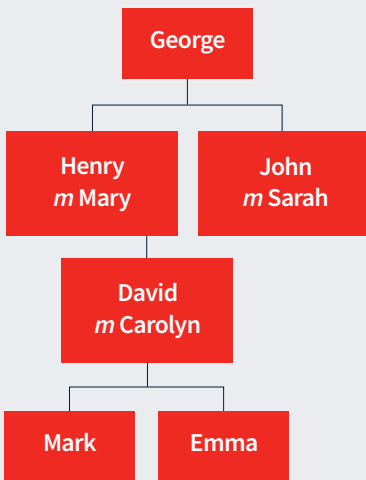


LIFE ON THE FARM

Meet the Barleymow family



Every issue we will be following the fortunes of the Barleymow family and the challenges they face as a family farming business.



Barleymow Farm – 2,500 acres

A farming partnership consisting of Grandfather (George), father and wife (Henry and Mary) and son (David).

Land and property owned by the partners are all held on the partnership balance sheet.

One principle farmhouse occupied by George.

Two further cottages occupied by Henry, Mary and David and his family.

Four further cottages – one current farm worker, one ex-service tenant and two AST lets.

Outdoor pig herd.

Broiler unit.

Cashflow Forecasting

Henry and David are at the kitchen table, hunched around a laptop surrounded by paperwork, George is looking on with a frown. Mary walks in...

Mary: Oh dear, this all looks a bit serious...

Henry: Hello love! Just trying to battle through the dreaded cash budget.

George (to Mary): They reckon we need to borrow money, but I want to know where's it all gone?

David: We've been trying to explain grandad – we have enough cash in the business for the moment, but with harvest coming up and input prices so high, we've been trying to work out the pinch points and what the shortfalls might be.

Henry: It's looking like we're going to have to extend the overdraft, so the bank is probably going to need some forecasts to support our request.

Mary: I have to say, I'm not keen on further borrowing ...

George: At last! Some sense being spoken. We never had to borrow money back in the day.

Henry: I know dad, but the prices you were paid back then were much better compared to what they are now. Also, the input prices are higher and the SFI (Sustainable Farming Incentive) income doesn't yield anywhere near as much as the BPS (Basic Payment Scheme) did, all of which means we are on much tighter margins.

David: Crop prices have increased a bit lately but are still much lower than they should be. Thank goodness the income from pigs and chickens is doing OK.

Continued overleaf ➤

Mary: And the rental income is good, isn't it?

Henry: Yes, the rental income is helpful, but the bottom line is we have some big bills coming up in the near future, for next year's fertiliser and fuel for harvest and autumn cultivations. It might leave us a bit short until we sell some of this year's harvest.

George: But it's never good to borrow against a harvest we haven't yet done. We don't know how it's going to yield, particularly without any ruddy rain! Feels like everything is against us...

Henry: I agree dad but... needs must.

Mary (puts reading glasses on, reads paperwork): We've also got tax payments on account due at the end of July.

George: Oh yes! The taxman always wants his bit.

Henry: I've spoken to Ensors about the payments on account and as they are based on the previous year, which was much better than the latest year, they suggested we could elect to reduce the payments.

George: Well, that sounds like a grand idea!

David (to Henry): I can put some rough figures together for Ensors to have a look at. But I must point out dad, we need to be aware that we could end up paying interest on underpaid tax if we reduce them too much...

George: There's always a bloomin' catch!

Mary: And, of course, we will have the tax liabilities to settle next January as well.

David: Yes, but don't forget mum, we are expecting a lump of income from the cricket bat willows before the end of the year, which will help with that.

Mary: Oh yes. Hang on, haven't we also got some funds in the deposit account? Couldn't we use some of that to weather the storm?

David: That's the money we have set aside for the padel court.

George (grumbles): In my day farmers just did farming...

David (smiles): We're diversifying, remember grandad! I know work has started on the conversion, but I don't think we should eat into that pot to pay for general costs, as it will delay the completion date, as well as when we can start generating income from letting it out.

Henry: I agree son, we need to prioritise these diversified activities. Now more than ever, they are needed to support the farming income in difficult years. Ensors also suggested speaking with our suppliers to ask if they might extend our payment terms for certain things.

Mary: That would certainly help... there's no harm in asking.

George: It's hard for me to keep up with all these things, so much has changed in farming in recent years, the pressures are very different nowadays from what I experienced way back in the Dark Ages!

Mary (smiles): Perhaps they're right then George; we should look at getting some temporary bank support. We need a buffer that's for sure. (to Henry and David) So, how do we go about it?

Henry: We'll need to speak to the bank as soon as possible. Ensors advised it would help if we went in prepared with cashflow forecasts to hand, for at least a year. That way we can better tailor it to what we need.

Mary: Presumably there would be loan/overdraft arrangement fees as well, depending on what we might do?

Henry: More than likely, that's why we should have a good measure of what we may need and for how long. Hopefully that will reduce any extra costs.

David: The bank already has a charge over partnership land, so they shouldn't need additional security, should they?

Henry: Hopefully not, but they may need a further valuation as the last one was done several years ago if I remember rightly.

George: Hmm, yet another thing we'd be expected to pay for, no doubt?

Henry: Probably, but again it all depends on what we need...

Mary: Who do we contact at the bank? Do we even have a client manager anymore?

