Farms and Rural Business Summer Review 2025

Larking Gowen

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Introduction

by Ashley Smith, Farms and Rural Business Partner

Welcome to the summer edition of our Farms and Rural Business review.

As I write this, harvest is in full swing across the country and the fruits of labour over the past year are being gathered in. The dry weather over the past few months, together with current price conditions, will undoubtedly lead to this being a less-than-ideal harvest. Some early results suggest an average result, at best, although for many Oilseed Rape and Beans have performed well. Bruce Masson reports on the early indications on page 3.

It is often the case when running a business of any shape or form that the day-to-day operations get in the way of the wider strategy. The adage goes that it is important to work not just in the business but on it. This is no more vital than at present when wider profitability, coupled with inheritance tax reforms are having a fundamental impact on rural businesses.

We now have draft legislation of the proposed inheritance tax reforms from April 2026, and there are no significant movements or concessions since the initial announcements and consultations. There is a window of opportunity to do some planning whilst unlimited 100% inheritance tax reliefs exist up until April 2026 and I would encourage all businesses to set some time aside to focus on a wider family strategy for succession to consider how your business might navigate the new environment.

Larking Gowen has been running a series of seminars to explain the new Inheritance Tax changes and explore what options might be available. Andrew Whiting has provided a summary of these within the review.

Harvest 2025 update

The 2025 harvest is nearly complete and the results are incredibly variable across the region in what has been one of the most challenging seasons in recent times. The dry conditions that we have experienced from the spring until now meant that harvest was largely uninterrupted by weather but the quality and yields of most crops are well below average. Winter cereal crops generally were drilled in 2024 in much better conditions than previous years and the difference between winter and spring varieties this year has been quite stark. Many spring crops have yielded as much as 40% below average whereas the variances for winter crops was up to 25% difference on yields based on early results. The oil seed rape results were more encouraging and using data up to the middle of August, oil seed rape was the only crop in which most growers reported higher than average yields.

The disappointing yields are also compounded by quality issues as a result of the growing conditions experienced since the spring. Malting barley contracts seem to be the hardest hit with nitrogen levels in the malting barley not at the right levels and the difference between malting and feed barley being around £75/tonne makes a significant difference to cash flow. Overall the cereal prices are frustratingly low which compounds the issues of lower yields and lower quality. One very minor positive is that most growers will incur little or no drying costs due to the drought-like conditions in which the crops were grown.

There has been much in the news recently about vegetable growers and the expectations of lower and poorer quality vegetables than we are used to. The impact of lower rainfall but more importantly the ability or lack thereof to irrigate the crops has impacted vegetable production significantly. Sugar beet crops that established well in spring and enjoyed the sunshine over the summer are now starting to look fairly distressed in certain parts of the region and rainfall is essential now to ensure a good crop can be lifted in the coming months. The 2026 cropping plans may have undertaken many last minute changes as growers grapple with the results of 2025, all will be hoping for an increase in the output prices to offset the poorer performance of 2025.

Bruce Masson
Partner

Employment Rights Bill: It's disappointing as expected

The Government's forthcoming Employment Rights Bill, likely to become law in the autumn, represents the most significant shift in workplace regulation for a generation, and the farming and wider agriculture sector will I am afraid not be immune. For a sector already grappling with labour shortages, rising national insurance costs and other regulatory and taxation fears, the reforms present further challenges.

One headline proposal is the extension of "day one" rights. Entitlements such as protection from unfair dismissal, parental leave and sick pay eligibility will apply from the first day of employment. In practice, this may have a profound effect in agriculture, where seasonal and casual labour is heavily relied upon. Employers will need to ensure contracts, recruitment processes and HR practices are robust from the outset, since the luxury of a two-year qualifying period for unfair dismissal will all but disappear.

Alongside this, the Bill promises stronger protections for "workers" as well as "employees", blurring the traditional divide. Many farms and agricultural businesses rely on casual, flexible staff or arrangements that have sat in a grey area. The reforms may mean that individuals once regarded as peripheral will be entitled to the full suite of employment law protections, increasing the risk profile of what were previously seen as low-liability arrangements.

The introduction of a single enforcement body (to be called the Fair Work Agency), tasked with overseeing labour standards across sectors, will also sharpen compliance pressures. Agriculture has historically attracted scrutiny around issues such as gangmaster licensing, holiday pay, accommodation tied to employment and national minimum wage compliance. The Fair Work Agency will almost certainly bring greater consistency but also the power to enforce and prosecute on behalf of employees, who might otherwise not be able to litigate.

