

# Farms and Rural Business

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Spring Review 2026





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## Introduction

Ashley Smith, Farms and Rural Business Partner

As we look back on the first quarter of 2026, it is clear that the agricultural sector continues to undergo a period of significant adjustment.

Nationally, farming businesses are navigating the practical realities of policy reform, shifting support mechanisms and an increasingly complex compliance environment. At the same time, commercial pressures remain acute, with margin management, investment decisions and long-term succession planning firmly on the agenda.

Here in the east, these themes feel particularly close to home. As a county characterised by arable production, mixed farming and an increasingly diversified rural economy, businesses are balancing productivity and profitability with environmental delivery, changing land use and a growing administrative burden. Many of our clients are actively reassessing how best to extract value from their land and assets, while responding to ongoing uncertainty around support schemes, tax reliefs and future policy direction.

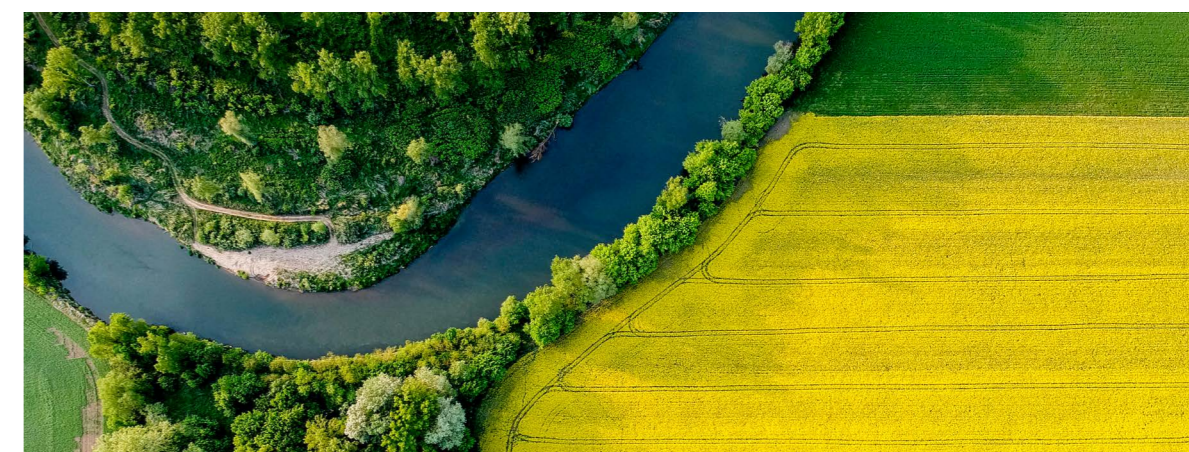
The first quarter has also reinforced the pace of structural change within the sector. The transition from legacy support payments towards schemes such as the SFI is prompting renewed focus on land management decisions and longer-term business planning. At the same time, the industry has had to respond

to announcements regarding further changes to the Agricultural Property Relief and Business Property Relief legislation from April 2026. This all underlines the importance of up-to-date advice and careful estate and succession planning.

Digitalisation remains another defining issue, with Making Tax Digital moving steadily from concept to reality for many people. This represents not just a compliance challenge but an opportunity to improve visibility, control and decision-making provided the transition is managed carefully and with appropriate support.

In this edition of our Farms & Rural Business Update, our team shares insight on these key developments, alongside practical updates on funding opportunities, legislative change and upcoming events. The articles reflect the issues we are discussing daily with our clients, and are intended to provide clarity, context and reassurance at a time of continued change.

We hope this newsletter proves useful. As always, if any of the topics raised resonate with your own circumstances, please do get in touch with your usual contact in our Farms & Rural Business team we would be very happy to help.



# How can we help you?

We review the whole financial structure of our clients' farming and business enterprises regularly to understand their needs, aims and future aspirations. In addition to the standard accountancy and tax compliance services we provide to our clients, we routinely perform specialist services such as:

 <b>Business structure advice</b>	 <b>Assessment of diversification plans and associated tax consequences</b>
 <b>Succession planning and the passing of assets to the next generation</b>	 <b>Contract Farming Agreement reviews</b>
 <b>Capital tax planning</b>	 <b>Contract farming accounts</b>
 <b>Inheritance Tax advice and Will reviews</b>	 <b>Specialist capital allowance claims</b>
 <b>Review of Partnership Agreements</b>	 <b>Research and development claims</b>
 <b>Preparation of cash flow forecasts, profit or loss forecasts and business plans</b>	 <b>Probate services and estate accounts</b>

If you're searching for a personal and client focused approach then please get in touch with us for a free initial consultation, on-farm or at one of our offices.



