in The Know

Spring 2022

Farming

On to the next chapter

I hope you have all wintered well. As we move away from covid restrictions, it does now feel that Spring is on the way and with it comes fresh growth and more freedom.

It is my turn to do the editorial and, given that I am retiring at the end of March, I was asked to put something together about my time at Dodds.

I qualified as a chartered accountant in 1979, aged 23, and worked for 2 years on large corporate clients but, being a country boy, all I really wanted to do was work with farmers.

When the opportunity arose, along with Bill Dodd and Alan McViety, we set up Dodd & Co which has just celebrated its 40 year anniversary. We initially worked from Bill's house in Chatsworth Square, followed by 2 years at Fisher Street, simultaneously opening an office on the Cornmarket in Penrith. In 1984, we moved our Carlisle operation to Broadacre House on Lowther Street and around the same time, opened a small office for the farmers at Rosehill. Bill left within 5 years to successfully assist one of our rapidly expanding clients get to the Stock Market.

Realising the benefits of being on an "out of town centre" work site, we closed the Broadacre House office in 1994 and moved all our Carlisle staff to Rosehill, a move which I am happy to say was received very well by both our clients and our workforce.

One of the things that probably set our firm apart, was that we saw many clients at their own premises where they were more comfortable to talk about their financial affairs in familiar surroundings. This was a new move for accountants and we found that we could more easily find out what our clients wanted, and our job was to put in a strategy to assist them in meeting their wishes.

Working with land-based clients has been an absolute pleasure, though often a challenge, and there have been plenty of highs and lows.

The introduction of milk quotas in 1984 was one such challenge, as was BSE soon after, and Foot and Mouth disease in 2001. Our job was to try and guide people through those difficult times, and do what we could to help. I am convinced that throughout my time at Dodds we have helped so many families achieve their goals and ambitions, and despite the challenges, I can think of more good times than bad times when I think about my career.

I have no doubt that there will be many opportunities and yes, some challenges in the future, but I am extremely proud that I am leaving behind a really strong, largely home grown and home trained team at Dodds, to ask that simple question "what can we do to help?"

You are in good hands.

Thank you to you all and I sincerely hope that you, your businesses, and your families continue to thrive.

By Ian Brown

Partner (Editor)

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Basic Payment Scheme – Do you want to exit?

Further information about the Basic Payment Scheme Lump Sum Exit Scheme (the golden handshake or retirement lump sum) has now been released.

The Rural Payments Agency have confirmed that they expect that farmers will be able to apply for the lump sum from April 2022. Please note that this scheme is only for Basic Payment Scheme applicants in England.

Craig Pollock
Chartered Tax Adviser

We have outlined some of the main points to consider:

- The value of the payment will be calculated based on your entitlement in the claims for 2019, 2020 and 2021.
- The lump sum is capped at the lower of 2.35 times the average of these claims and £99,875.
- Overclaims will be factored into the calculations. However, the taper reduction for 2021, cross compliance penalties, and greening penalties will be ignored.
- To be eligible for the payment you must transfer your agricultural land in England (apart from up to 5 hectares which you can keep) or plant with trees under a woodland creation scheme or transfer the grazing and pannage right you have on common land in England, or surrender your English BPS entitlements.
- A partnership can claim the lump sum if a partner/partners entitled to 50% of profit (combined) leave the partnership, and a company can claim the lump sum if a shareholder/shareholders holding 50% of shares leave/s the company. However, the company or partnership must surrender all its entitlements and will then be unable to claim BPS or delinked payments.
- Any BPS claim made for 2022 will be deducted from the retirement payment.
- You must transfer out the agricultural land and provide evidence of this by 31 May 2024. You can apply for an extension to this date if you have an Agricultural Holdings Act 1986 tenancy with succession rights and the succession goes to a tribunal, arbitrator or court.

The first step is to request a forecast statement, which can be done through the Government website. The scheme will close on 30 September 2022.

Once the lump sum payment is made, you will no longer be eligible for BPS payments or delinking payments in England.

If you feel this is something which you would like to explore, please contact your land agent for further information

MTD for VAT

If you're a regular reader of our farming newsletter, then you may remember our article from the last edition about Making Tax Digital (MTD) for VAT. This is a final reminder that from April 2022 all VAT registered businesses must file their VAT returns in an MTD compatible way.

What is MTD?

If you don't already know, MTD is a key part of the Government's plans to make it easier for business and individuals to get their tax right and keep on top of their affairs. The first phase was rolled out in April 2019 and now we're onto phase two.

