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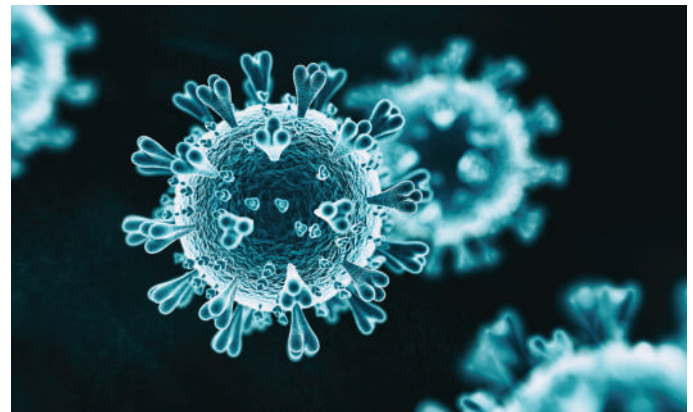
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COVID19 - support and advice

The COVID-19 pandemic is affecting billions of people and businesses around the world on an unprecedented scale.

Over the past few weeks, the Government has announced a series of support packages for businesses and workers who have had their income and daily lives affected by the Coronavirus outbreak, including:

- Extending Statutory Sick Pay (SSP) so employees who are suffering from the Coronavirus or those who have been advised to self-isolate receive it from day one instead of day four.
- Allowing employers with less than 250 employees to reclaim SSP for up to 2 weeks per eligible employee who has been off work because of the Coronavirus.
- There will be a business rates holiday for retail, hospitality and leisure businesses in England for the 2020 to 2021 tax year. A £25,000 grant will be provided to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value between £15,000 and £51,000.
- Support for businesses that pay little or no business rates. There will be one-off grants of £10,000 to businesses currently eligible for Small Business Rate Relief (SBRR) or Rural Rate Relief, to help meet their ongoing business costs.
- A temporary Coronavirus Business Interruption Loan Scheme to support businesses to access bank lending and overdrafts.
- The Coronavirus Job Retention Scheme where all UK employers will be able to access support to continue paying part of their employees' salary for employees who would otherwise have been made redundant during this crisis.
- Mortgage payment holidays for up to 3 months for those who are struggling to pay their mortgage
- There will be a VAT payment deferral for 3 months. The deferral will apply to VAT payments due from 20 March 2020 to 30 June 2020.
- If you are due to make a payment on account under Income Tax Self-Assessment, payments due on 31 July 2020 will be deferred until 31 January 2021.
- An HMRC Tax helpline for business and self-employed people in financial distress.



- The Coronavirus (COVID-19) Self-employment Income Support Scheme for self-employed workers with a grant of 80% of profits up to a maximum of £2,500 per month for 3 months. This is open for those with profits of less than £50,000. You must have submitted your Income Tax Self Assessment tax return for the tax year 2018-19 by 23 April 2020 to be eligible.

As part of the UK200Group we have access to up-to-the-minute information and can help you get access to the support you need. We'll be keeping you informed in general terms, but please don't hesitate to get in touch if you have any questions or concerns.



If you'd like to speak with one of our Tax Advisers about the key points above, please email **Ann Bibby** on **abibby@ellacotts.co.uk** or call **01295 250401**. Alternatively please contact your usual Ellacotts contact.

Visit our COVID19 hub on our website for everything you need to know about the new government announcements and schemes to support you.

www.ellacotts.co.uk/covid19

[Click here](#)



How the 2020 Budget impacted farmers

On Wednesday 11 March the new Chancellor, Rishi Sunak, delivered his first Budget after only a month in office. It was obviously dominated by the Coronavirus and the measures being taken to address the crisis. Much has happened in the world since and many of the announcements have now been updated. However, some key points still remain relevant to the rural community.

