JOHNSTON CARMICHAEL

Where sharp minds meet

# Agricultural Landscape

Our annual newsletter packed full of information and advice

2018

jcca.co.uk

## Welcome to Agricultural Landscape 2018

### Foreword by Robin Dandie, Partner and Head of Agriculture

As Scotland's largest independent firm of Chartered Accountants and Business Advisers, we've been cultivating relationships with the agricultural community for over 80 years. We're very proud of our roots and with many of our own specialists coming from farming backgrounds themselves, we really understand the industry issues that impact on you. With 11 offices across Scotland, we are well placed to advise the agricultural sector up and down the country, offering local knowledge where it matters most.

In this year's newsletter, we share our thoughts and insights on topical issues currently impacting on the sector, including advice on farmers' averaging, investment and succession planning and an update on the Government's plans to 'Make Tax Digital'. We also share an interesting case study to highlight the benefits of farm diversification.

If you would like to know more about any of the matters raised in our articles, please contact me or your usual Johnston Carmichael adviser, details of which can be found at the end of this newsletter.

**Follow our Agricultural team @JC_Agri**



## Contents


4 Farming in a digital age

6 An Eggcellent business in North East Aberdeenshire - A Client Case Study

8 Investment and succession planning tips - Capital Gains Tax deferral reliefs

10 Averaging for farmers

12 Tax implications on rural diversification – how to avoid the VAT minefield

14 Making Tax Digital: What this means for your farm business

15 You don't like pensions? It's time to think again

16 When is a repair not a repair?

17 Succession planning roadshows

18 On the road

19 Meet the Agriculture team










# Farming in a digital age

**Graeme Bell, Business Advisory Senior Manager**

With many businesses and individuals already banking, paying bills and interacting online, the Government's plans to digitalise the tax system through Making Tax Digital (MTD) is a logical step. Digitalising record keeping is one step many businesses have already taken by adopting a cloud-based accounting platform.

As broadband becomes increasingly accessible in rural locations, we are seeing more of our farming clients embracing this digital future and moving away from the traditional methods of record keeping such as manual ledgers, spreadsheets or desktop packages.

As well as ensuring you are compliant with future MTD regulations, there are many other significant benefits to moving your record keeping to a cloud accounting platform:

**1. Bank feeds**

Automated daily bank feeds can save significant amounts of time normally spent inputting data manually. Bank transactions are automatically fed from your bank account, reducing time spent and likelihood of incorrect entries associated with entering manually.

**2. Available anytime, anywhere**

Your accounting data is held securely in the 'cloud' meaning you can access it any time on any laptop/PC, tablet or mobile - all you need is an internet connection and the correct security credentials. The bookkeeping can therefore fit around you and whatever challenges the farm (or weather!) throws at you on a daily basis.

**Cloud accounting software means using web-based software to manage your business finances. It allows you to work securely on your business whenever and wherever you want. The 'cloud' is a collective term describing any remote server, or computer, that stores your data.**



**3. Clear financial overview**

Having real-time financial information available will allow you to check bank balances and review debtors and suppliers at a glance, giving you a clear picture of your finances and cash flow at any time.

**4. Real-time collaboration**

Your accountant or business adviser is able to log in and view your accounting data in real-time, allowing for greater collaboration. Ideal for when reviewing tax planning opportunities ahead of year end and deciding whether to invest in that new piece of machinery.

**5. Monthly subscription**

Cloud accounting platforms are typically available under a monthly subscription with no installation or significant upfront costs required. The monthly subscription fee usually allows you to benefit from automatic updates and software support, which can be a costly element of desktop accounting packages.

Given the obvious advantages of cloud accounting, it will come as no surprise that there are numerous cloud accounting platforms available to choose from. Whether you run a small farm with a few sheep or a herd of a thousand cows, there is a cloud solution for you.

We are well placed to help you understand the benefits of the available platforms, and can offer demonstrations and training to help guide you through the transition from your current record keeping methods onto a cloud platform.

# An Eggcellent business in North East Aberdeenshire - A Client Case Study

### Sheena Ross, Business Advisory Director

Robert Chapman at West Cockmuir, Strichen, along with his wife Ethel and their son Iain run Farmlay Eggs, one of the largest egg production units in Scotland, where they grade and pack 500,000 eggs each day.

Robert is the proud current holder of the Farmers Weekly 'Poultry Farmer of the Year Award', and the farm also holds the RNAS Good Farming Award for 2017.