## The Autumn Farming Conference Series is back for November 2026!

A firm favourite across the East Anglian farming community, the Autumn Farming Conference Series returns with more practical information, advice, and useful takeaways you can implement straight away.

These events are all about keeping things relevant and accessible, sharing what's working on farm now, diversification and succession planning, along with political and environmental updates.

### Save the dates:

**Ipswich**  
17<sup>th</sup> November

**Fakenham**  
19<sup>th</sup> November

**Norwich**  
24<sup>th</sup> November

**Essex**  
25<sup>th</sup> November

Sign up now to stay in the loop on topics and updates.

**Tickets on sale soon – keep an eye out!**

**Larking Gowen**  
**INSIGHTS**  
Accountancy & Business Advice for all.  
with Laura Clayton & Laurie Hill

Tune into our Farming mini series where Laura Clayton is joined by partner Laurie Hill to discuss the various business structures used in farming, including sole traders, partnerships, and companies.

Listen on Podcasts Spotify YouTube amazon music



# How we can help future-proof your farm:

Smarter Planning for a Changing Landscape



## Business understanding

After several years of financial pressure, unpredictable yields and continued policy change - Farms, Estates and Rural Businesses are being challenged to think more strategically than ever before. The path forward is no longer about reacting to change, but planning for it.

At Larking Gowen, our Farms & Rural Business team works closely with clients to help them take a proactive, joined-up approach combining financial clarity, commercial insight and forward-thinking tax planning to build resilient, future-ready businesses.



## Understanding Your Current Financial Position

Every strong strategy starts with a clear understanding of where the business stands today. Robust cash flow forecasting is central to this process in understanding your numbers. A positive cashflow forecast often results in profitability.

We help clients develop detailed forecasts that highlight pinch points, assess the sustainability of existing commitments and identify capacity for future investment. With this clarity, you the business owner can make informed decisions, focusing on opportunities that genuinely enhance performance rather than adding risk. It also enables clients to engage with their bank at an early stage should there be a requirement to request a temporary extension in overdraft facilities to support working capital cash flow.

Our team can assist in forecasting to assess profitability of enterprises across the farming and diversified income streams, using on-farm data to aid with gross margin reviews and picking out areas where change could be made, or challenging on areas of expenditure.

Get in touch  
Farms and Rural Business

## Bringing It All Together

A successful business strategy requires careful planning, we work with clients to bring together forecasting, diversification and tax into a single, integrated approach. This provides clarity on:

- If a project is financially and practically viable
- How it should be funded
- What risks need to be managed

This process can highlight when a proposed venture may not deliver the expected return or when consolidation, restructuring or the sale of underperforming assets may be the stronger strategic move.

## A Clearer Way Forward

In an increasingly complex and uncertain landscape, informed decision-making is the foundation of resilience.

By working with Larking Gowen, rural businesses gain access to a team that understands both the financial and practical realities of the sector. Through clear forecasting, careful evaluation of opportunities and strategic tax planning, we help clients build businesses that are not only sustainable today, but well-positioned for the future.

## Exploring Diversification with Confidence

Diversification continues to be key to the growth across the rural sector. From holiday accommodation and renewable energy to contracting and storage, there are a wide range of opportunities available, but not all will be right for every business.

Our role at Larking Gowen is to help clients move beyond ideas and into evidence-based decision-making. By modelling potential ventures within existing financial forecasts, we provide a clear view of:

- Upfront investment requirements
- Expected returns and seasonal fluctuations
- Impact on working capital and overall profitability

Equally important are the practical considerations. We work with clients to assess time commitments, labour availability, required skillsets and how new ventures align with family dynamics and long-term succession plans. This ensures diversification is not only viable on paper, but sustainable in practice.

We also support clients in preparing robust projections for lenders, demonstrating resilience under different scenarios, such as poor harvests or reduced income streams, to strengthen funding applications.

## Taking a Strategic Approach to Tax

Tax should never be an afterthought. When considered early and in a measured manner, it becomes a powerful tool in shaping commercially successful and sustainable projects and business decisions.