Entrepreneurs' Relief

The main item which had been billed for change for farming families was Entrepreneurs' Relief. This relief can reduce the Capital Gains Tax rate on certain business assets from 20% to 10%. It had been feared that Entrepreneurs' Relief would be removed entirely. However, the lifetime allowance will be reduced from £10m to £1m instead of removing it entirely. In theory this will affect few taxpayers, but will obviously have a significant impact on those who do go above this limit. It's not uncommon for those selling farms or land for development to go over the £1m limit. Early discussions about ownership are now even more important to minimise Capital Gains Tax bills.

Fuel Duty Relief for red diesel

The Chancellor announced that he was ending the Fuel Duty Relief on red diesel. This would have had a huge impact on the farming industry. However, much to every farmer's delight he added that the relief will continue for the agriculture industry. Rishi Sunak also chose to retain the freeze on Fuel Duty rates at the pumps for another 12 months - more good news for farmers.

Annual Investment Allowance

As anticipated, the Annual Investment Allowance remained unchanged at £1million until 31 December 2020. This still provides farming businesses with a huge incentive to invest in plant and machinery by receiving immediate tax relief on the investment.

Why you should be maximising your pension contributions

Even now, given the current market volatility, pensions remain one of the most tax efficient investments you can make. Tax relief gives an immediate 25% 'uplift' on your contribution, and the funds are protected from tax on death until age 75 regardless of whether or not benefits have been taken. Currently, a tax-free lump sum of 25% of the fund is paid to you when you take benefits.

Annual pension contribution limit

There is an annual limit on the amount that can be contributed to your pension each year. In simple terms, this is 100% of your earnings from trade up to a maximum of £40,000.

With some forward planning, you can benefit from a much larger allowance. This can enable you to reduce your tax liability in times of 'super profits', which we typically see when farming machinery and equipment is sold. We will show you how to increase your allowance.

How to maximise your pension contributions

Let's assume you have not made a pension contribution for a few years, but you have done in the past. You will be able to benefit from the carry forward rules. These enable you to make pension contributions for the current year and also the previous three years meaning you can contribute up to £160,000 to your pension. You have to have sufficient earnings in the year of contribution to be able to do this.

In order to use carry forward allowances, you must first maximise contributions for the current year. Then you use available allowances from the earliest year first.

Structures and Buildings Allowance

Some further good news came with the increase to the Structures and Buildings Allowance rate. This means anyone building a new non-residential building or structure (such as sheds or improvements to existing buildings) can obtain tax relief on this expenditure at an increased rate of 3%. Both a reduction in tax and a drop in interest rates have made building new structures more affordable for the farming community.

Employment Allowance

The Chancellor also increased the Employment Allowance. For any business that has Class 1 National Insurance contributions below £100,000 per year, the allowance has been increased from £3,000 to £4,000 from April 2020. However, you need to be careful as it includes nasty details regarding de minimis state aid. You should seek advice from us as to whether you qualify, but this should benefit many farming businesses.

Pension contributions for high earners

The Chancellor also announced that the income threshold that restricts the amount high earners can contribute to a pension from £40,000 to £10,000 would no longer apply to those with income under £200,000.

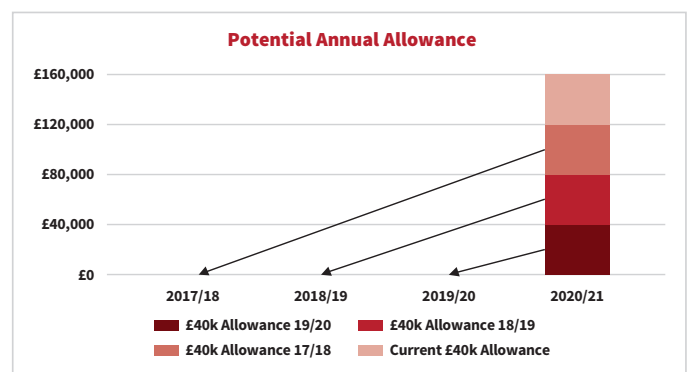
Overall the Budget had less impact than anticipated and instead has given farmers much needed tax breaks. Thankfully, changes to Inheritance Tax reliefs did not materialise and so Agricultural Property Relief lives on.



