned by a married couple, there is greater access to the full reliefs, though the £1m full relief band cannot be transferred between spouses. A widowed owner would only have ethe one relief.

1.7 As the above table is based on holdings, the number of farming taxpayers affected by the changes is accordingly assessed as in the region of 40% more when taking into account joint owners. This recognises the higher proportion of sole ownership of farms perceived in Northern Ireland when compared to the other parts of the UK. **The 4,240 Northern Irish farms identified as affected by our scenarios analysis of typical farms would see 5,900 taxpayers affected, say 200 a year, still 40% of the Treasury's total for the whole UK** and that is before taking account of diversified activities and future inflation.

1.8 **Our scenario-based assessments below highlight how easy it is for farms that produce a livelihood from farming to exceed the new thresholds, and then the severity of the effects on those farms.** The effects identified will underestimate the true position as the resulting figures are before taking into account diversification or personal assets. and They are equally before future inflation and its effects especially if, as seems likely, the thresholds are frozen, bringing the number of those farms affected, when values increase.

1.9 The knock-on financial effects on low margin enterprises are severe, as it is virtually impossible to increase income to meet the tax payment required and maintain already low margins. For instance, an average dairy herd would need to increase by 41% - which is virtually impossible in Northern Ireland.

1.10 In practical terms, the tax cost to a typical farming business of spreading the payment over ten years can be compared to the cost of employing staff who would contribute to the business. **Converting the tax payment spread over 10 years to a per hour basis, the cost of the taxation changes to a typical suckler beef holding would be £21.11 an hour or, for a typical dairy farm a daily charge of £66.59, before earning any money for income or investment.** Compared to profitability and turnover this is a highly damaging extra cost, equivalent to one of the leading 'fixed costs' in terms of production.

1.11 The opportunity cost is high in terms of the amount of debt that IHT payments could have serviced. Based on an online AMC calculator, the effective opportunity cost would on average reach around £530,000 for a 100 head dairy farm that could have been borrowed to invest in the business for the cost of the tax charge.

1.12 Given the limited opportunities for expansion of the business to meet the tax burden, the consequence is therefore a significant increase in general financial pressure and strain on the successor, at a time when they want to be investing in their future and putting their mark on the business.

1.13 The crowding out of the ability to fund investment and the ordinary day to day re-investment in the business, will limit successors from undertaking the following:-

- Meet modern standards
- Modernise
- Become more efficient
- Have a stronger financial footing
- Grow the business
- Adapt to climate change
- Meet government goals, including:
  - Increase sustainability
  - Increase food security
  - Reduce greenhouse gas emissions
  - Reduce pollutants.

1.14 Based on the aforementioned, recent key findings from DAERA's in depth analysis showed *'Over 48% of NI farms exceed the £1 million threshold'*. That figure is 12,543 farms in NI potentially affected by the change. While joint ownership might reduce this figure, the addition of other on-farm business assets in diversified activities would increase it. The overall figure is equivalent to **17% of the total UK farms**; when compared with the recent CAAV's comprehensive analysis.

1.15 An expert in his field, the well-respected Central Association of Agricultural Valuers Secretary Jeremy Moody highlighted to the Fresh Produce Journal that:-

> "*The first 10 years alone would add some 14,500 (19 per cent) to the CAAV's assessment of 75,000 affected farming taxpayers over a generation – simply because of inflation, if there is no policy change. More would follow as each year goes by.*"

He also added that the main IHT relief for all taxpayers, the nil rate band, has been frozen at £325,000 since 2009, and the Budget now freezes it to 2030 – 21 years.

> *"That gives no confidence that the £1m full relief for agricultural property relief (APR) and BPR will be protected against inflation," he said. "Even more farmers would therefore be caught than has been suggested."*

1.16 Taking 12,543 farms likely affected by the changes over a 30-year period, it is reasonable to state that **418**, say 420 farms are to potentially be impinged per annum; just in Northern Ireland alone.

1.17 In Northern Ireland, 79% of farms are classified as 'small farms' on the basis of their assumed labour requirement. Whilst agriculturally, a number of the 'small farms' could remain under the tax threshold, here there is some form of diversification (i.e. a contracting business, holiday accommodation, renewable energy production, or other diversified businesses), it is increasingly clear that over time even small farms will be pulled over the threshold; especially taking into account inflation.

1.18 More work is needed in this area to assess the effects of the changes further, which will further challenge the Government figure that only an estimated 500 taxpayers will be affected by the changes in 2026/27.

1.19 Diversified farm businesses, which are often more sustainable, will be more valuable; this will increase the effects and number of farming businesses affected in NI.

1.20 Uncertain times may force farms to sell land or assets to pay the additional tax burden. Furthermore, many farms already have borrowing; effectively potentially forcing companies to go into survival mode.

1.21 Issues highlighted included the potential for forced sales, investment opportunity costs, viability, and food security concerns, and also the aging profile of the farming population.

1.22 The effects are highlighted in the scenario of a farm business with a single owner valued at, say, £3,289,000 (without considering personal assets, diversified activity or the part of the farmhouse value not covered by APR). The tax liability, after £1m of full relief, would be £457,800. If the business was owned by two family members in equal shares, the combined tax (after both deaths) would be £257,800. Where the owners are of similar age, the two deaths might be close together in time.

1.23 The net effect of the proposals is that the new tax burden would effectively leave working farms in poorer financial health. This would undoubtedly discourage the next generation to take the reins, invest and carry forward farming.

1.24 While Ministers repeatedly suggest that a married couple could have £3 million of full relief this is not the same as the lost value of APR and BPR. For that to be true, it assumes there are no personal effects, no other assets, no pension fund, access to the Residential Nil Rate Band Amount and that there is no need to keep farm assets back for a surviving spouse. In short, this is an unrealistic assurance, especially for small and medium farms with least flexibility for this.

1.25 Those consequences, limiting business activity in farms and so rural areas, are likely to reduce HMRC’s tax take in the future, not just from farms but also companies in the locality that are reliant on viable farms, such as vets, merchants, surveyors, livestock auctioneers, machinery dealers, builders, electricians, and plumbers.

1.26 The CBI estimates that the changes will bring about a net loss of £1.38 billion to H M Treasury, compared to what it would raise from affected private businesses. Analysts anticipate that more than half of family businesses will cut investment in the wake of the policy shift, with further economic damage predicted to include the loss of 125,678 jobs. Collectively, these measures are expected to drive down economic activity, eroding the tax base far more than originally projected. Farming is perhaps the starkest example of how the tax charge would crowd out investment in the future.