For those of you who aren't already affected by MTD for VAT (VAT registered with taxable turnover under £85,000), your first MTD VAT return will be for your first full VAT period after 1 April 2022

- Monthly VAT returns = ME April 2022
- QE Mar/Jun/Sep/Dec = QE June 2022
- QE Jan/Apr/Jul/Oct = QE July 2022
- QE Feb/May/Aug/Nov = QE August 2022

How you currently prepare your VAT return could indicate whether you are MTD ready. The following methods will not be MTD compatible:

- Use of pen and paper
- Use of out of date, unsupported software
- Use of spreadsheets (without a bridging tool)

If you're still using any of the above methods to file your VAT and don't have a plan for MTD, then please get in touch with Margaret Goodchild on 01768 864466.

Are you already using Cloud Accounting? If so, have you considered Dext to save time when preparing your VAT returns?

Dext (formerly Receipt Bank) is an app which you can download onto your smartphone. Within the app you can take photos of your invoices which can then be automatically uploaded into your Cloud package, therefore saving you the time of having to manually input data.

Dext also attaches a photo of your invoice into your Cloud package which we can then access, meaning you don't need to send in your bag of books at the year end.

If this sounds like something that would be of interest to you, please get in touch with your usual Dodd & Co contact to discuss.

Sam Bell
Chartered Accountant

Carbon in farming

Guest article by Carbon Metrics

Simon Haley
Carbon Metrics

The creation and consumption of carbon is an inevitability of farming practices. However it is important when talking about "carbon in farming" to understand firstly what we mean.

Carbon has become the catchphrase too often used to cover the production of greenhouse gases across the agricultural sector. While undoubtedly carbon dioxide (CO2) is commonly associated as the major driver of climate change, the impact of the two other major greenhouse gases in agriculture of methane and nitrous oxide cannot be ignored.

Different greenhouse gases can have different effects on the Earth's warming. Two ways in which these gases differ from each other are their ability to absorb energy ("radiative efficiency"), and how long they stay in the atmosphere ("lifetime").

The Global Warming Potential (GWP) index was developed to allow comparisons of the global warming impacts of different gases. Specifically, it is a measure of how much energy the emissions of 1 tonne of a gas will absorb over a given period (normally 100 years), relative to the emissions of 1 tonne of CO2.

- Carbon Dioxide (CO2): by definition, has a GWP of 1, regardless of the time period used;
- Methane (CH4): is estimated to have a GWP of 28 times more impact than CO2 over 100 years;
- Nitrous Oxide (N2O): has a GWP of 265 times that of CO2 over 100 years.

Despite the bad press that surrounds agriculture for its production of greenhouse gases, agriculture possesses a unique role as an industry, as it can sequester carbon dioxide and mitigate the effects of climate change.

In the UK, agriculture accounts for approximately 10% of the UK's greenhouse gas emissions which means it can be considered a significant contributor, however this compares favourably to the global average where agriculture contributes closer to 20% of emissions.

Farmers know their land best and many farmers across the UK are already performing good work in reducing their carbon footprint. However, in the future we need to support the industry to make even greater environmental gains through reducing emissions.

Whilst agriculture does contribute to greenhouse gas emissions, agricultural practices can make significant contributions to sequestering, or "capturing", carbon.

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Through measures such as planting or otherwise establishing trees (afforestation), agroforestry or agroecology, teamed with sustainable land management practices such as enhancing soil carbon stocks and planting hedgerows, UK agriculture can significantly increase the amount of carbon it sequesters. Overall, this has the effect of reducing the impact of farming on greenhouse gas emissions.

Supporting environmentally friendly or low carbon agricultural activities such as energy generation through renewable sources of wind, solar, or bioenergy provides the sector opportunities to shift away from its historic dependencies on the fossil fuel industry.

These changes will enable British farms to diversify their farm income whilst improving the long-term self-sufficiency of the farm.

Small changes in farm management practice can also have sizeable impacts upon a farm's carbon footprint. By increasing efficiencies on farms through intelligent use of machinery, changes in fertiliser practice, or feeding regimes, farms can see a noticeable impact of a reduced carbon footprint.

This is important for the business' bottom line profitability as an improved carbon footprint goes hand-in-hand with improved financial returns from greater efficiencies.

Support for the UK's Net Zero target by 2050 has come from partners across the agricultural economy. The National Farmers Union (NFU) has set out its own ambitions which, while aligned with the UK's Net Zero objectives, aims for the industry to adopt an even more ambitious timeframe to reach Net Zero by 2040.

This is a target that should not be feared by farmers, but one that should be viewed as a business opportunity, and proactive farmers who embrace the changes will be set to gain the most.

