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HOUSE OF LORDS FINANCE BILL SUB-COMMITTEE: CALL FOR EVIDENCE
RESPONSE FROM THE ULSTER FARMERS' UNION (UFU)

7th October 2025

Introduction

The Ulster Farmers' Union (UFU) is the largest farming organisation in Northern Ireland (NI) representing approximately 12,000 members. UFU membership encompasses farmers from all sectors across NI and from all farm sizes, reflecting the diverse nature of the agricultural sector. The UFU welcomes the opportunity to provide evidence to the House of Lords Finance Bill Sub-Committee on proposed changes to inheritance tax reliefs. This submission focuses on questions 9-15, which concern the reforms of Agricultural Property Relief (APR) and Business Property Relief (BPR).

These proposals represent one of the most significant changes to the taxation of farm succession in over half a century and pose a direct threat to the continuity of family farming across the United Kingdom (UK). The UFU has consistently opposed these reforms since their announcement, warning that they will unfairly penalise genuine working farms, creating severe pressures on liquidity and cash-flow, and destabilise the rural economy. The absence of a credible evidence base, a meaningful consultation, or any impact assessment has led to the Government introducing policies on a community they do not understand and has left farm families in a state of uncertainty and panic.

This submission sets out the UFU's assessment of the practical financial, and social consequences of the proposed measures, and makes clear our call for the Government to withdraw the policy change in its entirety.

Background

The Government's draft Finance Bill would introduce a new £1 million limit per estate for APR and BPR combined, under which qualifying assets would receive 100% relief up to the allowance and 50% relief thereafter, meaning an effective IHT charge of up to 20%. The measure which is scheduled to apply from 6 April 2026, is not transferrable between spouses or civil partners, and is intended to 'retarget' reliefs without distinguishing between family farms and passive holdings. From the outset, the UFU has opposed these proposals. Our campaign has set out this evidence to Ministers, engaged parliamentarians across both Houses, and coordinated with other UK farming unions.

Under current IHT rules, the tax must be paid by the end of the sixth month after the month of death. For example, where death occurs on 15th January of any given year, the payment deadline is the 31st July of that year. Following that date, interest is charged on unpaid amounts.

While certain assets, including land and business property, may qualify for instalment payments over a ten year period, HMRC will still require that the first instalment be made within this six-month window or interest continues to accrue. In practice, this means that even estates with significant non-cash assets must either raise liquidity extremely quickly or face interest charges and penalties.

Valuation Complexities

Agricultural estates are highly diverse and asset-intensive. Establishing a fair value for land, farmhouses, buildings, machinery, livestock, and working capital often requires several professional valuations.

Valuation exercises of this complexity would typically exceed six months, especially where assets span multiple parcels of land, shared ownership, or diversified enterprises. Modern farm enterprises frequently combined agricultural and non-agricultural activities such as renewable energy generations, tourism[1], or contracting. Difficulties will naturally arise regarding the valuation of mixed-use assets.

The UFU also notes that probate timescales have lengthened significantly in recent years[2]. In many cases, probate cannot be granted until IHT liabilities have been paid, yet IHT cannot realistically be paid until valuations are complete, which can create an impossible circularity.

Liquidity Challenges

Farming is characterised by being asset-rich but cash-poor. While farms may hold considerable land and stock value, liquid cash reserves are extremely minimal in comparison. DAERA's Farm Business Survey shows working capital averages £1,225 per acre of owned land, but this is tied up in machinery, livestock, and feed stocks, rather than cash.

Releasing cash within six months to pay new IHT liabilities is therefore only achievable through the forced sale of land, livestock, or borrowing against farm assets, which itself can take months to arrange due to valuation and legal processes. Therefore, for family farms, both options pose severe risks. Land sales undermine the business base and the sale of parcels of land or the disposal of breeding livestock can render the entire farm business unviable. Additional borrowing also may not be affordable or even obtainable, particularly for older inheritors or for smaller holdings.