Our Farms & Rural Business team provides integrated tax planning alongside financial modelling, helping clients understand the full implications of their decisions. This includes:

- VAT considerations, particularly for property developments and letting activities
- Capital allowances on new buildings and equipment
- Potential Capital Gains Tax and Inheritance Tax implications of restructuring

Inheritance Tax remains a critical area for many rural businesses. Certain diversification activities particularly those involving property can affect eligibility for Business Property Relief. By addressing these issues at the outset, we help clients protect both immediate commercial opportunities and long-term family succession plans.

# SFI26: What's Changed in 2026

Following last year's unexpected closure of SFI24, many farming businesses have been waiting for clarity on what comes next.

The biggest change is a streamlined action list, reduced from 102 to 71 actions, focusing on the options that are deemed to deliver the best value for food production and the environment. DEFRA has also introduced a new £100,000 annual cap per farm business, alongside a rule of one agreement per business, aimed at spreading funding more fairly across the sector.

**Eligibility requires a minimum of 3 hectares of agricultural land, with applications opening in two windows:**

- June 2026 for farms of 3–50 hectares or those without an existing Environmental Land Management (ELM) revenue agreement – further details on this below.
- September 2026 for all farms.



DEFRA have confirmed that if you have an existing revenue agreement under previous versions of SFI, Countryside Stewardship Mid Tier (CSMT), old and new versions of Countryside Stewardship Higher Tier (CSHT), and Higher Level Stewardship (HLS), then you will not be eligible to apply within the first window.

Payment rates have been updated, with increases for some upland actions and reductions for others such as herbal leys and winter bird food. SFI26 agreements will run for three years, offering greater flexibility than previous five year commitments.

A key point for all applicants is that SFI26 is a budget limited scheme, meaning application windows may close earlier than planned if the available funds are taken up. Because of this, submitting a well prepared application promptly will be important, as the scheme will close as soon as the budget is fully allocated. DEFRA has also confirmed that they will provide clear updates as funding is committed throughout each application window, helping farmers monitor how quickly the budget is being used.

DEFRA has now confirmed the structure of the Sustainable Farming Incentive 2026 (SFI26), promoting this as a simpler and more predictable scheme for the year ahead.

## Need help?

If you'd like to discuss this in more detail, please get in touch with your usual Larking Gowen contact. You can find contact details in the Our People section of our website. Alternatively, call **0330 024 0888** or email [enquiry@larking-gowen.co.uk](mailto:enquiry@larking-gowen.co.uk).

# Inheritance Tax changes

from 6 April 2026

Before 6 April 2026, qualifying agricultural property could usually receive 100% Agricultural Property Relief (APR) with no value limit, allowing most farms to pass free of inheritance tax (IHT). From 6 April 2026, unlimited relief has ended.



## Relief at 100% for APR and Business Property Relief (BPR)

is now capped at £2.5 million per individual with any qualifying agricultural or business assets above £2.5 million only receiving 50% relief. This creates an effective IHT rate of 20% on the excess (half the standard 40% IHT rate). The £2.5 million cap applies to APR and BPR together, not separately.

The allowance is also now transferable between spouses and civil partners which will include any unused allowance up to £2.5m. This allows a couple to pass on up to £5 million of qualifying farm/business assets at 100% relief. The allowance is also transferable even if the first death occurred before 6 April 2026.



## Lifetime gifts and the seven year rule

still apply and are exempt if the donor survives for seven years and taper relief could apply after three years. If the donor dies within the seven year period then the £2.5m allowance is reduced accordingly. The £2.5m allowance refreshes every seven years, allowing long term succession planning. Donors need to be wary of making Gifts with a Reservation of Benefit, i.e. not continuing to benefit financially from an asset they have gifted, to ensure the gift remains effective for IHT purposes.



**Trusts** are also affected but will have their own £2.5m 100% relief allowance, refreshed every 10 years. Ten year and exit charges calculated on unrelieved values above the allowance. This adds complexity to discretionary and long term farm trusts.



## Instalment options to pay IHT liabilities

have been made more generous allowing for IHT due on APR/BPR assets to be paid over 10 annual instalments and interest free. This is designed to reduce forced land or asset sales where farms are asset rich but cash poor. With the current volatility and uncertainty of profitability for farm businesses, any liabilities will still be difficult to pay without considering sales of assets.