The first step for farmers to understand their carbon emissions is through undertaking a carbon audit. This should be considered in the same way as you would look at a set of accounts, but instead of pounds and pence, figures are quantified by kg of CO2 equivalent.

In future months, pressure to have a carbon audit undertaken will arise from the Government (Defra), the Banks, and/or the supply chain. Whether that is to apply for a productivity grant or to reduce transaction fees on a new loan, this interest around the "Net Zero" agenda will not reduce.

Currently there is free consultancy support available for farmers to get a carbon audit through the AHDB Farm Business Review scheme which enables farmers to receive a free business review and a carbon audit.

Or, if you are a farm located within a National Park or Area of Outstanding Natural Beauty you could claim free consultancy support for a carbon audit and management plan via the Farming in Protected Landscapes programme.

For more details visit www.carbonmetrics.uk

CARBON METRICS

Are all of your baa'llowances used for this tax year?

As lambing season is well under way, it is worth taking stock of your finances to ensure you have used any allowances available to you. Here is a checklist of the allowances you may be able to utilise before 6 April if you haven't already.

Pension

You are able to contribute to a pension personally or via an employer, and attract income tax relief up to 100% of your earnings, subject to the Annual Allowance of £40,000. If it is an employer contribution, the company will qualify for Corporation Tax relief.

Pensions have other valuable tax benefits, such as tax-free growth on investments, and are usually exempt from Inheritance Tax (IHT), allowing an immediate reduction to your estate for IHT purposes, as well as being able to pass monies on to the next generation tax efficiently.

ISA

Since the 2017/18 tax year, the ISA allowance has remained at £20,000 per person, where monies can grow free of income Tax and Capital Gains Tax. Monies are generally directed towards cash or stocks and shares ISAs, or a mix of them both, but other ISAs are available such as lifetime or innovative finance ISAs.

Junior ISAs are available to kick start a child's savings, with an allowance of £9,000. Monies are held in the child's name and cannot be accessed until they turn 18.

Both allowances will remain in the 2022/23 tax year.

Sarah Jackson
Wealthcare Planning Senior

Capitals Gains Tax

Another year passed without any increase to Capital Gains Tax (CGT) rates, with Rishi Sunak shelving the proposed hike in early December 2021.

The Office of Tax Simplification (OTS) made the recommendations, following the review to increase CGT in line with income tax, to help the financial situation post-covid. However due to the impact this would have on taxpayers, as well as the administration involved by HMRC, the proposal has been put on hold for the time being.

The exempt amount for realised gains is £12,300 in this tax year, with no availability to carry forward the allowance to the next tax year.

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Inheritance Tax

With the Residence Nil Rate Band (RNRB) increasing to £175,000 in the last tax year, as well as every individual having a Nil Rate Band of £325,000, there is potentially £500,000 of available allowances before Inheritance Tax (IHT) is due on an Estate on death, and potentially £1,000,000 allowances for a married couple. However, care is needed with RNRB as it is usually limited to the value of the residence and certain factors also need considered i.e. overall Estate value as tapering starts to apply after £2,000,000, property must be owned as well as being your residence, and must be left to linear descendants to qualify.

Any significant Estate values should be reviewed and assessed by a Tax Adviser, where IHT mitigation could be considered.

You are able to make gifts of up to £3,000 each year without any IHT implications. With any unused allowance from the previous tax year being available to carry forward, there is potentially £6,000 that can fall outside of your Estate as an immediate exemption.

If there is anything in this article you would like to discuss then please contact your Dodd Wealthcare advisor.

How to get involved in the Queen's Platinum Jubilee

The Queen's Green Canopy

"Plant a tree for the Jubilee"

Landowners and communities are invited to create a network of specimen trees, tree avenues, copses and woodlands in order to create a lasting legacy in honour of the Queen's leadership. The Woodlands Trust is supplying three million saplings free and, following Storm Arwen, the initiative has been extended to 31 March 2023.

Visit www.queensgreencanopy.org

The Queen's Platinum Jubilee Beacon

Jubilee Beacons will be lit at 9.45pm on 2 June 2022, throughout the UK and the Commonwealth.

Many communities have their own plans and registration of all planned beacons is required by 30 April 2022.

Visit www.queensjubileebeacons.com

Dodd & Co supplied 40 trees in recognition of our 40th Birthday!

Meet your Farming Partners


Left to right: Ian Brown, Joanne Thomlinson, Rob Hitch, Andrew Sims, Robert Wharton & Jonathan Ridley

If you would like to sign up to regular industry updates from the Dodd & Co farming team please email hello@doddaccountants.co.uk

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Email us at hello@doddaccountants.co.uk

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