1.27 Furthermore, our scenarios have ignored any on-farm business activities or rural diversification. We estimate that, even given the small scale of NI farms, **the value of on-farm diversified activities would bring many more farms into the changes in IHT**, in addition to the number doing so on agricultural activity alone. That could provide the Treasury's 500 farms per year from Northern Ireland alone before taking account of the rest of the United Kingdom. AFBI research, for example, has found that 50% of farms do not count agriculture as the main income source, with tourism, renewables, leisure, craft, and manufacturing all making up farm incomes in 2019 paper titled *Encouraging entrepreneurship, business innovation and diversification at farm level in Northern Ireland.*[1]

[1] AFBI, Estimate that less than 25% of income on NI farms is made from farming on half of NI farms, and hence there is a high level of diversification.
https://www.afbini.gov.uk/sites/afbini.gov.uk/files/publications/Economics-farm%20diversification%202019.pdf

Section 2: Background Information about NIRVA

2.1 The Northern Ireland Rural Valuers Association (NIRVA) is the professional association for agricultural and rural valuers in Northern Ireland.

2.2 Founded in 2012, members advise farmers, landowners, lenders, charities, government, and others on issues including

- valuation of land and rural property for all purposes including taxation and lending
- land occupation and management arrangements including conacre and tenancies
- compulsory purchase, whether for roads, water, sewerage, electricity, gas, and other uses
- Agricultural and rural policies and payments, including the Basic Payment Scheme, agri-environment schemes, and other schemes
- issues over diversification, renewable energy, telecommunication masts, etc.
- dispute resolution, including arbitration, expert determination, and mediation

2.3 NIRVA members are adept at working with and alongside business owners, accountants and solicitors to structure rural businesses in tax effective manners while maintaining operational effectiveness.

2.4 For more information on NIRVA visit: https://www.nirva.org.uk/

2.5 NIRVA and the CAAV - In June 2015 NIRVA affiliated to the Central Association of Agricultural Valuers (CAAV) and is part of the UK-wide specialist professional association which has been representing, briefing and qualifying agricultural and rural valuers since 1910. The professional examinations for CAAV Fellowship (FAAV) have been held in Northern Ireland since 2022.

2.6 For more information on the CAAV visit: **www.caav.org.uk**

Section 3 - Background to this Analysis

3.1 This document takes some reasonable Northern Ireland based farm business scenarios and runs them through scenarios following the changes to Agricultural Property Relief (APR) and Business Property Relief (BPR) to inheritance tax (IHT) in the October 2024 Budget. IHT remained at a 40% rate where assets incurred IHT.

3.2 The Budget retained but froze:

- Continued £325,000 of the general **Nil Rate Band** on which IHT would be 0%, also covering personal effects and other assets
- If the deceased's estate included a house they had lived in and given to a descendant, the additional £175,000 of **Residential Nil Rate Band** Amount was also continued, and on which IHT would be 0%. In a farming context, one use of this is for the share of the value of a farmhouse not covered by APR.

3.3 Taken together, this gives a deceased the ability to pass on £500,000 without IHT charges being incurred, if able to bequeath a qualifying dwelling to a lineal descendant. Both the Nil Rate Band and the Residential Nil Rate Band Amount are transferrable between spouses or civil partners.

3.3 The Budget proposed to reduce the benefit of APR and BPR with effect from April 2026 to allow:-

- £1m of qualifying assets over the nil rate bands of the deceased estate to receive 100% combined relief under BPR and APR
- 50% relief on qualifying assets above that – an effective charge of 20%
- For spouses, as a taxpayer-based relief, each spouse would have the opportunity to use their own £1m relief but unlike the Nil Rate Bands the £1m is not transferable between spouses- it is either used or lost. Where there are good reasons to transfer assets to the surviving spouse, its benefit could be reduced or lost.

3.4 While data are scarce, the majority of farms in Northern Ireland are in sole ownership, more so than the rest of the UK. That means that the value of the business will more often be the value on which the taxpayer would be assessed. Joint ownership would see value spread between owners.

3.5 While Ministers repeatedly suggest that a married couple could have £3 million of full relief this is not the same as the lost value of APR and BPR. For that to be true, it assumes there are no personal effects, no other assets, no pension fund, access to the Residential Nil Rate Band Amount and that there is no need to keep farm assets back for a surviving spouse. In short, this is an unrealistic assurance, especially for small and medium farms with least flexibility for this.

Section 4 - The 'Average' Farm vs Typical Northern Irish Farms

4.1 The "Average" Farm is not a Guide

4.1.1 In this document, we illustrate some typical scenarios for policy makers. Clearly, one of the most unhelpful items in this policy area is the notion of an average farm. This is currently being used by policy makers to cite the impact of tax policy. A brief summary of the average farm (if such a thing were to exist) is illustrated in Annex 1 using the latest agricultural census data from DAERA. This will illustrate why we use scenarios, rather than a general blanket average.

4.1.2 According to *The Agricultural Census in Northern Ireland, results for June 2023*[2] (from which many the following statistics are produced) there are the following farms, farming the following areas (ha) of land in Northern Ireland in 2023:

	No. Farms	Area Farmed
Total Area farmed (hectares)		
Under 10	5,943	32,364
10 - 19.99	5,593	80,732
20 - 29.99	3,948	96,166
30 - 49.99	4,453	171,933
50 - 99.99	4,061	280,850
100 and over	2,133	380,273
Total	**26,131**	**1,042,318**

4.1.3 Using the figures given by the Agricultural Census of Northern Ireland (reproduced in Annex 1), the 'average' farm in NI would have:

- 99 acres in total comprising:
  - 78 acres grass
  - 13 acres hill or rough land
  - 5 acres of crop
  - 3 acres of other land
- A variety of livestock:
  - 64 cattle made up of 12 dairy cows, 9 beef cows and various other cattle
  - 78 sheep
  - 26 pigs
  - 979 chickens

4.1.4 No such farm exists, and it is clear that on examination of the statistics that hobby agriculture is mixed with commercial farming. At this point (and hopefully long before) the idea of an 'average' farm needs to be dropped in favour of specific scenarios.

[2] https://www.daera-ni.gov.uk/publications/agricultural-census-northern-ireland-2023

4.2 The Scenarios in this Illustration

4.2.1 For the purpose of this document, we have designed 9 different farm scenarios in consultation with farmers, technical advisors and farm membership bodies. We run through an example valuation for IHT purposes for each of these scenarios.