The family also run the farming arm of the business (R & E Chapman), where they farm over 2,000 acres, split into 1,600 acres in crops and 400 acres in grass, and calve 220 cows.

#### Farmlay eggs

From its humble beginnings as a small farm run by Robert's parents, this family business has steadily grown to the successful enterprise it is today. The egg packing business was started in the early 70's when they decided that instead of producing eggs for others to pack, they would do this themselves. Robert has been ambitious since he joined the farming business on leaving school, and in his own words believes that "being average is not good enough, you have to strive to be the best at what you do".

#### Diversification and expansion

There have been various diversification and expansion projects which the family have invested in over the past few years, and their strategy has been to consider options which complement their main business streams and which will help control their costs. Margins have become increasingly tighter and the only way to remain competitive is to constantly improve efficiency.

One of the issues they had was that the quality of pullets they were getting was inconsistent, so they decided to take this in-house. They now rear 600,000 of the pullets they need for themselves and their producers, which guarantees the standard and quality. Getting a good quality pullet, should help ensure a good quality egg.

#### Transport and business branding

Having reliable transport links is also essential, and they have built up their own distribution team with five arctic lorries travelling the length and breadth of Scotland . Each of these has eye-catching livery, which acts as a great advertisement for the business as they cross the country delivering eggs.

#### Use of robotics

Huge investment has been made over the past couple of years on robots for the packing sheds. These take the drudgery, monotony and physical lifting out of some of the jobs. In the past six years the business has doubled in size and with the use of robots, they have managed to do this with the same number of staff. Staff can be redeployed to more productive and interesting roles, which makes it easier to retain them.

#### Renewable energy

The Chapman family were one of the first businesses in the area to invest in wind power, and have a 750kW turbine, and a share in a 330kW turbine. They also have five biomass boilers, and 200kW of solar power, which between them supply most of the electricity they need for their packing shed, offices, houses on site, hen houses and day old chicks. This helps control costs, and makes them one of the most green and efficient poultry businesses in Scotland.

#### Working with local farmers

Although they started producing all the eggs they needed themselves, because of the amount of eggs they process in a week, they need dedicated producers. They now have 24, mainly local, producers supplying them with the eggs they need.

They also do not have enough grain themselves to feed their own hens, so again they have developed relationships with local farmers who they purchase grain from annually. This also ensures they know the standard of the product they are buying.

#### Team effort

Although it is Robert's name attached to the Poultry Farmer of the Year Award, he is quick to point out that this is a team effort. From the dedicated support he has from his family, namely Ethel and Iain, to the great quality team of staff they have built up over the years, with many long-standing employees whom they are relying more and more heavily on. He maintains that throughout the journey, Ethel has been the steadying influence on him and is a huge part of the success.

#### Johnston Carmichael

Robert states that the family has a fantastic working relationship with Mike Pitman in their local Johnston Carmichael office of Fraserburgh. Any member of the Farmlay team can pick up the phone and speak to a member of staff in Fraserburgh about any query. One of the main strengths they feel Johnston Carmichael has is that there are specialists on call to cover all areas, and as their business has grown they have had to call on these specialists more, but all through a local contact in Fraserburgh.

#### Awards

Although the family are extremely proud of the awards the business and owners have won over the years, it is done not for glory, but to help raise the profile of the business, and ensure they are taken seriously. It also confirms they are at the peak of their industry and set a high standard with a quality product.

#### Future

The sector they work in is unsupported, so to remain viable they need to keep looking ahead, react to the market and grab opportunities. Currently, they are working on a new green enterprise which is a Combined Heat and Power (CHP) plant.

Reputation is everything, and the quality and service provided must be second to none. However, it is important to let the next generation have a say and get a chance to make mistakes.

Robert has great confidence in his farm's product and what they do. "Eggs are a tremendous product, they are healthy, full of protein and vitamins and are a natural product with no additives. There is a lot going for this industry and I have huge optimism for the future."

# Investment and succession planning tips - Capital Gains Tax deferral reliefs

## John Todd, Tax Partner

Capital Gains Tax (CGT) is a common tax considered as part of asset investment and succession planning of farming businesses.  In the last 10 years, the rates of CGT for individuals have seen major fluctuations which could be repeated in the next decade. However there are reliefs available that can pave a path for farmers to invest in, which could involve replacing business assets or to plan for succession which can handily defer the payment of CGT to a later date.

This article briefly considers three such CGT reliefs namely; Replacement of Business Assets relief (Rollover Relief), Gift of Business Assets relief (s165 relief) and Gift relief on gifts which are chargeable to Inheritance Tax (IHT) (s260 relief).

