

Extension to averaging rules a bonus for farmers

AS GEORGE Osborne stood up on March 18 to announce his Budget, many farmers were more likely to be concerned with the weather for spring planting than they were to be looking for the Chancellor to spring a surprise announcement which directly affected them.

There was, though, not only a surprise, but a welcome surprise in the form of an extension and improvement to the farmers' averaging rules.

Farmers' averaging allows self-employed farmers to average the trading results of two adjoining years together to even out fluctuations in profits, thereby reducing tax liabilities.

Farmers are unique in this respect as no other business can average profits, reflecting the special nature of the volatile profits that farmers can suffer due to a variety of factors.

The Government now plans to hold a consultation later this year on the detailed design and implementation of an extension to the scheme which will see the ability to average two years together extended to being able to average five years together.

The measure will come into effect from April 6 next year.

With the first tax year being 2016/17, farmers who have a year ending in

November 2016, for example, will have to wait and see if the government will allow them to average these profits with the previous four years, going back to 2012.

The worst case scenario would be that 2016/17 is the first year, with five-year averaging only being allowed going forward.

The hope will be that as much backdating as possible will be available to give quick relief to those with high profits in 2011/12 who find themselves facing much poorer results now, as is the case for many potato farmers.

● As big spenders on capital equipment, farms have benefited recently from the generous tax relief limits on capital allowances.

These are set to reduce drastically on December 31 when the spending limit decreases from £500,000 to only £25,000.

While making no attempt to change the position, the Chancellor suggested the £25,000 level was too low and the assumption is that should the Conservatives win the election, an increase may be forthcoming in the Autumn Statement.

Regardless of an individual's political persuasion, it is prudent to plan capital expenditure sooner rather than later.



By David Walker, a partner with accountants Thomson Cooper in Dunfermline.

Using a November 30 year end as an example again, the farmer can spend up to £500,000 on plant and machinery in the year to November 30 and obtain relief (if profits permit) whereas in the year to November 30 2016, expenditure in the month of December 2015 up to £41,666 will attract full relief, but only £22,916 will qualify in the period January 1 to November 30 2016.

The accounting year end is important in determining when to buy equipment and, consequently, farmers are advised to talk to their accountant soon to plan effectively.

● Farmers will also appreciate being told that they do not need to complete a tax return anymore. Surprisingly, that is what the Chancellor is proposing.

Before every farmer in the country decides to vote Conservative and sack their accountant, there is a catch however.

The Government propose replacing the annual tax return with a digital tax account.

Presumably, this proposal has support from other major political parties as it is part of the Government drive to real-time information.

Details of PAYE, pensions, bank interest and dividends should be imported to an individual's account automatically direct from third party sources, but as to how self-employed profits interact with this, we will have to wait and see the detail.

Implementation is likely to be some way off.

Mike Cumming, manager at Lour Farms, Ladenford, near Forfar, sent in this photograph of spring cereal drilling in superb conditions. The tractor is fitted with GPS-controlled autosteer with the yellow domed receiver clearly visible on top of the tractor cab. The result is inch-perfect accuracy and arrow straight work. Mr Cumming said: "This does demonstrate how GPS can keep a drill straight on a significant sidling. It really is a 'look mum, no hands!' situation."