4.2.2 Across all farms we have assumed that there is a detached house, occupied by the farm owner, as the scenario the government has illustrated is the family farm, which by reasonable definition, would be the home of the family.

4.2.3 We have also focused on small, medium and large farms, using the agricultural census.

	Very Small	Small	Medium	Large	Total
Total	20,603	2,641	1,168	1,719	26,131

4.2.4 It is important to note that the definition of farm size is set by labour, not by area or value – and that it is possible that very small farms may be significantly affected by IHT changes if asset values are above that which is given 100% relief, especially once diversification is considered.

4.2.5 It remains, however, that there are over 5,500 farms in NI that are classed as small, medium or large leaving many likely exposed to the changes.

4.2.6 The definitions for UK agricultural statistics business size bands:

- Very Small: Less than 1 (labour unit)
- Small 1 < 2 labour units
- Medium 2 < 3 labour units
- Large 3 < 5 labour units
- Very Large 5 or more labour units

*1 Standard labour unit = 1900 hours

(Note: as experienced valuers with agricultural knowledge, we would be hesitant to suggest that one labour unit on an average farm is limited to 1900 hours of labour per year).

4.2.7 While we accept this is an imperfect approach, we would also consider that this is a better approach than the average farm cited above, and with the lack of data available to properly make an assessment of the APR and BPR impact this approach makes the most sense. The make-up of those farms is detailed in each scenario, and again we rely on Agricultural Census data giving the number of farms affected.

Section 5: Typical Northern Irish Farms

5.1 This section sets out nine 'typical' scenarios for various types of farms in Northern Ireland. This is based on data from CAFRE, AFBI, DAERA, UFU, Parliamentary or Assembly submissions, and NIRVA valuers' knowledge of the local farming practices and sizes in Northern Ireland.

5.2 The scenarios are:

- Dairy (Scenario 1)
- Lowland sheep (Scenario 2(a))
- Upland sheep (Scenario 2(b))
- Beef - Suckler Cows (Scenario 3)
- Pigs (Scenario 4)
- Chickens (Scenario 5) **The Effect of the Tax Change -**
- Horticulture (Scenario 6)
- Potatoes (Scenario 6(a))
- Arable (Scenario 7)

5.3 The values are indicative of estimated value of market value at the current time. No one farm is the same; individuals' opinions of value will differ but, as a general basis for assessing how many farms might be above revised IHT thresholds, we believe that this is a sensible and realistic approach.

5.4 Drawing a line in the sand, we are providing a synopsis of what a typical deceased's estate could be valued at by farm type, based on market evidence and our members experiences. In particular, stock and stores values will naturally shift markedly over the year, without a set date of valuation which is simply fixed by the date of death.

5.5 The assessment is after taking account of typical financial liabilities.

5.6 For each scenario we then assess the additional exposure to Inheritance Tax created by the Budget proposals for APR and BPR, doing so for both a sole owner (seen as the typical pattern in Northern Ireland) and for two owners (as, say, a married couple). The figures are simply based on the net value of the farming assets and so ignore other assets (including diversified activities) and also other reliefs. They can be seen as the financial cost to the farming taxpayers caused by the tax.

5.7 In our scenarios we have ignored any on-farm renewables, tourism and leisure and other business activities or rural diversification – but recognise that many farms would have some form of on farm diversification which will add to the value of many farms and bring them into the taxation regime.

5.8 Reasonably, and conservatively, we would estimate that, even given the small scale of NI farms, additional diversified enterprises with their value relievable by BPR could bring several thousand further farms into tax under the change in IHT, making it possible for Northern Ireland alone to provide the Treasury's 500 farms per year. AFBI research, for example, found that 50% of farms do not count agriculture as the main income source, with tourism, renewables, leisure, craft, and manufacturing all making up farm incomes in its 2019, *Encouraging entrepreneurship, business innovation and diversification at farm level in Northern Ireland.*[3]

5.9 The scenarios are at a high level based on a food producing farmer who gains an income from farming, living on the farm.

5.9 Of the scenarios in this paper, we conservatively estimate that, on the basis of livestock numbers alone, there are at least 3,300 farms in Northern Ireland that will be affected, as a minimum, **based on farming enterprise agricultural value alone and using livestock numbers to assess likelihood of farm impact**. Looking beyond livestock numbers to other enterprises, we reach the figure of 4,240 farms as affected. I.e. our analysis (at this stage) **excludes** the number of farms (and farm businesses) that include property that would not be agricultural – e.g. small scale renewable energy, or tourism or leisure or **any** other diversified business. There is a clear and evident lack of data in this area as relates to the value of on farm diversification by farm type in Northern Ireland.

Scenario 1: Dairy

- 100 acres owned made up of 85 acres of better-quality grassland, and 14 acres of poorer grassland.
- Sufficient land rented on conacre for needs of the enterprise.
- Farmhouse of reasonable quality farm buildings occupied by farm owner.
- Dairy buildings including a milking parlour (12 bay swing) reasonable quality, slurry store (200,000 gallons) and silage clamps (for 2000t silage). Fairly well capitalised
- 1 newish, say 3 year-old tractor, telehandler, 1 older tractor and yard scraper. Quad bikes x 2. The newer tractor and telehandler have 25% finance
- Implements, inc. feeder wagon, hedge cutter, slurry tanker, tedder, silage trailer, fert sower.
- 100 dairy cows, 48 followers and 1 Bull.
- Roughly £65,000 in net value of silage, meal, straw, diesel, and fertiliser.
- Contractor to make silage
- Borrowing, say, £250,000.

Estimated net value of a typical Northern Irish dairy farm: £3,289,000.

We estimate, using the Agricultural Census in Northern Ireland (2023), that **there are at least 1,200 farms** at this size or above in Northern Ireland based on the number of cows per farm. (There are 1,200 farms with more than 100 cows according to the Agricultural Census, there are 319,000 dairy cows in NI and 3,200 dairy farms).

