



Claire Rigby

Equine Specialist | crigby@ellacotts.co.uk

Welcome to the Spring edition of our equine newsletter. In this edition we discuss the difference between agricultural grazing and horse grazing, which could have a significant impact on Inheritance Tax liabilities. We also look at the rules around Annual Tax on Enveloped Dwellings (ATED). We have a busy summer of events which you can find over the page and we hope to see you at one of them. As always, if you would like to discuss any of the stories or points raised in this newsletter then please do get in touch.

Beware grazing of land by horses

We often suggest to our land owning clients that to benefit from Agricultural Property Relief (APR), which can give up to 100% Inheritance Tax relief on the agricultural value of land, they need to be accepted as farming their land. One way of demonstrating this is by the use of grazing agreements or profit a prendre agreement.

Grazing agreements enables someone other than the landowner to graze the land or take a cut of grass for a licence fee. They are usually for a short period and essentially are there to reflect that the landowner has grown a grass crop which is then sold to the grazier (i.e. an act of husbandry). To demonstrate that the landowner is farming, it is important that they remain responsible for growing the crop (including fertilising the land) and maintain and repair fencing and carry out any hedge cutting. The landowner can also claim basic payment scheme on the land.

A profit a prendre agreement is very similar to a grazing agreement with the main distinction being that a grazing agreement often allows for the grazier to mow the land whereas a profit a prendre agreement usually does not.

On this basis, if a landowner has a grazing agreement and can demonstrate they are farming the land an APR claim should be successful. At least that should be the case when cattle and sheep graze the land as this is regarded as an agricultural activity. The grazing of land by horses, however, is not regarded as an agricultural activity (unless it is part of a stud farming activity) and it is therefore unlikely that land grazed by horses would qualify for APR.

This small distinction between agricultural grazing and horse grazing could have a significant impact on Inheritance Tax liabilities. It is therefore important to ensure that any agreements over land do not jeopardise any Inheritance Tax reliefs and we urge our clients to consider carefully whether the grazing of land by horses will have a detrimental effect on APR. A short term income stream may have negative consequences on long term Inheritance Tax planning.



Annual Tax on Enveloped Dwellings (ATED)

It's that time of year again when ATED returns need to be submitted to HMRC. The Annual Tax on Enveloped Dwellings is a tax charged on a non-natural person (NNP), such as a company, which holds an interest in a UK residential property which has a value of more than £500,000 on 1 April 2017.

The annual tax is calculated based on the property value and the chargeable amounts for 1 April 2017 to 31 March 2018 are currently as follows:

Property Value	Annual Charge
More than £500,000 but not more than £1 million	£3,500
More than £1 million but not more than £2 million	£7,050
More than £2 million but not more than £5 million	£23,550
More than £5 million but not more than £10 million	£54,950
More than £10 million but not more than £20 million	£110,100
More than £20 million	£220,350

Relief from the tax is available for genuine commercial lettings, employee accommodation and farmhouses occupied by farm workers. However, the relief must be claimed - it is not automatic - and requires a submission to HMRC.

Therefore, if you operate your equestrian business via a company or a mixed partnership (with a corporate member) and the business holds residential property then an ATED return or relief claim could be required. It could be that your business holds residential property for occupation by grooms or stable staff. This could qualify for the employee accommodation relief but it must be claimed.

Any ATED returns and relief claims must be submitted to HMRC between 1 April 2017 and 30 April 2017. If you are concerned that your business may be affected, then please do not hesitate to contact Claire Rigby at crigby@ellacotts.co.uk.

Forthcoming Events

On Saturday 18th March we were delighted to attend the Swalcliffe Horse Trials. Ellacotts have sponsored the event for the last two years and are proud to support this local grass roots event. As ever the weekend was a great success and was well attended despite the weather.

We have also recently attended and sponsored the Pytchley Point to Point and the North Warwickshire Point to Point

Over the coming months we'll be attending a number of events. We'd love to see you there!

Warwickshire Point to Point | Monday 1st May
Mollington, Warwickshire

Grafton Point to Point | Sunday 14th May
Whitfield near Brackley, Northamptonshire

Kenilworth Show | Saturday 10th June
Stoneleigh Park, Kenilworth, Warwickshire

Cereals | Wednesday 14th – Thursday 15th June
Boothby Graffoe, Lincolnshire



Upton Horse Trials | Wednesday 12th – Thursday 13th July
Upton Estate, near Edgehill, Warwickshire

Blakesley Show | Saturday 5th August
Maidford, Northamptonshire

Bucks County Show | Thursday 31st August
Weedon Park, near Aylesbury



Claire Rigby

Manager | crigby@ellacotts.co.uk



John Thame

Partner | jthame@ellacotts.co.uk

Banbury

Countrywide House,
23 West Bar,
Banbury,
Oxfordshire
OX16 9SA
+44 (0)1295 250401

Kettering

Vantage House,
2700 Kettering Parkway,
Kettering Venture Park,
Kettering,
Northamptonshire
NN15 6XR
+44 (0)1536 646000

London

Suite 100,
99 Bishopsgate,
London
EC2M 3XD
+44 (0)203 6937315

For more information about Ellacotts and our services, please visit www.ellacotts.co.uk

Information of readers:

This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.

