

Session Overview

Title: Tax and Legal Advice on Setting Up a Diversified Agri-Business

Speakers:

- Chris Coupland (Birketts LLP)
- Jeremy Stanton (Birketts LLP)
- Samuel Nobbs (Bidwells)

Session Focus:

The session explored the practical and strategic considerations for diversifying farming operations, including:

- Identifying viable diversification projects (tourism, leisure, renewable energy, commercial use).
- Navigating planning and building regulations.
- Structuring the business for risk management, financing, and tax efficiency.
- Succession planning within families and intergenerational wealth transfer.
- Tax implications, including inheritance tax, capital gains tax, VAT, and the Balfour test.

The discussion emphasised a professional approach to diversification, balancing operational success with legal compliance, financial sustainability, and long-term family or business planning.

10 Key Audience Takeaways

1. **Diversity of Projects:** Diversification can be developer-led (e.g., renewable energy, strategic land development) or family-led (e.g., farm shops, leisure/tourism). Success depends on location, assets, and market demand.
2. **Planning & Regulations:** Changing land use from agricultural to commercial or leisure requires careful planning, potentially using permitted development rights (e.g., Class Q for residential conversion, Class R for commercial use). Early professional advice is crucial.
3. **Professional Approach:** Treat diversification projects as standalone, professionally managed businesses with fully scoped plans, financial projections, and risk assessments.
4. **Insurance & Risk:** Projects with public access or commercial operations require separate insurance policies to cover increased risks beyond standard farm coverage.
5. **Business Structure:** Decide early whether to integrate diversification within existing farm structures or create separate entities for reasons of risk management, taxation, and succession planning.

6. **Funding & Financing:** Banks typically require robust business plans, cash flow projections, personal guarantees, and potentially security against land or assets. Structuring projects to ring-fence financial exposure is essential.
7. **Tax Planning:** Early creation of diversified entities can optimize inheritance tax, capital gains tax, and VAT relief opportunities. Use strategies like holdover relief and the Balfour test carefully to maximise benefits while remaining compliant.
8. **Succession Planning:** Diversification can engage multiple family members, leveraging diverse skill sets while maintaining the core farm business. Segregating income streams allows equitable participation and long-term involvement.
9. **Intergenerational Transfer:** Gifting early-stage assets or businesses can reduce future tax liabilities. Discretionary trusts may provide controlled access, income management, and planning certainty.
10. **Professional Collaboration:** Coordinated advice from accountants, lawyers, and land agents is critical for achieving tax efficiency, legal compliance, and sustainable business structures.