[3] AFBI, Estimate that less than 25% of income on NI farms is made from farming on half of NI farms, and hence there is a high level of diversification.
https://www.afbini.gov.uk/sites/afbini.gov.uk/files/publications/Economics-farm%20diversification%202019.pdf

Composite Valuation for Typical Dairy Farm		
Better quality grassland – 86 acres Poorer quality grassland – 14 acres	£16,000 per acre £10,000 per acre	Say £1,500,000
Suitable Land rented in (normally on conacre)	No asset value for IHT to the farmer.	£0
Reasonable farmhouse and farm worker's dwelling (both central to the working buildings).	£475,000 (agricultural value for APR) and £150,000	£525,000
Farm buildings including - A suitably sized parlour - Slurry store - More modern cubicle housing for winter and followers - Silage clamps. - Set of older building no longer useful for modern agriculture	Generally, £750,000 (based on 50% depreciated replacement cost)	£750,000
Machinery and implements (Implements, such as a feeder wagon, a hedge cutter, slurry tanker, tedder, silage trailers, fert sower).	£300,000 net of borrowing costs.	£300,000
Livestock (assuming no TB) 100 head dairy cows (averaged number), 48 followers and 1 bull. Stocking rate of 0.9/ac	£2,200 per cow, average £1,650 per follower	£299,000
Silage, fert, straw, diesel etc.	£65,000 net of debt	£65,000
Debt	Roughly £250,000 say	£(250,000)
	Taxable Total (rounded)	**£3,289,000**

The Effect of the Tax Change - The new tax burden on these APR and BPR assets, after allowing for the £1m of combined full relief, would then be:

- For a sole owner (thought the most usual situation in Northern Ireland) - £457,800
- Where there are two equal owners (as, say, a married couple or two siblings), the liability for a single taxpayer - £128,900.

Please note that these assessments are before including any other assets, whether the part of the value of the farmhouse not covered by APR, assets in diversified activity, personal effects and (from April 207) any unused pension fund for the overall net value of the deceased taxpayer. They are also before the use of the Nil Rate Band and any possible use of the Residential Nil Rate Band Amount.

It is noted that even where there are two owners, the tax effects will be cumulative if they die within 10 years of each other, the family and farm facing both charges.

Scenarios 2(a) and (b): Sheep

2(a) - Lowland Sheep

- 99 acres owned made up of 85 acres of good quality grassland, and 14 acres of poorer quality grassland.
- Sufficient land rented on conacre basis
- Farmhouse of reasonable quality within the nexus of the farm buildings occupied by the farmer.
- Buildings mixed quality mostly 20-30 years old.
- 1 5 year old tractor, no 1 older tractor and yard scraper. Quad bikes and Ifor Williams trailer
- Range of general implements, generally in ok to good condition
- 300 Ewes, 105 ewe lambs, 510 lambs, 8 rams
- Roughly £40,000 in value of hay, meal, straw, diesel, and fertiliser.
- Mostly grass based system. Mostly smaller scale family farm
- Virtually no borrowing.

Estimated net value of a typical Northern Irish lowland sheep farm: £2,303,000.

We estimate, using the Agricultural Census in Northern Ireland (2023), that **there are at least 1,900 farms** at this size or above in Northern Ireland based on the number of ewes per farm across upland and lowland sheep farms. (There are 1,900 farms with more than 300 ewes according to the Census).

Composite Valuation for Typical Lowland Sheep Farm		
Better quality Land – 85 acres Poorer quality Land – 14 acres	£16,000 per acre for good land £10,000 per acre for bad land	Say £1,500,000
Sufficient land rented in (normally on conacre)	No asset value for IHT to the farmer.	£0
Farmhouse and farm workers dwelling	£400,000 (agricultural value for APR)	£400,000
Farm buildings including - Housing for storage of farm materials and machinery - Lambing sheds - Workshop	Generally, £150,000	£150,000
Machinery and implements	£75,000 net of debt	£75,000
Livestock	£160 per ewe, ewe lamb £130, £145 per fat lamb, ram £350	£138,400
Hay, Fert, straw, diesel etc.	£40,000 net of debt	£40,000
	Taxable Total (rounded)	**£2,303,000**

The Effect of the Tax Change - The new tax burden on these APR and BPR assets, after allowing for the £1m of combined full relief, would then be:

- For a sole owner (thought the most usual situation in Northern Ireland) - £260,600
- Where there are two equal owners (as, say, a married couple or two siblings), the liability for a single taxpayer - £30,300.

Please note that these assessments are before including any other assets, whether the part of the value of the farmhouse not covered by APR, assets in diversified activity, personal effects and (from April 207) any unused pension fund for the overall net value of the deceased taxpayer. They are also before the use of the Nil Rate Band and any possible use of the Residential Nil Rate Band Amount.

It is noted that even where there are two owners, the tax effects will be cumulative if they die within 10 years of each other, the family and farm facing both charges.

2(b) - Upland Sheep

- 200 acres owned made up of 15 acres of medium quality grassland of upland areas .
- Sufficient upland rented in on conacre.
- Bungalow adjacent to the farm buildings occupied by the farmer.
- Buildings mixed quality mostly 20-30 years old.
- 1 10 year old tractor, and older tractor quad bikes Older standard implements
- 200 Ewes, 115 ewe lambs, 150 lambs 6 rams (priced lower than lowland accounting for poorer conformation).
- Roughly £15,000 in value of hay, meal, straw, diesel.
- Low input grass-based system, mostly smaller scale family farm
- Virtually no borrowing

Estimated value typical of a Northern Irish upland sheep farm: £1,771,000.

Composite Valuation for Typical Upland Sheep Farm		
Better quality land – 185 acres Poorer quality land – 15 acres	£15,000 per acre for good land £6,000 per acre for upland land	Say £1,425,000
Land rented in (normally on conacre)	No asset value for IHT to the farmer.	£0
Upland farmhouse	£150,000 (agricultural value for APR)	£150,000
Older Farm buildings including - Housing for storage of farm materials and machinery - Lambing shed - Workshop	£75,000	£75,000
Machinery and implements	£20,000 net of debt	£20,000

Livestock	£140 per ewe, ewe lamb £110, £125 per fat lamb, ram £300	£61,200
Hay, straw, diesel etc.	£15,000 net of debt	£40,000
	Taxable Total (rounded)	**£1,771,000**

The Effect of the Tax Change - The new tax burden on these APR and BPR assets, after allowing for the £1m of combined full relief, would then be:

- For a sole owner (thought the most usual situation in Northern Ireland) - £154,200
- Where there are two equal owners (as, say, a married couple or two siblings), the liability for a single taxpayer - £nil.

Please note that these assessments are before including any other assets, whether the part of the value of the farmhouse not covered by APR, assets in diversified activity, personal effects and (from April 207) any unused pension fund for the overall net value of the deceased taxpayer. They are also before the use of the Nil Rate Band and any possible use of the Residential Nil Rate Band Amount.

It is noted that even where there are two owners, the tax effects will be cumulative if they die within 10 years of each other, the family and farm facing both charges.