### Rollover relief

Taxable gains arising on the sale of certain trading assets can be deferred if the proceeds from a sale of the old asset are reinvested into a new replacement trading asset.

The gain of the old asset is rolled over and set against the purchase cost of the new asset for the purposes of CGT. This delays the point the gain is taxed for CGT but increases the eventual taxable gain arising on the subsequent disposal of the new asset which could, in turn, potentially be eligible to be rolled over again.

Only certain listed categories of business assets are eligible for this relief and this list excludes company shares and moveable items such as tractors and machinery. Commonly, this relief is used for disposals of land and buildings e.g. sale of farmland reinvested in a furnished holiday let property.

There is also a 4-year window of 12 months before and 36 months after the disposal of the old asset for the proceeds to be reinvested in the new asset which provides a helpful period of time to identify and assess new investment assets.

### S165 relief

This relief applies to gifts of specific business assets which would ordinarily incur a ‘dry’ tax charge where a CGT liability arises from a gift, but does not produce cash proceeds for the donor to use to pay the CGT.

The relief applies to certain business assets used in a trade of a sole trader or partnership, including agricultural farmland held which is eligible for Agricultural Property Relief for the purposes of IHT. The relief is also available for unquoted shares of trading companies, provided the trading activity of the company is at least 80% of its total activities.

S165 relief can be helpful in family succession planning, however there are common circumstances where the relief may not apply. For example, if the intended recipient of the gift is not UK resident at the time of the gift.

In practice, this could be the case if there is a desire to pass an interest to a child who may be spending some time, working or otherwise, outside of the UK. However, in this case there is a second gift relief that can offer an alternative planning route.

### S260 relief

This is a second form of gift relief for CGT and applies to chargeable lifetime gifts for IHT purposes.  This typically arises when gifts of assets are made to a UK trust by UK residents.

With planning, gifts of assets or business interests which attract 100% Business Property Relief or utilising an individual’s nil rate band for IHT, can provide an efficient way of passing assets into a discretionary trust to hold the assets where an intended successor is not ready to receive them e.g. an expressed wish of a grandchild to get into farming later in life or when a child is currently abroad.

### Conclusion

These three CGT reliefs can be very useful for asset investment and succession planning, deferring the payment of CGT on gains arising on the sale or gifting of business assets. These reliefs do have a number of detailed conditions and there are interactions with other taxes which should also be considered.

It is important that you obtain professional advice before making any final decisions about what is the best course of action for your circumstances.

# Averaging for farmers

## Senga Prior, Tax Manager

The tax year to 5 April 2017 saw the introduction of 5-year averaging for farmers.

Many of you will already be familiar with the concept of 2-year averaging, allowing farmers to average trade profits over 2 years to help smooth out fluctuations. Since the introduction of 5-year averaging, some of the rules/conditions have changed, while some remain the same and it is worth explaining all of these first.

1. Farming means the occupation of land wholly or mainly for the purposes of husbandry but does not include 'market gardening'. It does include the intensive rearing of livestock or fish on a commercial basis for the production of food for human consumption.

2. Claims can be made by sole traders or partners in a partnership.

3. No claims can be made for averaging that include the first year or the last year of trading.

4. For 2-year averaging the difference between the 2 years must be more than 25% of the profits of the better year (losses count as a nil profit). For 2015/16 and earlier years if the difference was between 30% and 25% then partial relief was available.

5. For 5-year averaging, the difference between the last year and the average of the previous 4 years must be more than 25% of the profits of the higher figure OR if any of the years has a nil profit or a loss then averaging is possible.

6. Averaging is not available to companies.

7. Averaging is not available where the cash basis is used. (Cash basis is a simplified method of accounting. If you are using an accountant to prepare your accounts it is unlikely that you are on cash basis).

Averaging profits does not change the earlier years' tax returns. Instead, an adjusting figure is entered in the latest year's tax return to account for the increase/decrease in total tax for the previous years. The latest year, however, is adjusted to show the new averaged profit.

A couple of examples will best illustrate the above points:

**Farmer Giles**

**Before averaging**

| Tax Year | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|---|---|
| Profits | Nil | 2,000 | Nil | 10,000 | 50,000 |
| Tax @20% | 0.00 | 0.00 | 0.00 | 0.00 | 6,400.00 |
| Tax @40% | 0.00 | 0.00 | 0.00 | 0.00 | 2,800.00 |
| NIC * | 0.00 | 0.00 | 0.00 | 320.20 | 3,430.20 |
| **Total Due** | **0.00** | **0.00** | **0.00** | **320.20** | **12,630.20** |

* National Insurance Contribution (NIC)

The total liability for all 5 years is £12,950.40.