A further change of huge significance to the sector is the radical changes being made to the use of zero-hours contracts, which whilst not being banned entirely, are being limited in scope considerably and will come with the right for the employee to receive offers of guaranteed working hours.

From a practical perspective, farming businesses should begin auditing their labour arrangements now. Reviewing seasonal and zero-hour contracts, tightening recruitment and dismissal procedures, ensuring record-keeping is accurate, and considering the potential cost of enhanced rights will be vital steps. For family-run farms, where HR infrastructure is often informal, this may mean seeking external support to implement basic compliance frameworks.

Ultimately, while the reforms are designed to improve fairness and security for employees, their impact on the rural economy will hinge on how flexibly businesses adapt. Those who take proactive steps to embed compliance and treat workforce planning as strategically as crop planning may be best placed to weather the changes.

Dan Chapman
Head of Employment,
Leathes Prior

Farming profitability review: A new chapter for UK agriculture

The UK Government launched a **Farming Profitability Review** in April 2025 to tackle one of the most pressing issues in agriculture today: making farming a financially sustainable business.

Led by **Baroness Minette Batters**, the review is part of the government's broader **New Deal for Farmers**. It aims to deliver practical, evidence-based recommendations to help farmers succeed in an ever changing and dynamic world, and help farmers strengthen their businesses.

Minette has engaged directly with farmers, growers, and industry stakeholders to identify barriers to profitability and propose practical, system-wide solutions. Her approach emphasises listening, collaboration, and realism - acknowledging that while there's no single fix, meaningful change is possible through collective effort.

Key objectives:

- **Boost Profitability:** Identify ways farmers can reduce barriers to profit, embrace innovation, and manage risks more effectively.
- **Strengthen Supply Chains:** Promote transparency and fairness in how profits and responsibilities are shared across the food supply chain.
- **Diversify Income:** Explore additional activities that can support farm incomes and contribute to rural economic growth.

Scope & strategy:

- The review will focus on **England**, aligning with national goals like **net zero**, the **Environmental Improvement Plan 2023**, and the **UK Carbon Budget.**
- It will run for **six months**, culminating in a detailed report to the Secretary of State.
- Stakeholder engagement is central - ensuring voices from across the farming sector are heard and represented.

Why it matters:

This review acknowledges that farming is not just a tradition - it's a business. By addressing profitability head-on, the government hopes to secure the future of British farming, ensuring it remains resilient, innovative, and environmentally sustainable.

Timing:

The final report is expected to be delivered within six months of Minette's appointment, and therefore we would expect this to be released in October.

Whilst this report will not provide the "silver bullet" and remedy the obstacles faced by those in the industry, we hope that the report content will aid the government to better understand the difficulties facing those operating in the sector.

Laurie Hill
Partner

Renters' rights bill: What it means for Farms and Estates (Updated July 2025)

The Renters' Rights Bill, now nearing Royal Assent, introduces major reforms to the private rental sector. While much of the focus has been on urban lettings, rural estates and agricultural landlords must also prepare for significant changes—especially where properties are let to workers, tenants, or third parties.

Key changes for rural landlords

- **End of Fixed-Term Tenancies:** All assured and assured shorthold tenancies will become periodic by default, affecting tied and seasonal lets.
- **Revised Possession Grounds:**
  - Rent arrears threshold raised to three months.
  - Courts may refuse possession if a tenant's deposit wasn't protected.
- Section 21 'No-Fault' Evictions Abolished: Landlords must now rely on statutory grounds for possession.

Ground 5C – employment-linked possession

Ground 5C allows landlords to regain possession of a property let to an employee once their employment ends. The July 2025 amendments to the bill expand this to include:

- Seasonal and self-employed workers
- Permanent staff
- Those working 35+ hours/week in a business operated by the landlord

This is particularly relevant for tied accommodation on estates. It provides greater legal clarity and flexibility, ensuring landlords can lawfully regain possession when employment ends—whether due to retirement, redundancy, or seasonal work concluding. This supports succession planning, housing rotation, and staff transitions.

AHA 1986 tenancies – excluded

Tenancies under the Agricultural Holdings Act 1986 (AHA 1986) are explicitly excluded from the Bill. This means the following **do not apply** to AHA tenancies:

- The abolition of fixed terms;
- The new periodic tenancy rules;
- The digital landlord register;
- The revised possession grounds.

This protects the existing legal framework for long-term agricultural tenancies, avoiding disruption to land management, succession rights, and multi-generational farming arrangements.

Landlords and tenants under AHA agreements can continue operating under a stable and familiar system.