Henry: Ensors have very helpfully given me contact details of someone at the bank with good agricultural experience, so at least we don't have to explain the quirks of the industry to them.

George: That's something anyway!

David: Is it worth approaching other banks, dad?

Henry: It might be, but we need to start the process first and we can take it from there.

George: Go on then lads, you'd better get cracking on those cashflows! Now Mary, time for a nice cuppa, don't you think?



APR & BPR changes – where are we now?

Most people will be familiar with the reforms to Agricultural Property Relief (APR) and Business Property Relief (BPR) that were announced in the 2024 budget. These reforms came into effect on 6 April 2026, however, there have been a few changes to what was originally announced – so where are we now?

At the November 2025 budget, the Chancellor announced that the 100% APR / BPR allowance for qualifying assets would be transferable between spouses on death. This was followed in December 2025 by a further announcement to extend the allowance from £1 million to £2.5 million. Together, these announcements can extend the potential value of assets qualifying for 100% relief to £5m per couple.

Application of the allowance for individuals and trustees is summarised below:

INDIVIDUALS

- Individuals each have a £2.5 million allowance. This is a combined allowance that applies to both APR and BPR qualifying properties. Where multiple qualifying assets are subject to an Inheritance Tax charge, the allowance is apportioned across all eligible assets.
- The allowance can be used against transfers during lifetime, that give rise to Inheritance Tax charges. This includes both gifts to individuals that become chargeable due to the donor passing away within seven years of making the gift, and most lifetime transfers into trust.
- The allowance refreshes every seven years and is offset against chargeable transfers in chronological order – i.e. against the earliest transfers first.
- The allowance (or unused element thereof) is transferable to a spouse or civil partner on death. The amount available to be transferred is the difference between the full £2.5 million and the amount of the 100% relief band that was actually used. If, therefore, a spouse didn't use any of their allowance, either because it was all transferred to the surviving spouse, or because they didn't have any qualifying property, then the full £2.5 million is transferred. Although these new rules only apply from 6 April 2026, the full £2.5 million allowance is available to a surviving individual if their spouse or civil partner died before 6 April 2026.
- Any qualifying property in excess of the available nil rate bands and the 100% APR and BPR allowance will qualify for 50% relief. This means the maximum tax rate that can apply to property qualifying for APR and BPR is 10% for lifetime transfers and 20% in the death estate.

TRUSTEES OF RELEVANT PROPERTY TRUSTS

- Most trusts created during lifetime, and some trusts created on death, are relevant property trusts in which trustees pay up to 6% Inheritance Tax every ten years and on capital distributions from the trust. These charges are reduced by any available reliefs, exemptions and the available nil rate band.
- All trusts set up and holding qualifying assets before 30 October 2024, will each have their own £2.5 million allowance.

- From 30 October 2024, there is a single £2.5 million allowance for multiple trusts set up by the same settlor:
 - This will be allocated in chronological order, with priority given to the first settlement.
 - If two settlements are made on the same day, then the allowance is split proportionally between the settlements.
 - Allocation of the £2.5 million allowance is fixed at the outset. If a trust can no longer use its allocation of the allowance then the unused element cannot be transferred to other trusts and is lost.
- The trust's available allowance is applied to distributions on a chronological basis, applying to the earliest distributions first. Any remaining allowance can be used on the next ten-year anniversary. If no allowance remains, a maximum of 50% APR or BPR will apply, resulting in a tax charge of up to 3% of the value of the trust's assets.

Other points

RESIDENCE NIL RATE BAND (RNRB)

The RNRB is worth up to £175,000 per individual (£350,000 per couple). Broadly, the RNRB reduces the value of the main residence in the death estate, where that home is left to lineal descendants. However, the RNRB tapers away where an estate is valued above £2 million (before APR, BPR or other reliefs). If, therefore, an individual has £2.5 million of APR and BPR property that qualifies for 100% relief, they would not get the RNRB as it would be fully tapered away.

PROPERTY / ASSET VALUATIONS

Historically, due to land, buildings, machinery and stock qualifying for 100% APR or BPR, a professional valuation of these assets hasn't strictly been necessary with HMRC, generally accepting balance sheet values rather than market values. As a result of the reforms, and consequently, these assets will not necessarily benefit from 100% relief anymore; there will be a need for a full valuation of the farm and business to provide accurate market values of these assets. This should ideally be undertaken as soon as possible after death.

Valuations will also be important for trustees of relevant property trusts that hold APR and BPR qualifying property. As noted above, the trustee's allowance is set by the initial value of assets when they enter the trust, so even if the initial value is well within the available allowance, a valuation will still be necessary to determine the trustee's allowance going forward.

Finally

Following the reforms to APR and BPR, it is important to undertake Inheritance Tax planning as early as possible. Succession planning takes time and if you are looking to give assets away, then this needs to be done with sufficient time to survive seven years for the transfer to fall out of your estate.

It should also be noted that Inheritance Tax planning should not be considered in isolation as there will inevitably be impacts on other taxes. It is, therefore, essential to talk with your accountant before any decisions are made.

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To keep up-to-date with changes in the accounting and tax world as they impact upon the agricultural industry, please visit our blog page online: www.ensors.co.uk/insights-resources/

“Ensors have an excellent understanding of how a rural agricultural estate operates and as such, are able to work closely with clients and fellow professional advisors to ensure maximum benefit.”

Charles Loyd – Strutt and Parker

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