Scenario 3: Beef

- 99 acres owned made up of 85 acres of good quality grassland, and 14 acres of poorer quality grassland. (same as dairy)
- Sufficient acres rented in on conacre basis
- Farmhouse of reasonable quality in the nexus of the farm buildings occupied by the farmer.
- Buildings good quality mostly 10-15 years old.
- 1 newish, say 3 year old tractor, older telehandler, older tractor, and yard scraper. The newer tractor as 10% financed. Quad bikes Range of general implements generally in fairly good condition
- (Suckler for this purpose) 67 cows, 61 finish calves, 9 youngstock, 2 bulls (£1,600 suckler, £1,900 finished, £1,200 youngstock, bull £3000
- Roughly £60,000 in value of silage, hay, meal, straw, diesel, and fertiliser.
- Mostly grass based system. Mostly smaller scale family farm
- Low borrowing.

Estimated value of a typical Northern Irish beef farm: £2,485,000.

We estimate, using the Agricultural Census in Northern Ireland (2023), that **there are at least 520 farms** at this size or above in Northern Ireland based on the number of beef cows per farm. (There are 528 farms with more than 60 beef cows according to the Census).

Composite Valuation for Typical Beef Farm		
Better Land – 86 acres Poorer Land – 14 acres	£16,000 per acre for good land £10,000 per acre for bad land	Say £1,500,000
Sufficient land rented in (normally on conacre)	No asset value for IHT to the farmer.	£0
Farmhouse	£375,000 (agricultural value for APR)	£375,000
Farm buildings including - slurry store - housing for winter and followers - silage clamps	Generally, £350,000	£350,000
Machinery and implements (Implements, such as a feeder wagon, a hedge cutter, slurry tanker, tedder, 1 silage trailers, fert sower).	£100,000 net of debt	£100,000
Livestock (assuming no TB)	£1,600 suckler, £1,900 finished, £1,200 youngstock, bull £3000	Say £235,000
Silage, fert, straw, diesel etc.	£60,000 net of debt	£60,000
Debt	Roughly £75,000 say	£(75,000)
	Taxable Total (rounded)	**£2,485,000**

The Effect of the Tax Change - The new tax burden on these APR and BPR assets, after allowing for the £1m of combined full relief, would then be:

- For a sole owner (thought the most usual situation in Northern Ireland) - £297,000
- Where there are two equal owners (as, say, a married couple or two siblings), the liability for a single taxpayer - £48,500.

Please note that these assessments are before including any other assets, whether the part of the value of the farmhouse not covered by APR, assets in diversified activity, personal effects and (from April 207) any unused pension fund for the overall net value of the deceased taxpayer. They are also before the use of the Nil Rate Band and any possible use of the Residential Nil Rate Band Amount.

It is noted that even where there are two owners, the tax effects will be cumulative if they die within 10 years of each other, the family and farm facing both charges.

Scenario 4: Pig Farm

- 40 acres, as a standalone specialist enterprise.
- Farmhouse of reasonable quality adjacent to the farm buildings occupied by the farmer, slightly less marketable as next to a pig farm.
- Buildings high quality mostly 5-10 years old well capitalised, with specialist equipment to meet high welfare requirements.
- Modern machinery.

- Stock: 300 sows, 2000 weaners, 1500 fattening pigs.
- Roughly £70,000 in value of meal, straw, and diesel.
- Borrowing, say 15% of value. (are we going now higher borrowing).

Estimated net value of a typical Northern Irish pig farm - £3,750,000.

The Agricultural Census in Northern Ireland (2023), gives that **there are at least 60 farms** at this size or above in Northern Ireland based on the number of pigs per farm. (There are 60 farms with more than 300 sows according to the Census).

Composite Valuation for Typical Pig Farm		
Land – 40 acres	£18,000 per acre	£720,000
Pig Unit Building with housing for: • 300 sows (farrowing houses) • 2000 weaners (weaner accommodation) • 1500 pigs fattening house. • Pig feed mill equipment and housing • Slurry storage	£2,400,000	£2,400,000
Farmers house (discounted due to proximity to pig farm)	£250,000 (agricultural value for APR)	£250,000
Stock (the value of the pigs)	£450,000	£450,000
Meal, Straw, Diesel	£50,000	£70,000
Machinery (two tractors, telehandler, slurry tanker, pig trailer, blow trailer and various implements)	£250,000 net of machinery debt	£250,000
Debt	Roughly 15% of land and buildings	£(390,000)
	Taxable Total (rounded)	**£3,750,000**

The Effect of the Tax Change - The new tax burden on these APR and BPR assets, after allowing for the £1m of combined full relief, would then be:

- For a sole owner (thought the most usual situation in Northern Ireland) - £550,000
- Where there are two equal owners (as, say, a married couple or two siblings), the liability for a single taxpayer - £175,000.

Please note that these assessments are before including any other assets, whether the part of the value of the farmhouse not covered by APR, assets in diversified activity, personal effects and (from April 207) any unused pension fund for the overall net value of the deceased taxpayer. They are also before the use of the Nil Rate Band and any possible use of the Residential Nil Rate Band Amount.

It is noted that even where there are two owners, the tax effects will be cumulative if they die within 10 years of each other, the family and farm facing both charges.

<u>**Scenario 5: Chickens (Free Range Layers or Broilers)**</u>

- 40 acres
- In contract to integrator, often on farms with other mixed stock.
- Farmhouse of reasonable quality, adjacent to the farm buildings occupied by the farmer – discounted as little as close to the hen houses
- Farm worker house
- Buildings nearly new, around 5 years old and well capitalised. Specialist equipment i.e. packing house and henhouses for layers.
- Manure spread locally. Integrator provides support and inputs.
- Often compliments existing farms, as a diversification of income.
- Two sheds 36,000 broilers every 8 weeks or 32,000 birds every 15 months
- Roughly £50,000 in value of meal, bedding, and diesel
- Low borrowing – 20% of total value.

Estimated value of a typical Northern Irish chicken farm - £3,252,400.

We estimate, using the Agricultural Census in Northern Ireland (2023), that <u>**there are at least 260 farms**</u> at this size or above in Northern Ireland based on the number of birds per farm. (There are 260 farms with more than 30,000 birds according to the Census).