Pets, portfolios & compliance

- Tenants can request pets; landlords may require insurance or a pet deposit (up to three weeks' rent).
- Estates should review leases to include cost recovery clauses, consider guarantors, and assess portfolio structure.
- A digital landlord register will be mandatory, with penalties up to £40,000 for non-compliance.
- A new ombudsman will handle tenant complaints.

Rental bidding & discrimination banned

Landlords cannot accept offers above the advertised rent or discriminate against tenants with children or those receiving benefits.

Next steps

- **Review tenancy agreements**, especially tied or seasonal lets.
- **Seek legal advice** on lease updates, registration, and compliance.
- **Plan ahead** for transitional rules affecting existing notices and planning agreements.
- Consider options for **potential disposal of residential properties**, if there is a desire to de-risk the business or property portfolio. Please speak with your Larking Gowen advisors to discuss this in more detail and understand the tax implications.

Andrew Whiting
Manager

Welcome to Beyond the Barn – The Business of Farming

We're absolutely thrilled to launch our first podcast series, Beyond the Barn – The Business of Farming. In each episode, we sit down with a guest to explore a wide range of business topics that matter to the farming and rural community.

Farming is no stranger to challenge, and the October 2024 Budget has added to that. It's no surprise the Budget has sparked real concern around future planning and strategy, we've certainly been busy supporting our clients. This podcast series is one way we're addressing those concerns directly, while also covering other important accounting issues.

Each episode brings expert insight, not just from an accounting point of view, but from legal perspectives too. For example, Jeannette Dennis from Ashtons joined Laura Clayton and Laurie Hill to walk through a case study on wills and estate planning. Emma Griffiths from Brown & Co joined Laura and Steve Rudd to unpack planning law reforms and what they mean for farm diversification.

We'll be covering everything from tax (of course), to business structures, succession planning, digital and much more. These conversations show how we're supporting our clients, and we hope they'll give you some useful takeaways too.

One theme runs clearly through every episode: we're here to support you, wherever your journey takes you. We hope you find the series useful. If you've got any questions or feedback, we'd love to hear from you.

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Autumn Farming Conference series

In partnership with the CLA Ashtons LEGAL

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November 2025

BOOKINGS OPEN SOON!

This year, we're going on the road, delivering four seminars across the region, bringing expert insight straight to your local area.

Bookings open 23 September! Scan the QR code to register your interest for these events.

If you're a Larking Gowen client get in touch for your free code: Marketing@larking-gowen.co.uk

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Navigating the new Inheritance Tax landscape: APR and BPR Reforms

On 21 July 2025, the government released draft legislation confirming the long-anticipated reforms to Agricultural Property Relief (APR) and Business Property Relief (BPR), originally announced by Chancellor Rachel Reeves in October 2024. Disappointingly, the draft contained very few changes to the headline proposals, leaving many in the agricultural and business sectors concerned about the significant impact these reforms will have on inheritance tax planning.

With the new rules set to take effect from 6 April 2026, it is now more important than ever for individuals and businesses to understand the implications and begin planning accordingly.

Under the present rules for inheritance tax, APR and BPR apply at a rate of either 50% or 100% but with careful planning, many businesses will have been able to claim unlimited relief at 100%. This is all set to change quite drastically with relief at 100% only available on the first £1m (per taxpayer) of agricultural and business property with amounts in excess of £1m, and eligible for relief, subject to an effective rate of 20% of inheritance tax.

In addition to the above proposals, the thresholds for the nil rate band (currently £325,000) and the residential nil rate band (currently £175,000) have been frozen until 2030. An individual therefore has up to £1.5m of reliefs available but the residential nil rate band is tapered by £1 for every £2 if the value of the estate exceeds £2m (before reliefs and exemptions).

This means once an individual's estate exceeds £2.325m, there is no residential nil rate band available. It is likely that many individuals' estates will not have the residential nil rate band available.

Married allowance

The Government has stated that a married couple could have up to £3m of relief available but this would require a very precise set of circumstances that is practically difficult to achieve. The starting point for a married couple will be £2.65m, in other words, two £1m allowances and two nil rate bands. The £1m allowance, unlike the nil rate bands, is not transferable.

The Government announced a technical consultation for trusts to be undertaken from January 2025. The current proposal is where settlors have created more than one trust before 30 October 2024, each trust will be able to benefit from the £1m allowance for relief at 100% (if the trust property is a qualifying asset) with effect from 6 April 2026. If the trust was created after 30 October 2024, the £1m allowance will be shared amongst the settlors.