**Averaging**

The first thing to check is whether the profits meet the percentage criteria. As there are nil profits in one or more of the years, then averaging is automatically allowable.

All the profits are then added together and divided by 5. (Losses would be taken as nil, not a deduction from the total).

The tax and NIC for each year is then recalculated.

| Tax Year | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|---|---|
| Profits | 12,400 | 12,400 | 12,400 | 12,400 | 12,400 |
| Tax @20% | 859.00 | 592.00 | 480.00 | 360.00 | 280.00 |
| Tax @40% | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| NIC | 431.55 | 418.05 | 399.96 | 536.20 | 536.20 |
| **Total Due** | **1,290.55** | **1,010.05** | **879.96** | **896.20** | **816.20** |

The total liability for all 5 years is now £4,892.96 saving £8,057.44. The difference between the tax and NIC already paid for the 4 early years (£320.20) and the amounts per the table above (£4,076.76) being £3,756.56 is entered as an addition to the 2016/17 tax return.

The saving has resulted from now using previously wasted personal and NIC allowances and now charging all tax at basic rate.

Not only will there be this saving in tax and NIC due, there will also be a cash flow advantage in that payments on account for 2017/18 have been reduced from £6,242.30 to nil.

**Farmer MacDonald**

| Tax Year | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|---|---|
| Profits | 30,000 | 10,000 | 25,000 | 22,000 | 24,000 |

In this example the average of the first 4 years is £21,750. Averaging is not possible as the difference between this and the final year is £2,250 and this is not more than 25% of the higher figure (25% of £24,000 being £6,000).

These examples are very simple compared to real life situations. In reality, calculations are complicated by various things such as previous averaging claims, previous loss relief claims, calculating the best use of losses as well as averaging, the existence of other income, liability to Class 4 NIC changing and capital gains to name a few.

There are also tax planning opportunities. For example, if in the earliest year there were high profits and there is a possibility of a loss occurring in a later year due to the purchase of a large item qualifying for capital allowances, it is important to get the timing right so that the earliest high profit year does not fall out of the averaging calculation.

As with all tax matters it is important to take advice from your adviser before making any decisions. As you can see from above, things are never as simple as they seem!

# Tax implications on rural diversification – how to avoid the VAT minefield

## Alistair Miller, Senior Tax Manager, VAT

In today's uncharted economy, rural and farm diversification is becoming increasingly commonplace, as those with businesses in the agricultural sector endeavour to protect their income streams from unpredictable market conditions.

Farms and rural businesses are embracing diversification to create other areas of income; such as creating a tourist attraction, offering bed and breakfast or selling produce via a farm shop or cafe. Some farms may even close and start an entirely different business on the land available.

Whilst farm diversification can be a complex process, it can also be very rewarding.

Around half of all UK farms now incorporate some form of diversified activity in their farming business, bringing an average of £10,400 extra revenue per farm*. Other benefits of farm/rural diversification include:

- making better use of a farm's physical resources and characteristics
- finding new uses for the rural environment
- integrating a farm with - and recycling money within - the rural economy

There are few limits on diversification. They can be either agricultural or non-agricultural, such as:

- livestock products - e.g. producing and selling sheep cheese, llama farms and goat dairying
- crop products - e.g. growing and selling speciality flowers, energy crops
- retail outlets and catering - e.g. opening a farm shop
- training and promotion of rural crafts - e.g. offering dry stone walling workshops
- opening facilities for craft making and retailing
- tourism - e.g. opening land up for camping or a bed and breakfast

Before deciding to diversify, it's essential to carry out a detailed assessment of the existing business. Financial accounts can help demonstrate how moving in a new business direction could impact on turnover. You will also need to have all your tax information to hand, so you can discuss tax planning with a professional adviser.

Rural diversification can take shape in several forms from opening retail outlets, selling ice cream, hosting shooting parties, holiday lets, long-term lets or bed and breakfast. When assessing the tax implications of each of these diversification routes, it's important to note that the VAT liability of these different activities can also take several forms. It is crucial that VAT is accounted for correctly.



Diversification brings about a VAT element that may not always be considered.

While opening a farm shop café may seem straightforward, the VAT treatment of products sold can vary from item to item. This variation increases yet again if you offer take-away food and drink items.