Composite Valuation for Typical Free Range Egg Production		
Land – 40 acres	£18,000 per acre	£720,000
2 x Chicken sheds	£2,500,000 depreciated replacement value	£2,500,000
Farmers house (discounted due to proximity to chicken farm)	£300,000 (agricultural value for APR)	£300,000
Farm workers house	£150,000	£150,000
Stock - the value of the chickens	each hen at say 16 weeks price of £5.25	£ 342,400
Feed, Diesel etc.	£50,000	£50,000
Machinery (tractor, telehandler, various implements)	£250,000 net of machinery debt	£250,000
Debt	Roughly 20% of total	£(760,000)
	Taxable Total (rounded)	**£3,252,000**

The Effect of the Tax Change - The ne.w tax burden on these APR and BPR assets, after allowing for the £1m of combined full relief, would then be:

- For a sole owner (thought the most usual situation in Northern Ireland) - £450,400
- Where there are two equal owners (as, say, a married couple or two siblings), the liability for a single taxpayer - £125,200.

Please note that these assessments are before including any other assets, whether the part of the value of the farmhouse not covered by APR, assets in diversified activity, personal effects and (from April 207) any unused pension fund for the overall net value of the deceased taxpayer.

They are also before the use of the Nil Rate Band and any possible use of the Residential Nil Rate Band Amount.

It is noted that even where there are two owners, the tax effects will be cumulative if they die within 10 years of each other, the family and farm facing both charges.

Scenario 6: Vegetable Production

- 200 acres rented grade 1
- 40 acres owned grade 1 vegetable ground
- 20 acres of arable rotation
- Extensively modernised building including chilled storage, packing, etc.
- Farmhouse adjacent.
- Machinery top spec to maximise efficiency to be competitive i.e. satellite farming
- 2 farm workers houses
- Intensive cultivations specialist equipment has limited possibility, so machinery includes tractors with ploughs, cultivators, harrows and rolls etc. Several carting, specialist veg machinery i.e. harvesting equipment/planting
- Low borrowings on machinery, say net 10%.

Estimated value of a typical Northern Irish vegetable farm - £4,086,000.

We estimate that there **are c. 50 farms at** this size or above in Northern Ireland based on crop area grown.

Composite Valuation for Typical Vegetable Producers Farm		
Land	£20,000 per acre for veg ground £18,000 for arable	£1,160,000
Commercial veg buildings	£1,750,000	£1,750,000
Farmers house	£450,000 (agricultural value for APR)	£450,000
Farm workers houses x 2	£150,000 each	£300,000
Stock -	£80,000	£80,000
Feed, Diesel etc.	£50,000	£50,000
Machinery (tractor, telehandler, various implements)	£750,000 net of machinery debt	£750,000
Debt – 10% of total value	Roughly 20% of total	£(454,000)
	Taxable Total (rounded)	**£4,086,000**

The Effect of the Tax Change - The new tax burden on these APR and BPR assets, after allowing for the £1m of combined full relief, would then be:

- For a sole owner (thought the most usual situation in Northern Ireland) - £617.20
- Where there are two equal owners (as, say, a married couple or two siblings), the liability for a single taxpayer - £208,600.

Please note that these assessments are before including any other assets, whether the part of the value of the farmhouse not covered by APR, assets in diversified activity, personal effects and (from April 207) any unused pension fund for the overall net value of the deceased taxpayer. They are also before the use of the Nil Rate Band and any possible use of the Residential Nil Rate Band Amount.

It is noted that even where there are two owners, the tax effects will be cumulative if they die within 10 years of each other, the family and farm facing both charges.

Scenario 6(a): Potatoes

- 250 acres rented grade 1
- 25 acres owned grade 1
- 15 acres owned arable only (not able to be de-stoned)
- Extensively modernised buildings including chilled storage.
- Farmhouse adjacent
- Machinery top spec to maximise efficiency to be competitive i.e. satellite farming Intensive cultivations specialist equipment has limited possibility, so machinery includes tractors with ploughs, cultivators, harrows and rolls etc. Several carting trailers specialist potato harvesting and grading machinery
- 2 farm workers houses
- Borrowings on machinery, say net 10%.

Estimated value of a typical Northern Irish vegetable farm - £2,667,000.

We estimate that there **are c. 100 farms at this** size or above in Northern Ireland.

Composite Valuation for Typical Potato Farm		
Land	£20,000 per acre for potato ground £18,000 for arable only ground	£533,000
Commercial spud buildings	£850,000	£850,000
Farmers house	£400,000 (agricultural value for APR)	£400,000
Farm workers houses x 2	£150,000 each	£300,000
Stock -	£80,000	£80,000
Feed, Diesel etc.	£50,000	£50,000
Machinery (tractor, telehandler, various implements)	£750,000 net of machinery debt	£750,000
Debt – 10% of total value	Roughly 20% of total	£(296,000)
	Taxable Total (rounded)	**£2,667,000**

The Effect of the Tax Change - The new tax burden on these APR and BPR assets, after allowing for the £1m of combined full relief, would then be:

- For a sole owner (thought the most usual situation in Northern Ireland) - £333,400
- Where there are two equal owners (as, say, a married couple or two siblings), the liability for a single taxpayer - £66,700.

Please note that these assessments are before including any other assets, whether the part of the value of the farmhouse not covered by APR, assets in diversified activity, personal effects and (from April 207) any unused pension fund for the overall net value of the deceased taxpayer. They are also before the use of the Nil Rate Band and any possible use of the Residential Nil Rate Band Amount.

It is noted that even where there are two owners, the tax effects will be cumulative if they die within 10 years of each other, the family and farm facing both charges.

Scenario 7: Arable

- 299 acres owned made up of 220 acres of good quality arable in short term lay rotation wheat, winter and spring barley, oats, and maize, and 79 acres of poorer quality grassland.
- Often mixed i.e. intensive cereal beef, small number of farms.
- Farmhouse of reasonable quality adjacent to the farm buildings occupied by the farmer.
- Well capitalised, range of buildings likely fairly modern portal frame buildings 10-15 years old to house machinery, drying, crop storage
- Min–till implements combi drill, older combine shared, fert/lime spreader, mounted sprayer, bailer, tedder, grain trailers. Crop stores. 2 newish, say, 3 year old tractor, telehandler, older tractor. The newer tractors and telehandler as 25% finance.
- often mixed with stock on farm, say 20 beef cattle and or sheep to graze short term clover break crop – not included in composite valuation for simplicity.
- Roughly £160,000 in value of crops stored, fertiliser seeds sprays and diesel.
- Borrowing at 10% of the farm.

Estimated value of a typical Northern Irish arable farm: £6,210,000.

We estimate, using the Agricultural Census in Northern Ireland (2023), that there are **c. 150 farms** at this size or above in Northern Ireland, based on total crop areas in the Census.