We can help your rural business

If you have any questions about how the Budget will impact your agribusiness, please contact **Joanne Wright** on jwright@ellacotts.co.uk or **01536 646000**. Alternatively please contact your usual Ellacotts contact.

The graph below illustrates how contributions would be allocated. Remember, contribution of £160,000 would only cost £128,000 after basic rate tax relief. You would also receive a further credit of at least 20% via your Self Assessment tax return, meaning the overall outlay after tax relief is only £96,000.



As you can see, a contribution paid in the current year would maximise all allowances available going back to 2017/18.

With proper advice and consideration of both market risk and the investor's attitude to risk, times of stock market fluctuation such as these can benefit those willing and able to invest.



We can help you with your pension

If you would like further information on pensions, please contact our Independent Financial Adviser, **Chris Slatter** on cslatter@ellacottswealth.co.uk or **01295 250401**.

Managing risk in your farming business

So far, 2020 has presented many tough challenges and obstacles for farming businesses. Whether you gain your income from a traditional agricultural enterprise, a rural diversification such as holiday lets, or something else entirely, risk management has probably never been so vital. We have many conversations with our clients about implementing strategies to help manage risk and protect their businesses from tough times.

What should you consider when producing a risk management strategy for your farming business?

Have a budget in place and monitor it

- Cash is king. Aim to retain as much as you can as a buffer against volatility in input and output prices, yields, and other unknowns.
- Be aware and keep track of any lending terms and renewal dates. Keep your bank manager or other lender informed of pinch points.
- Look at sensitivity analysis. For example, what happens if milk prices fall, or harvest is down by a certain percentage?
- Having clear and detailed financial information will enable you to have prompt and easy conversations with your bank.

Look at ways to reduce risk

- The Coronavirus pandemic has triggered changes to existing rules and created many new ones. Keep up to speed by reading reliable information sources and take advice from us when you need it.
- Consider fixing, buying forward or linking to output prices for major inputs such as feed.
- Take advice regarding inputs that will be impacted by Brexit negotiations, including feeds and fertilisers.
- Fix any borrowing rates so you always know how much you will be paying. Consider any repayment holidays if available.
- If your business employs foreign workers, changes to their rights and currency movements have to be dealt with to retain staff.
- As the Basic Payment Scheme (BPS) falls away, look at new environmental schemes to compensate for the shortfall in income.
- Improve efficiency by removing any 'sacred cows' that don't earn their keep or don't justify the time.

Consider switching to online accounting software

Online accounting software can bring many benefits to your farming business by allowing you to:

- Access a real-time overview of your finances, from any internet enabled device, at any time.
- Easily raise digital invoices and receive quick payment to help improve your cashflow. For hay or other retail sales, it is common not to unload until you've been paid.
- Pay bills online saving you time and unnecessary stress. You may be able to ask for lower prices in return for quick payment.

- Review non-essential payments such as:
 - Is that piece of kit needed? Is this the best price/cheapest finance/best tax outcome? Ask us to check the tax position on significant purchases.
 - Can you spread payments for any costs such as sprays, fertiliser and insurance?
 - Are you able to make planned capital repayments or can they be delayed?
 - Review all partners' drawings and other payments to family members.

Maximise your income streams

Make sure that your income sources are being maximised. Think about whether or not you are using every asset and everyone's skills effectively. Be open to new ideas that could save you money such as machinery sharing, labour sharing and joint ventures. Ask us for advice on any tax implications before acting.

Consider business insurance to protect yourselves

We have a dedicated Independent Financial Adviser who can suggest the best life insurance and business continuity insurance to protect both your farming business and your family.

Looking on the positive side, where there is a challenge there is also opportunity. We look forward to a future where innovative and exciting businesses, committed to training and lifelong learning for a skilled workforce, will be at the forefront of the UK meeting global challenges.