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[1] Farming Online, *Demand for UK farm-based holidays up 266% according to latest figures from Pitchup.com (*15 August 2024), https://farming.co.uk/news/-demand-for-uk-farm-based-holidays-up-266-according-to-latest-figures-from-pitchupcom (accessed 30 September 2025)

[2] GN Law, *"How Long Does Probate Take in 2025?"* (14 January 2025) GN Law. Available at: https://www.gnlaw.co.uk/news/how-long-does-probate-take/ (accessed 30th September 2025)

Scale of Exposure

The UFU draws the Committee's attention to DAERA's detailed impact analysis. At an average value of £21,000 per acre, 48.9% of NI farms would exceed £1 million in agricultural and business property value. Even at a more conservative estimate of £15,000 per acre, 36% of NI farms exceed £1 million. Exposure is particularly high in the diary sector, where 87% of farms surpass the £1 million threshold. These holdings account for roughly 80% of the land farmed in NI and the majority of NI's total agricultural output. The challenges in liquidity and payment are not isolated cases but represent a systemic problem for agriculture in NI.

DAERA's analysis published in December 2024 estimates that when all qualifying assets are included, the average value per acre of agricultural and business property in NI will be approximately £21,000 by 2026. At this level, a holding of 19.5 hectares (about 48 acres) would already exceed £1 million in value[3]. However, this £21,000 per acre estimate should be regarded as extremely conservative in the current context as all indications suggest that land market prices continue to accelerate in an upwards direction in NI. The Irish Farmers Journal also reports that land values differ significantly between counties, with a significant increase in County Armagh and County Down of 14.6% and 12.9% respectively between 2023 and 2024[4], which highlights both the substantial variation in land prices between family farms, the inadequacy of existing valuations, and the sheer increases in land prices which will significantly impact IHT liabilities.

Ownership Structure

NI's farm structure is predominately owner-occupied, which magnifies the reform's impact on working family farms. DAERA indicates that NI farm businesses own around 802,000 hectares of agricultural land (with only approximately 250,000 hectares owned by non-farming landowners), and that a typical arrangement is ownership by a single individual, which limits the ability to split any reliefs across spouses or partners.

Against that backdrop, analysis from the Centre for the Analysis of Taxation (CenTax) report published in August 2025[5] highlights that owner-farmers are disproportionately affected by the proposed IHT reforms. At a UK-wide level, while owner-occupied farmers only account for 17% of farm estates, they make up 37% of those impacted by the reforms. However, also at a UK-wide level, the CenTax analysis shows that landowners constitute 64% of all farm estates yet only 42% of those impacted. Therefore,

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[3] Department of Agriculture, Environment and Rural Affairs (DAERA), *Further DAERA Assessment of the Impact of the Inheritance Tax Changes in UK Budget Statement of 30 October 2024 on the Agriculture Sector* (Belfast: DAERA, 9 December, 2024), 1–9, https://www.daera-ni.gov.uk/publications/inheritance-tax-changes-uk-budget-statement-30-october-2024 (accessed 30 September, 2025).

[4] Irish Farmers' Journal (IFJ), *Land price in NI jumps £1,000/ac* (NI: IFJ, 5 February 2025), https://www.farmersjournal.ie/more/northern-ireland/land-price-in-ni-jumps-1-000-ac-855111 (accessed 3 October 2025)

[5] Arun Advani, Priya Gazmuri, Richard Barker, Anita Mahajan, and Jonathan Summers, *The Impact of Changes to Inheritance Tax on Farm Estates* (London: CenTax, August 2025), https://centax.org.uk/wp-content/uploads/2025/08/AdvaniGazmuribarkerMahajanSummers2025_TheImpactOfChangesToInheritanceTaxOnFarmEstates.pdf (accessed 26 September 2025)

the reform's burden falls most heavily on farms where the owners live off and work the land, rather than on investors.

The DAERA Statistical Review for NI in 2022 states that almost all farms in NI have owned land[6]. Only 4.6% of farms in NI were rented or leased, 43.2% had a mixture of owned and rented land, and the remaining 52% were entirely owner-occupied. This confirms that the vast-majority of NI's farm businesses operate on an ownership basis and reflects the nature of the sector as being family-run with a long standing tradition of family succession.

Combined with DAERA's modelling that around half of NI farms are expected to exceed the £1 million 100%-relief limit on realistic valuations, the evidence supports the notion that a majority owner-occupied sector in NI will bear the brunt of these changes which are precisely the farm businesses least able to restructure ownership quickly or raise cash without selling productive assets.