Composite Valuation for Typical Arable Farm		
Good quality arable land – 220 acres Poorer grassland – 79 acres	£18,000 per acre for good land £14,000 per acre for poorer grassland	Say £5,000,000
Land rented in (normally on conacre)	No asset value for IHT to the farmer.	£0
Farmhouse	£400,000 (agricultural value for APR)	£400,000
Farm buildings including - machinery, drying, crop storage	Generally, £600,000	£600,000
Machinery and implements (Implements, such as a feeder wagon, a hedge cutter, slurry tanker, tedder, 1 silage trailers, fert sower).	£650,000 net of debt	£650,000

Stored crops, fert, straw, diesel etc.	£160,000 net of debt	£160,000
Debt at 10% of land and buildings	Roughly say £600,000	£(600,000)
	Taxable Total (rounded)	**£6,210,000**

The Effect of the Tax Change - The new tax burden on these APR and BPR assets, after allowing for the £1m of combined full relief, would then be:

- For a sole owner (thought the most usual situation in Northern Ireland) - £1,042,000
- Where there are two equal owners (as, say, a married couple or two siblings), the liability for a single taxpayer - £421,000.

Please note that these assessments are before including any other assets, whether the part of the value of the farmhouse not covered by APR, assets in diversified activity, personal effects and (from April 207) any unused pension fund for the overall net value of the deceased taxpayer. They are also before the use of the Nil Rate Band and any possible use of the Residential Nil Rate Band Amount.

It is noted that even where there are two owners, the tax effects will be cumulative if they die within 10 years of each other, the family and farm facing both charges.

Section 6 - Findings

6.1 The above ‘typical scenarios’ find that a vast number of farms in Northern Ireland are expected to be affected, if the goal posts and values do not change (which they will). The current snapshot, echoes Jeremy Moody’s (an authority in this field and at the Secretariat of the CAAV) comments that number of farms affected are expected to be 2,500 taxpayers in the UK a year over a 30-year generation (75,000 taxpayers in total) rather than 500 a year estimated by the Government.

6.2 Naturally, due to the unique nature of Northern Irish farm holding patterns and typical land values, NI farms will carry a higher percentage burden, than other areas of the UK as a result of the changes. Northern Ireland will be affected to a higher degree than other areas, by number of businesses or farms affected.

6.3 While paying the tax immediately might well necessitate disposal of land, there is the alternative of paying it over 10 years. We have explored the economic impact on farm business of meeting that charge which is to be met as a prior obligation over all other needs of income and investment. Further analysis of the evidence presented, and gross margins based on current NI prices, shows that impact with illustrations for a dairy farm and a suckler cow farm:-

- **Dairy Farm (Scenario 1)** - Taking the example 100 cow dairy farm above and assuming typical sole ownership, the tax burden on the APR and BPR assets would be is £457,800, the cost to the farming business will be £45,780 per annum, over a 10 year period.
    - £3,815 per month or £8.32 an hour/£66.59, based on an 8 hour day (based on 5,500 hours labour requirement).
    - A current loss (based on fixed costs) of £4,217 would now increase to a £49,997 loss.
    - This would be very substantial fixed cost for the family and the business
    - With a gross margin of £1,125, a further, 41 cows would be required just to break even based on (NI based) gross margin figures. A 41% increase in herd is neither practical nor economically feasible and is likely to have accompanying overhead costs
    - The opportunity cost is stark, you could have borrowed approx. £530,000 on an AMC loan to grow the business who use other often local businesses, become more efficient, and invest in reducing nutrients and emissions outputs.

- **Suckler Beef Farm (Scenario 3)** – On the same basis, the tax charge on the APR and BPR assets for a 67 head lowland suckler herd in sole ownership is £297,000 or £29,700 a year over 10 years.
    - Where the labour requirement is 1,407 hours per annum that annual charge equals £21.11 per hour (approaching twice the minimum wage)
    - At a gross margin of £492 per cow, the herd would need almost to double with an additional 60 cows to break even after the new tax charge, almost certainly requiring extra overheads.

- Further analysis could more accurately estimate the number of farms that are likely to be directly impacted by the Budget's proposals. Working from our scenarios, **we can reasonably assume that 4,240 farms would be affected** (as all the average values for the scenarios are over the proposed IHT full relief band). Even with the higher fraction of sole ownership in Northern Ireland, we estimate that would see some 5,900 taxpayers affected over a generation, say 200 a year.

6.4 DAERA's in depth analysis indicates a still larger figure:- *'Over 48% of NI farms exceed the £1 million threshold'*. Should 48% of farms exceed the threshold that would account for 12,543 farms in NI affected, or **17% of the total UK farms**, based on the CAAV's comprehensive analysis. Similarly, 25% of farms were estimated to be over £2 million by DAERA, resulting in potentially large tax liabilities for these larger businesses, as highlighted above.

6.5 On the basis of those 12,543 farms as likely to be affected by the changes over a 30-year period, it is reasonable to state that **418,** say 420 farms, are potentially impinged per annum, just in Northern Ireland alone. This highlights the potential scale of the changes, (not including the effects diversification and inflation). That could convert in the same way to some 17,500 taxpayers affected over a generation

6.6 All these assessments indicate how disproportionately, Northern Irish Farms are likely to be impacted, compared to the rest of the UK while farming is a particularly significant part of Northern Ireland's economy.

6.7 Many farms in NI are in sole ownership, more so than the rest of the UK, with those sole owners being taxed on the entire net value of the farm. The economic effect on the businesses will mean Northern Irish successors are likely to be even more disproportionately affected than in the rest of the UK by the changes.

Section 7 - Conclusion

7.1 Our findings in this report are both significant and alarming. It highlights the scale of financial consequences and so the longer term effects for NI farms caused by the proposed tax changes.

7.2 Whether the tax changes affect 200 farming taxpayers a year in Northern Ireland alone on the basis of our scenarios analysis of typical farms, a figure then increased for the much older age profile of Northern Irish farm owners or the 420 suggested by DAERA figures, they support the view that the Treasury's estimate of 500 is very far short of the mark.

7.3 This report's scope is to assess purely agricultural impacts, not diversified activities, and is based on current figures disregarding future inflation, which will bring further holdings over the threshold, further increasing the scope and effects of the aforementioned budgetary changes.

7.4 Additionally, holdings will be further accelerated into the new taxable realm with the aging profile of farmers in Northern Ireland likely to see more earlier deaths with less time and flexibility to plan and make effective gifts that could better protect the business. For 32 years it has been practical tax advice, reinforcing other concerns, to hold assets until death. Disproportionately older owners are more likely to die in the early years of the policy without time to take effective measures, such as gifts, to mitigate their liability. The resultant effect will be that many more farms, will be pulled into paying Inheritance Tax than might be estimated. A snowballing effect will come into play, as an increasing number of one generation hands over the reins to the next.