Some aspects of IHT have not changed. This includes the standard nil rate band which remains £325,000 (frozen until at least 2030) and the residence nil rate band (£175,000). However, for the resident nil rate band, for estates valued at over £2m (including assets eligible for IHT relief), the relief reduces by £1 for every £2 over the threshold. Spouse and charity exemptions remain intact and the occupation and ownership rules for APR (two years owner occupied or seven years let) are unchanged. For let farms to be eligible for 100% APR, they must be

either on a Farm Business Tenancy (FBT) or an Agricultural Holdings Act (AHA) tenancy that has been surrendered and re-granted. For AHA tenancies that have not been surrendered and re-granted, the rate of relief for APR is 50%.



## The new rules are slightly more generous

than previously announced by the Chancellor on 30 October 2024 where the combined 100% allowance for APR/BPR assets was set at £1m and it was also not transferable between spouses and civil partners. Most businesses have already reviewed their individual positions but they will require periodic review. This will include, but is not limited to, reviewing current farm valuations against the £2.5m threshold, revisiting wills, partnership agreements and trust structures, if applicable. Businesses that are in corporate structures (e.g. limited companies) will need to review their shareholdings and any shareholders' agreements. Individuals will need to consider lifetime gifts to children or trusts where appropriate as well as planning cashflow, where possible, to meet future IHT liabilities which may also include life insurance policies either on a term or lifetime basis depending on affordability.

# APR and BPR Reforms:

## High Court Challenge Dismissed – What This Means for Farming Families and Businesses

The government's reforms to Agricultural Property Relief (APR) and Business Property Relief (BPR) represent one of the most significant inheritance tax (IHT) changes affecting farming families and family owned businesses in a generation.

These reforms were the subject of a High Court judicial review heard in March 2026. Judgment has now been handed down, with the High Court dismissing the challenge in full, confirming that the new APR and BPR rules remain in force as enacted.

This article summarises the background to the challenge, explains the court's decision, and outlines what businesses and families should now be focusing on.



### What has changed from 6 April 2026?

From 6 April 2026, APR and BPR no longer provide unrestricted 100% relief.

The key features of the new regime are:

- A £2.5 million allowance per individual for assets qualifying for 100% APR or BPR
- Qualifying asset value above this threshold attracts relief at 50%, creating an effective IHT charge of up to 20%
- The allowance is transferable between spouses and civil partners
- The rules apply to death estates, lifetime gifts and trusts, subject to anti forestalling provisions introduced in October 2024

For many larger farming estates and owner managed businesses, these changes materially alter long term succession and estate planning.



### The High Court challenge – what was it about?

The judicial review did not challenge Parliament's right to change APR and BPR.

Instead, it focused on whether the government:

- complied with its own Tax Consultation Framework; and
- Acted lawfully by introducing major reforms without a full public consultation involving those most affected.

The claimants argued that the consultation undertaken was limited and technical in nature, given the scale and impact of the reforms. The government, in response, argued that tax policy formed part of the Parliamentary process and that consultation promises were political rather than legally enforceable.

Given the constitutional significance of these arguments, the case was heard by a Divisional Court in a rare "rolled up" hearing.



### The High Court decision – where are we now?

In May 2026, the High Court refused permission for the judicial review and dismissed the challenge. The Court held that:

- decisions relating to tax policy and the Budget process are matters for Parliament;
  - the government was under no legal obligation to carry out a broader public consultation; and
  - alleged consultation commitments did not give rise to enforceable legal duties.
- [collyerbristow.com](https://www.collyerbristow.com) | [iclg.com](https://www.iclg.com)

As a result, the APR and BPR reforms remain fully effective, with no suspension, delay or requirement for the government to revisit the legislation.

This judgment brings legal certainty: the courts will not interfere with the APR and BPR changes on consultation grounds.



### What should families and businesses be doing now?

With the legal challenge concluded, the focus should shift squarely to practical planning under the new regime, rather than ongoing uncertainty.

Key areas to review include:

- succession and estate plans;
- Wills and ownership structures;
- partnership, shareholder and trust arrangements; and
- modelling potential IHT exposures under the post 6 April 2026 rules.

Early, proactive planning remains the most effective way to manage inheritance tax exposure while preserving business continuity and family objectives.



### Our approach

At Larking Gowen, we continue to support farming families, estates and owner managed businesses as they adapt to the new APR and BPR landscape.