<u>Preparedness</u>

Awareness and preparedness among family farms are currently very low, particularly among small holdings who may not have access to specialist tax advisors. Many owner-occupiers were operating under the long-standing assumption, fuelled by government rhetoric spanning decades and advice from accountants and solicitors, that succession would not incur IHT. There is now significant uncertainty about how to value mixed enterprises or apply the new cap.

A NFU and Family Business UK survey in March 2025[7] found that 49% of farms have already paused or cancelled planned investments, and 43% say they will do so before April 2026. An additional 34% have said that they have deferred or reduced investments by that point already.

The UFU is alarmed by the mental health implications of the proposed reforms, due to a sudden change in policy and a widespread lack of preparedness. Farming is already recognised as one of the most high-stress occupations in the UK, with high rates of anxiety, depression, and suicide linked to financial pressures and ongoing uncertainty[8]. The imposition of new IHT liabilities on an ageing farming population only serves to exacerbate this. Many farmers, particularly those nearing retirement age, are now facing the prospect of losing land that has been in their families for generations, and the emotional toll of this uncertainty cannot be understated. It is already leading to sleeplessness and significant

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[6] Department of Agriculture, Environment and Rural Affairs (DAERA), *DAERA Statistical Review for NI 2021 (*Belfast: DAERA, 2022), https://www.daera-ni.gov.uk/sites/default/files/publications/daera/22.23.050%20Stats%20Review%20for%202021%20Final%20V2.pdf (accessed 29 September 2025)

[7] National Farmers' Union (NFU), *"Survey reveals impact of changes to inheritance tax* (London: NFU, March 2025), https://www.nfuonline.com/updates-and-information/survey-on-the-economic-impact-of-bpr-and-apr-reforms/ (accessed 27 September 2025)

[8] I. W. Gardner, D. McFeeters, A. Guy, R. Hopley, et al, *Understanding Farmer Mental Health and Wellbeing in a Volatile, Isolating, and Misunderstood Industry,* Journal of Rural Studies, 118, (2025), article: 103648.

anxiety among farm families who feel betrayed by the system. In the worst cases, some farmers in England tragically took their own lives[9].

Implementation Timeframe

The UFU remains strongly opposed to the implementation of the proposed reforms in their current form.

However, recognising the Government's stated intention to reform inheritance tax, the UFU supports the call made by the House of Commons Environment, Food and Rural Affairs (EFRA) Select Committee to delay the implementation of the reforms for one additional year beyond April 2026[10]. Such a delay would be a pragmatic and proportionate step, to allow vulnerable and smaller family farms additional time to seek specialist tax and legal advice, and for a full reversal, or alternatives, to the proposed changes to be considered by the Government.

A one -year delay would not undermine the Government's fiscal objectives but would allow more time for preparation and the consideration of viable alternatives which would significantly reduce the risk of forced land sales and irreversible damage to family farming businesses.

The average age of a farmer in both NI and the rest of the UK is 59 years old[11]. This generation has lived, worked, and planned their entire lives under a long-standing understanding that they would not face inheritance tax on their working farms, supported by successive Governments and professional advisers. To change the rules now, without warning or meaningful transition, is both unfair and morally indefensible as older farmers, who have already structured their estates and succession plans in good faith based on existing reliefs, should not be penalised for acting on that legitimate expectation and, by virtue of their age or physical condition, have no means by which to adjust their plans. The UFU has therefore called for the inclusion of a morality clause that protects those who have already made lifetime succession of retirement plans, including those who are terminally or seriously ill, by providing for ample time to succession plan should the proposals go ahead.