7.5 Clearly, agriculture is a low margin industry, especially in the more capitalised sectors. Small changes have significant knock-on impacts in the chain of production.

7.6 Typically farms in NI are highly capitalised, in comparison to the rest of the UK, and have much higher land prices than other areas of the UK. As a consequence, Northern Irish farms are more likely to be taken over the new thresholds, due to the way IHT is calculated on capital values, rather than profitability.

7.7 Similarly, the combining of BPR and APR reliefs, will catch many small farms that have diversified to supplement low agricultural incomes.

7.8 In NI, 79% of farms are classified as 'small farms'. Whilst agriculturally a number of the 'small farms' could remain under the tax threshold, where there is some form of diversification (i.e. a contracting business, holiday accommodation, renewable energy production, or other diversified businesses) it is increasingly clear that over time even small farms will be pulled over the threshold; especially taking into account inflation. More work is needed in this area to assess the effects of the changes further, which will further challenge the Government figure that only an estimated 500 taxpayers will be affected by the changes.

7.9 Clearly, a proportion of the affected farms may be forced to sell land or assets to pay the additional tax burden. Furthermore, many farms already have borrowings and will, effectively be forced to go into survival mode.

7.10 The forced sale of assets will make a given number of farms unviable, with knock on food security concerns and enhanced by the aging profile of the farming population. Farms in poorer financial health will undoubtedly discourage the next generation from taking the reins, investing and carrying forward farming.

7.11 The effects are highlighted in the scenario of a 100 cow dairy farm business (Scenario 1) with a single owner valued at, say, £3,289,000 (without considering personal assets, diversified activity or the part of the farmhouse value not covered by APR). The tax liability, after £1m of full relief, would be £457,800. If the business was owned by two family members in equal shares, the combined tax (after both deaths) would be £256,800 (two liabilities for £128,900 each). Where the owners are of similar age, the two deaths might be close together in time.

7.12 The net effect of the proposals is that the new tax burden would effectively leave working farms in poorer financial health. This would undoubtedly discourage the next generation to take the reins, invest and carry forward farming.

7.13 Those consequences, limiting business activity in farms and so rural areas, are likely to reduce HMRC's tax take in the future, not just from farms but also companies in the locality that are reliant on viable farms, such as vets, merchants, surveyors, livestock auctioneers, machinery dealers, builders, electricians, and plumbers.

7.14 CBI Economics estimates that the changes will bring about a net loss of £1.38 billion to H M Treasury, compared to what it would raise from affected private businesses. Analysts anticipate that more than half of family businesses will cut investment in the wake of the policy shift, with further economic damage predicted to include the loss of 125,678 jobs. Collectively, these measures are expected to drive down economic activity, eroding the tax base far more than originally projected. Farming is perhaps the starkest example of how the tax charge would crowd out investment in the future.

7.15 To conclude, this highlights the facts of the unique nature of farming in Northern Ireland, with a mix of enterprises, ownership structures and asset values. This means that, the agricultural sector, a significant element of the Northern Irish economy, will be adversely affected by the IHT changes; to a greater degree than many other parts of the UK.

Annex 1: Reproduced Figures Illustrate the Average Farm:

According to *The Agricultural Census in Northern Ireland, results for June 2023*[4] *(from which all the following statistics are produced)* there are the following farms, farming the following areas (ha) of land in Northern Ireland in 2023:

	No. Farms	Area Farmed
Total Area farmed (hectares)		
Under 10	5,943	32,364
10 - 19.99	5,593	80,732
20 - 29.99	3,948	96,166
30 - 49.99	4,453	171,933
50 - 99.99	4,061	280,850
100 and over	2,133	380,273
Total	**26,131**	**1,042,318**

Land area is broken down as follows:

Land area by type (2023)

Total Grass	**821,924**	**79%**
Total Hill or Rough Land	**142,007**	**14%**
Total Crops	**47,777**	**5%**
Total Other land	**30,610**	**3%**
Total Area Farmed	**1,042,318**	**100%**

The total of cattle on NI Farms is as follows:

	2023
Dairy cows	**319,346**
Other Dairy Females	153,512
Beef cows	**236,082**
Other Beef Females	222,537
Breeding bulls	18,363
Other Males	222,165
6-12 months	227,079
Under 6 months	274,261

[4] https://www.daera-ni.gov.uk/publications/agricultural-census-northern-ireland-2023

Total Cattle	**1,673,345**

The total sheep on NI farms is as follows:

	2023
Ewes	**973,718**
Rams	**42,855**
Lambs < 1 year old Total	**1,030,261**
Total Sheep	**2,046,834**

The total pigs on NI Farms are as follows:

	2023
Female breeding herd	
Sows in pig	31,611
Gilts in pig	10,929
Others sows for breeding*	5,303
Other breeding pigs	
Boars being used for service	594
Maiden gilts	7,837
Total breeding pigs	**56,274**
Other pigs	
Cull sows being fattened	684
Finishers	315,407
Weaners/Growers	200,309
Suckling piglets	109,527
Pet Pigs**	138
Total Other pigs	**626,065**
Total Pigs	**682,339**

The total chicken population in NI is as follows:

	2023

Laying Birds

Laying birds up to end of first laying cycle	5,793,214
Growing pullets	1,806,667
Breeding flock	1,981,695
Table birds	
Broilers	15,619,428
Other poultry	383,743
Total Poultry	**25,584,747**

Taking all this into account, and using these statistics, the 'average' farm in NI would have:

- 99 acres in total comprising:
  - 78 acres grass
  - 13 acres hill or rough land
  - 5 acres of crop
  - 3 acres of other land
- A variety of livestock:
  - 64 cattle made up of 12 dairy cows, 9 beef cows and various other cattle
  - 78 sheep
  - 26 pigs
  - 979 chickens

The margins we have used in this paper are:

Farm Type	Gross margin per head	Margin after fixed cost
Dairy (100 dairy cows)	£1,289,54	£4,200 loss
Lowland sucklers to 11 months (67 head)	£476	£5,451.10
Grass reared suckled calves (67 head)	£593.70	£13,316.90
Lowland spring lamb (300 ewes)	£103.91	£8,939
Upland lamb (200 ewes)	£84,24	£2,877 loss
Pig (500 sows)	£1,530	£29,104
Broiler (36,000 birds)	13p per bird	
Layers (32,000 birds)	£8.73 per bird	