Following the High Court's decision, our focus is on helping clients move forward with clarity and confidence—reviewing structures, identifying planning opportunities, and ensuring succession plans remain workable under the new rules.

If you would like to discuss the implications of the reforms or review your current IHT planning, our Farms & Rural Business and Private Client teams would be pleased to help.



# Making Tax Digital:

What this means for farms and rural businesses

As the first phase of Making Tax Digital (MTD) for Income Tax Self Assessment approaches, many farmers, rural contractors and landlords are beginning to recognise how these changes will reshape traditional approaches to record-keeping and tax compliance.

While the shift to quarterly digital reporting may feel daunting for some, understanding what is coming, and when, can help businesses prepare with confidence.

## Who will be affected?

From April 2026, MTD will apply to individuals with a combined gross turnover above £50,000, based on their 2024/25 tax return. This will include many sole trader farm businesses, rural contractors such as hauliers, mechanics and consultants, as well as landlords with income from cottages, farmland, buildings or commercial units.

Partnerships and limited companies remain outside the scope for now, and rental income reported through a partnership return does not count towards an individual's turnover threshold.

A temporary exemption applies until April 2027 for those who exceed the £50,000 threshold but also claim averaging relief, claim qualifying care relief, or complete either the SA107 (trust/estate income) or SA109 (non-residence) pages and expect to do so again.

From April 2027 the threshold reduces to £30,000, and from April 2028 it drops further to £20,000, drawing more rural businesses into the regime.

## What will change under MTD?

**1. Quarterly digital updates**  
Instead of submitting a single annual tax return, individuals will provide HMRC with four digital updates each year. These updates summarise income and expenses for each quarter and require a more regular approach to maintaining financial records.

**2. Digital, point-of-transaction record keeping**  
Paper-based or retrospective bookkeeping will no longer meet HMRC's requirements. MTD requires that income and expenses are recorded digitally at or close to the time the transaction occurs. For rural businesses, this may mean photographing receipts on-site, issuing digital invoices, enabling automatic data feeds from banks or suppliers, or using mobile apps when working away from the office.

**3. Final declaration**  
At the end of the year, a Final Declaration will replace the traditional Self Assessment return. This brings together all quarterly updates, year-end adjustments such as capital allowances or averaging, and any other income not reported through MTD.

## Illustrative examples

- A farmer exceeding £50,000 turnover but claiming averaging relief will join MTD in April 2027 due to the temporary exemption.
- A sole trader shifting to a partnership during 2024/25 will fall outside MTD initially, as partnerships are not yet included.
- A contractor earning £40,000 from trade and £10,000 from rental income will be within scope from April 2026.
- A landlord with over £50,000 rental income plus trust income requiring SA107 will enter MTD in April 2027 due to the temporary exemption.

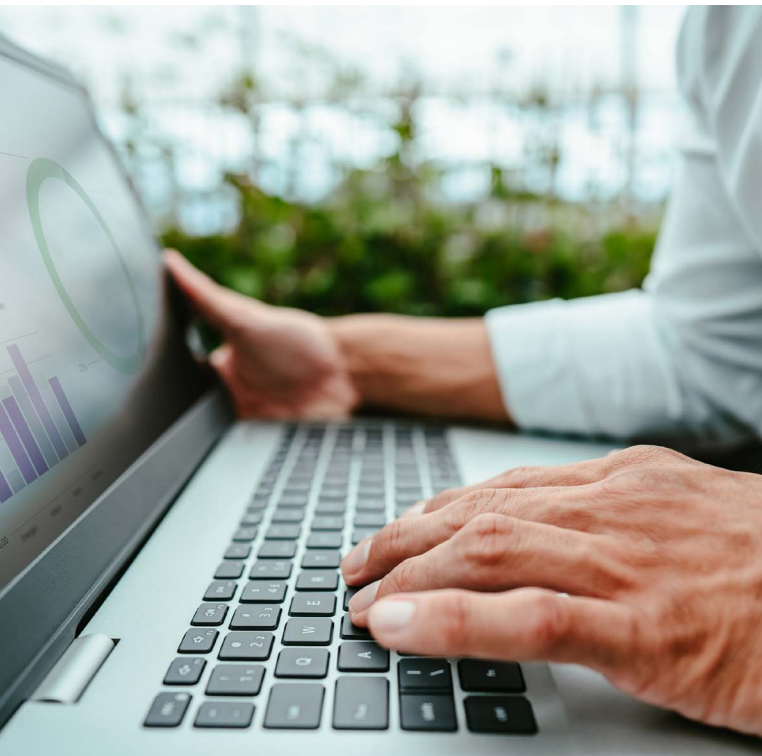
## What should you do now?