Consultation

The UFU is deeply concerned by the lack of meaningful consultation, a comprehensive impact assessment, or an affordability analysis underpinning the proposed APR and BPR reforms. The

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[9] BBC News, *Farmer took own life over inheritance tax – inquest* (London: BBC News, 29 May 2025), https://www.bbc.co.uk/news/articles/cx2epp4nyz8o (accessed 3 October 2025)

[10] House of Commons Environment, Food and Rural Affairs Committee, *MPs call on Government to delay changes to inheritance tax reforms until 2027* (London: UK Parliament, May 2025), https://committees.parliament.uk/committee/52/environment-food-and-rural-affairs-committee/news/206854/mps-call-on-government-to-delay-changes-to-inheritance-tax-reforms-until-2027/ (accessed 30 September 2025)

[11] Department of Agriculture, Environment and Rural Affairs (DAERA), *Updates of Equality (Section 75) Indicators for Farmers* (Belfast: DAERA, 30 October 2018), https://www.daera-ni.gov.uk/news/update-equality-section-75-indicators-farmers (accessed 3 October 2025)

consultation process has been narrow, technical and insufficiently inclusive, and has offered limited opportunity for stakeholders, professional organisations, and farming bodies to engage with the proposals before they were announced. Given the significance of these reforms of family succession and business continuity in a sector so vital for the UK economy, the process falls well short of what would be expected of a measure of such national importance.

The UFU notes that no detailed, robust impact assessment has accompanied the draft measures. While HM Treasury has provided some figures on the expected impact, these are based on historical IHT data and are therefore unlikely to reflect the outcomes under the new policy changes. In particular, there has been no transparent or public modelling from the Government on the number or type of agricultural estates that will fall within the scope of IHT under the proposed cap, or the potential financial and behavioural consequences for family farms. Stakeholders have therefore been left to rely on independent analyses, such as those produced by DAERA, the National Farmers' Union (NFU), the Central Association of Agricultural Valuers, Family Business UK, and CenTax, to understand the effects of the reforms. These studies consistently indicate that a significant proportion of genuine working farms will be drawn into the inheritance tax net for the first time.

Equally concerning is the absence of any affordability assessment to examine whether affected businesses could realistically meet their new IHT liabilities within the statutory six-month payment period. No assessment has been made of how executors and beneficiaries will fund tax payments without resorting to the sale or mortgaging of productive assets which run the risk of undermining the viability of the entire farm business. Further, there has been no consideration of the potential macroeconomic impact of sales on the wider rural economy, including on local suppliers, processors, and employment more generally. Without a sufficient, robust and comprehensive financial analysis, it is impossible to determine whether any reforms are sustainable.

The UFU also considers the quality of stakeholder engagement to have been inadequate. These reforms have been developed with no dialogue with those directly responsible for administering family farms, such as farmers themselves, valuers, accountants, and solicitors, whose practical experience and in-depth knowledge is essential to creating workable reforms. Further, engagement with UK farming organisations such as the UFU has been equally as disappointing, with our requests for meetings with Ministers at all levels continuing to be unanswered.

The UFU therefore urges a pause in implementation until a full and transparent impact and affordability assessment is undertaken, which should incorporate evidence from across the UK. Such an assessment must quantify the number of farm businesses affected, model their likely ability to meet IHT liabilities without the sale of productive assets, evaluate the broader implications for investment, land mobility, and employment, and consider whether mitigations are needed for agriculture such as those in place in a number of other European countries.

There are concerns about the current UK Government analysis as it is based solely on taxation returns in previous years which was in a very different context given APR and BPR were unlimited. This may have impacted on the data and valuations submitted. It is only though a rigorous, independent, and evidence-based approach can the Government ensure that any reforms to inheritance tax achieve their intended objections without imposing disproportionate hardship on family farms.

Conclusion

The UFU position on the proposed IHT reforms is unequivocal: these reforms are ill-conceived, ill-prepared, and indefensible in their current form. At every stage, the Government has failed to demonstrate an understanding of how family farming operates or to produce the basic evidence that would justify such a profound policy shift. There has been no proper consultation, no credible impact assessment, and no affordability analysis to show how ordinary farm families are supposed to meet the new IHT liabilities that are unmanageable. These proposals will not curb avoidance by non-farming investors, but will punish genuine family farms, forcing them to sell productive assets to meet arbitrary deadlines designed for different types of estates or pay new tax liabilities that farmers have been told for generations that they would never pay, and thus are not prepared for. Evidence shows that the proposed changes are not fair, workable or proportionate, and they threaten to dismantle the framework that has sustained family successor for generations, replacing it with uncertainty, bureaucracy, and financial distress for many.

On behalf of our near-12,000 members, and in solidarity with farm families across the UK, the UFU calls on the Government once again to withdraw these proposals in their entirety.

Contact

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