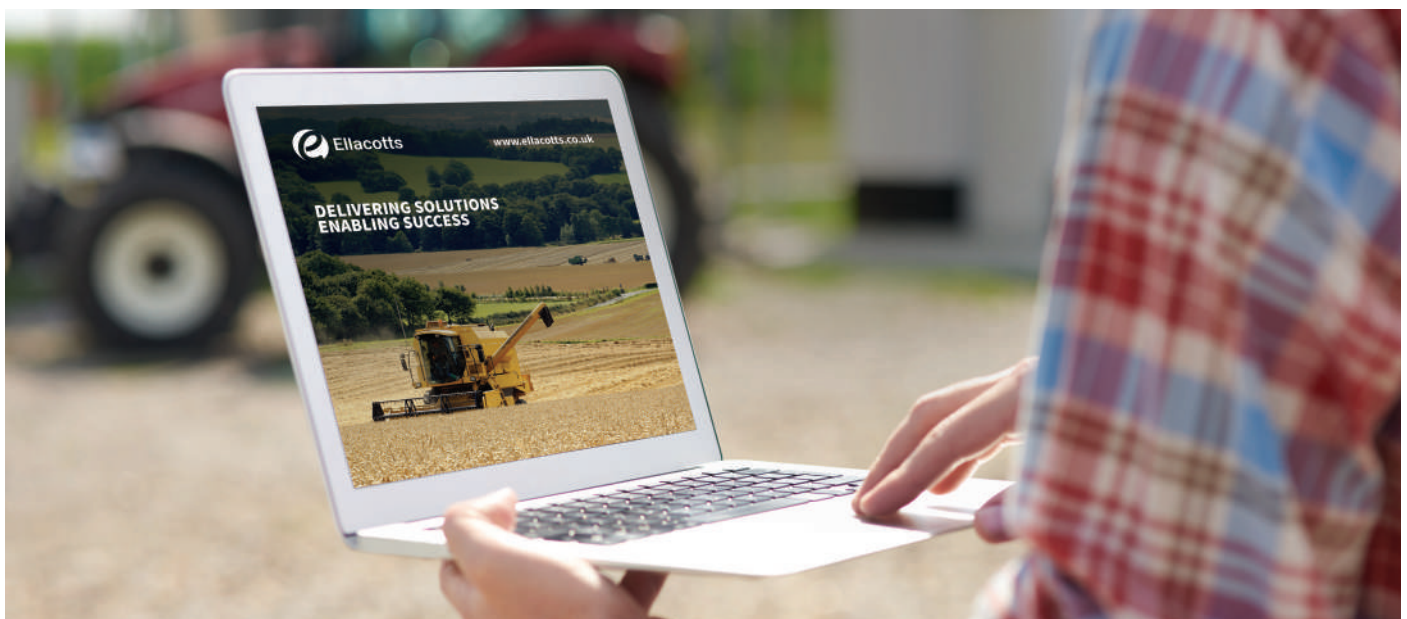
Do you need help with your farm or rural businesses finances?

Every rural business is different. We can help you to put a plan in place to mitigate the most crucial risks for your situation. We will ensure that you are maximising your tax-free allowances and exemptions and can advise you on spreading the risk with new income streams through diversification.

We would be delighted to help you



Get in touch with **Helen King** on hking@ellacotts.co.uk or call **01295 250401** to discuss your situation. Alternatively please contact your usual Ellacotts contact.





Expansion of the team

We are delighted to welcome Sara Burgess to our Agriculture & Property team in Kettering. Sara is a Qualified Tax Adviser with significant experience in advising individuals on various taxation matters. Sara lives on a farm with her dairy farmer husband and is looking forward to drawing on her wealth of private client tax knowledge and personal experience to advise our rural clients.

John Thame, Head of our Agriculture and Property team, sees Sara's arrival as a significant boost to Ellacotts and our clients:

"We are very excited about Sara joining the Kettering team. Sara's arrival as a key manager further strengthens our team's specialist knowledge and experience in delivering tailored solutions to farmers and landowners across the Midlands and Eastern region. Sara understands the challenges and opportunities that face the farming industry. In this period of unprecedented change this will now be more important than ever".

Meet some of our team



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