While most incomes sources may be subject to VAT (standard-rated, reduced-rated and zero-rated) some activities may be exempt from VAT. Where a business has taxable and exempt income then 'partial exemption' calculations must be carried out, often causing confusion and uncertainty on the recovery of VAT on costs.

So, what may appear on the face of it as a simple undertaking, can quickly turn into a VAT minefield.

Incorrect VAT returns submitted to HMRC can have serious consequences. These include assessments for underdeclared VAT, interest charged on underpaid VAT and the potential of financial penalties for errors in a VAT declaration submitted to HMRC.

Additional consideration should be given to setting up the new enterprise as a separate entity. The implications of operating a diverse income through a separate legal entity need to be fully explored. VAT registration will be required if the taxable turnover of the entity is over the specified threshold. There may be other tax implications which need to be addressed in setting up a separate entity. Professional advice should be sought before deciding on a separate entity.

Before you diversify, it is important to consider the full tax implications of your undertaking.

You should seek professional advice in advance of any undertaking to ensure the tax implications are fully understood.

*Source: https://www.gov.uk/guidance/diversifying-farming-businesses

# Making Tax Digital: What this means for your farm business

## Neil Steven, Business Advisory Partner

Farm businesses have less than a year to go to get ready for new VAT rules that will require them to keep digital records and submit their VAT returns from compliant software.

Making Tax Digital (MTD) is the most fundamental change to the administration of the tax system for at least 20 years. The changes are so fundamental that it is necessary to review your current record keeping systems.

### What category do you fall into?

**1. VAT registered & above VAT threshold - mandatory**

If your farm business is registered for VAT and your turnover is above the VAT threshold of £85,000, you will be required to keep digital accounting records and to file your VAT returns using MTD compliant software from April 2019 (the first VAT period starting on or after 1 April 2019).

The current online VAT return will not meet the requirements. Pilots of MTD for VAT are currently underway.

**Action to take:**

If you fall into this category it's essential you speak to your accountant as soon as possible to discuss your transition to MTD to ensure you are ready for MTD reporting for VAT by Spring 2019, as well as considering the transition of other taxes.

**2. VAT registered but below the VAT threshold – voluntary**

If your farm business is registered for VAT but your turnover is below the VAT threshold £85,000, you will not be required to keep digital accounting records or to file your VAT returns using MTD compliant software until 2020 or later. You can, however, voluntarily opt to move to keeping digital records which could be better for you in the long run. The current online VAT return will not meet the requirements of MTD but will continue to be available until at least Spring 2020.

**Action to take:**

Although there is not an obligation or an immediate deadline, this is a good opportunity to start thinking about moving your records and reporting online, that way you'll be ready well in advance of other reporting requirements in the future.

**3. Non-VAT registered**

If you are not currently VAT registered, MTD for VAT will only be relevant to you if you become VAT registered.

**Other taxes – looking ahead**

Income Tax (self-employed, partnerships, trusts and landlords who compete self-assessment tax returns): MTD is expected to become mandatory for income tax reporting, but not before 2020. Pilots of MTD for income tax started on a small scale in April 2017 and will be rolled out to all businesses who wish to participate in the coming months.

**Corporate Tax (companies)**

The timings for MTD for corporation tax have yet to be confirmed but it will not become mandatory before April 2020.




# You don't like pensions? It's time to think again

## Rory Brand, Financial Planner, JC Wealth

As a Financial Planner on more than one occasion a client has said to me "I don't like pensions" and my question is "why?".

I have heard a variety of reasons but most often it is having had a poor experience or a past generation not believing in pensions becomes a mantra for future generations. Most of the time though once we have talked through the benefits I normally find opinions can change.

Quite simply for those who can afford to, saving in to a pension can be one of the most advantageous financial planning tools you have at your disposal. Not only are pensions great for reducing tax liabilities they can provide an income source in retirement and they can help with succession planning and inheritance tax planning.

Historically, pensions have provided an income in retirement and for most people this is still true but, with pension freedoms, the way in which pensions are utilised is changing. In the past a pension could have been the first savings pot you would have turned to for income in retirement but now it may be the last.

Who should contribute to pensions? Arguably, everyone under the age of 75. When you pay in to a pension you receive tax relief at your marginal rate. Those without an income can even contribute to pensions, up to £3,600 a year with a net cost of £2,880, an instant 20% uplift. But those who benefit most are higher earners for whom paying in to pensions can have other valuable benefits, such as regaining your personal allowance or for families in receipt of child benefit, pensions can be used to ensure you retain the child benefit when a parent is earning over £50,000 per annum.