Lifetime transfers

Additional guidance was provided on lifetime transfers, for which holdover relief for Capital Gains Tax purposes is still available, made on or after 30 October 2024 if the transferor dies after 5 April 2026.

The first £1m will be eligible for relief at 100% but only 50% relief on amounts in excess of £1m if the transferor does not survive seven years.

It is assumed that taper relief would still be available if the transferor survives the gift by at least three years but this has not been confirmed. Gifts made prior to 30 October 2024 will be subject to the current rules.

The £1m allowance will include the individual's share of plant and machinery and working capital of the business; cash, growing crops, livestock and debtors less any liabilities such as bank loans/overdrafts – which will be subject to BPR. For most businesses, this could be a substantial figure even before the value of the land and buildings is taken into consideration.

Recommendations

The fine details of the proposals will hopefully be released soon so planning ahead on the proposals is challenging but discussions with professional advisors are strongly recommended.

Businesses will more than likely have to restructure and this will almost certainly include a review of the partnership agreements and wills for unincorporated businesses and shareholders' agreements and memorandum and articles of association for companies.

When assets are gifted, the transferor needs to be aware of the 'reservation of benefit' rules. This is if the transferor continues to derive a benefit from the asset they have transferred without a full consideration being paid, the gifted asset could remain in the transferor's estate for inheritance tax purposes and therefore the gift fails.

Options that each business will have to consider include:

- The gifting of assets to a younger generation. The transferor would need to survive the seven years to be completely free of inheritance tax;
- The introduction of spouses or younger generations into businesses, if they are not involved in the businesses already;
- The use of life insurance to cover any Inheritance Tax liability that may arise. This can be effective for transferors who are younger and healthy but may be prohibitively expensive for anyone, say, over 70 years of age;
- Splitting ownership of assets where possible may devalue the assets within businesses to reduce the impact of inheritance tax.

Bruce Masson
Partner

Inheritance Tax Breakfast Seminars: Supporting the farming and rural sector

In light of the Inheritance Tax changes proposed by Rachel Reeves on 30 October, Larking Gowen hosted two breakfast seminars earlier this year tailored to the farming and rural community.

The first seminar took place on 9 April in Norwich, in collaboration with Alan Boswell. The event featured a panel of experts including Larking Gowen partners Ashley Smith, Laurie Hill and Sally Farrow, alongside Dee Myhill and Marc Ward from Alan Boswell and Peter Mason from Ceres Rural. The session was highly interactive with lively discussion and insightful questions from attendees.

Building on from the success of the Norwich event, a second seminar was held on 17 June at the Ravenwood Hotel in Bury St Edmunds. This time, Larking Gowen partnered with both Ashtons Legal and Alan Boswell. The expert panel included Laurie Hill, Bruce Masson and Sally Farrow from Larking Gowen; Richard Guy and Jeanette Dennis from Ashtons Legal; Brendan Tinney from Alan Boswell; and Gerard Smith from Lacy Scott & Knight.

Both events aimed to raise awareness of the proposed tax reforms and their potential impact on typical farm businesses. Key topics included planning opportunities such as the use of trusts, asset gifting and strategies for managing Inheritance Tax liabilities – such as life insurance solutions.

For further insights and updates on this topic, please get in touch or visit our website.

Why team days matter: Learning, connecting, and supporting farming on the ground

Getting the team out on the farm isn't just a welcome change of scenery, it's a vital part of how we support our clients and grow our expertise.

Our recent farm walk at Branthill Farms Limited was a great example. Hosted by brothers Max and Bruin, third-generation tenant farmers on the Holkham Estate in North Norfolk, the visit gave our Farms and Rural Business team a real-world look at the challenges and opportunities facing today's farmers.

Branthill is a working malting barley farm, and Max and Bruin talked us through their approach to managing the land, navigating weather pressures, commodity prices, and making the most of environmental schemes. Their insight helped bring context to the issues many of our clients face.

The farm's successful diversifications were also on show. We visited their glamping site, brewery and bottle shop, now expanded into a beer garden where you can enjoy woodfired pizzas. The family grows and crushes their own malting barley, which is then milled just down the road. This means every pint of their beer is fully traceable, from field to glass.

Max and Bruin also shared the farm's history, how it's evolved over time, and their future plans for the business. Just as valuable was the chance to connect with colleagues across our farming team. Bringing everyone together in person, out on site, adds something you simply can't get in the office. It strengthens our understanding, our relationships, and our ability to make a real difference for the farms and rural businesses we work with every day.

Arabella Baker
Manager

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:

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

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.

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