Preparing early can make the transition far smoother. Start by identifying whether your turnover brings you into MTD in 2026 or 2027 and check whether any temporary exemptions apply. If you do not already use digital bookkeeping software, now is the time to explore MTD-compatible options and consider which features, such as receipt capture or offline capability, will be most useful for your business.

Introducing digital habits early can build confidence before quarterly reporting becomes mandatory. Training or support from an accountant may also help ensure your new systems run smoothly.

# Preparing for the 2026 Capital Grants Offer

DEFRA has confirmed that £225 million will be available under the 2026 Capital Grants scheme, supporting farmers and land managers with one off environmental improvements across England.



Applications are expected to open in July 2026, with the full list of eligible items and guidance due in May.

The grants will cover capital works such as hedgerow and tree planting, water quality improvements, air quality measures and natural flood management, along with funding for certain assessments and improvements. Spending limits will apply to most categories (up to £25,000 or £35,000, depending on the type of work), and only one application per Single Business Identifier (SBI) will be allowed.

### Practical planning points:

- **Plan early** Demand is expected to be high and funding may be allocated quickly once applications open.
- **Check existing agreements** Any completed works under Countryside Stewardship or previous Capital Grant agreements should be claimed and closed, as land must be released before it can be included in a new application.
- **Prepare evidence in advance** DEFRA is placing much greater emphasis on submitting supporting evidence upfront. Missing evidence delayed or rejected many applications last year. This may include:
  - Proof you control the land (the land may be registered to your SBI or you could provide a tenancy/agreement).
  - Confirmation previous capital works are complete by submitting final claims and confirming the claim is final in the Rural Payment system.
  - Prior endorsement from an advisor. Certain actions (for water and air quality items) require Catchment Sensitive Farming (CSF) adviser approval.
  - Maps and photos.
  - Quotes or cost estimates.
- **Review eligibility and priorities** With spending caps by category, it's important to prioritise works that deliver the greatest benefit to your business.
- **Ensure RPA records are up to date** Business details, land parcels and SBI information should be checked well before the application window opens.

# Out & About



## Yarn in a barn – Community support with Farming Community Network (FCN)

Back in January, more than 150 people gathered at Debenham Leisure Centre for an evening of food and entertainment.

Guests enjoyed a hog roast provided by Peter Havers, who also hosted the evening, while Larking Gowen were proud sponsors of the bar alongside Clarke and Simpson. Entertainment came from Peter Holloway, whose ventriloquist act featuring Peter Havers as his 'dummy' was a highlight of the night.

The event brought together a wide mix of people from across the farming community, creating a lively atmosphere and encouraging open conversation, something FCN actively promotes to remind people that support is available.

Fundraising cheques were also presented to FCN and YANA, thanks to the Eye Christmas Lights Tractor Run and the Suffolk Farming Community Group.

Come and see us at the shows!

27 & 28  
MAY

Suffolk Show  
Stand 618 - map grid reference M6

24 & 25  
JUNE

Norfolk Show

11  
JULY

Tendering Show

Proud sponsors of:

16  
MAY

Hadleigh Show

10  
JULY

Tendering Show  
Preview evening Art and Lifestyle Exhibition

2  
AUGUST

Wayland Show

31  
AUGUST

Aylsham Show

## How we can help:

For more information, see the full blog written by DEFRA - [The 2026 Capital Grants offer – The Farming Blog](#)

- We can assist with cashflow forecasting to ensure there are sufficient funds available to fund the project prior to reclaiming the grant back from DEFRA.
- If your application is over £50,000, the RPA will need to check you have sufficient funds to pay for the work. Usually, they will request a letter from your accountant to confirm you have sufficient funds from profits, reserves or loans to carry out any works outlined in your application.

Ashtons  
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**Working Together, Strengthening Partnerships This Summer**  
Collaboration remains at the heart of what we do, and we're pleased to be continuing our strong relationship with Ashtons Legal by joining their seminars across Norfolk and Suffolk this June.

# Committed to you.

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