A drawback to pensions is that you cannot access a pension currently until the age of 55. When you access a pension you will normally receive 25% tax free, often referred to as tax free cash and the remainder will be taxable as earned income. If you contribute to a pension as a higher or additional rate tax payer and then draw your pension as a basic rate or non-tax payer you will receive significantly more in return than your contributions without having to rely upon growth.

The biggest change though, is that for some, pensions are not drawn any longer and may never be. Pensions can be used as a very efficient way to pass money to the next generation. Pensions will pass on free from inheritance tax and in some circumstances the next generation may be able to draw the pension free from income tax.

More and more we are seeing pensions being used as a tool to help with succession planning. With our agricultural clients we tend to see the farming assets pass down generations but not always in an equal split to the next generation. For the children who may not be benefiting from the farming assets they could benefit from their parent's pensions. This will leave you in control in your lifetime should you require to access the funds, while knowing you can build up significant wealth within a pension without having to be concerned about the impact of inheritance tax.

As pensions benefit from these tax privileges almost all will find that they are one of the most important planning tools you have at your disposal. Pensions may not necessarily be used by all to provide an income in future but for those that need to consider succession planning and inheritance tax planning, there are a lot of reasons to like pensions.

# When is a repair not a repair?

## Elaine McKilligan, Business Advisory Director

We are often asked whether shed repairs, improvements or alterations attract tax relief. As is often the case with tax legislation, it depends!

Generally, a repair is an allowable deduction from trading profits, thereby providing tax relief. And the cost of replacing a shed, or making significant improvements to it, will be capital expenditure and will not initially attract tax relief.

### Replacements

The like for like replacement of a shed roof will generally be allowed as a repair. Modern materials may be used, such as steel girders replacing wooden beams, or replacing slates with profile sheeting. As long as the shed is still being used for the same purpose as before, the work will likely be deemed to be a repair.

However, if the roof has been raised so that the shed can be used for a different purpose, such as tipping grain, then the character of the shed will have changed, thereby suggesting capital expenditure instead of a repair.

The replacement of the whole shed will be capital expenditure rather than a repair.

### Alterations

A shed may be altered so that it has a different use. In this case, HMRC advise that this will not be allowable as a repair. This could include the conversion of one or more small sheds into one larger shed, or building an extension onto an existing shed.

### Change of ownership

Perhaps you have recently acquired a farm steading. Routine repairs and maintenance will be allowed as an expense. However, if the shed has been acquired in a run-down condition, the costs incurred in getting that shed back into a useable condition will be capital expenditure, and therefore not allowable as a repair.

### Character of the shed

When there is any doubt, consider the results of the work carried out. Can the shed simply be used to do the same job as before? If yes, then it is likely that the work will be a repair.

Can the shed be used for more than before? Or can it do something different? If yes, then the character of the shed is likely to have changed and suggests that it is capital expenditure rather than a repair.

### Tax relief on capital expenditure

Capital allowances can be claimed on certain integral features, such as electrical or water systems within sheds.

Capital expenditure that does not qualify for capital allowances will be carried forward until the shed (or farm) is sold, at which point a deduction should be given from any capital gain arising.

### Photographic evidence

We recommend that photos are taken of the shed and surrounding area before any works are undertaken, with further photos taken after the work has been completed. These have proved to be invaluable when HMRC challenge the tax treatment.

### Professional advice

There can be a fine line between an allowable repair and disallowable capital expenditure, so we recommend speaking to your usual contact for advice specific to your situation, preferably in advance of the work being undertaken.



# Succession planning is key - it’s never too early to think about the future

## Jane Mitchell, Business Advisory Senior Manager

Recently, Johnston Carmichael have been hosting a number of succession planning events around Scotland, with events held so far across the country from Ayr to Inverness. An event planned for Ballachulish in the West was postponed due to the unseasonal snow at the beginning of March and is being planned for later in the spring. Some of the sessions were supported by presentations from the Farm Advisory Service, Clydesdale Bank and Handelsbank.

The events are deliberately kept small to allow for discussion and over 90 people have attended the sessions to date, which aim to get people thinking about succession.

The main topics covered included thinking of those who will succeed you in the business and when that is likely to happen. Consideration should be given as to what your asset base is worth, what income you will have to live on, and particularly if you are no longer taking an income from the farm, as someone else is doing more of what you used to be fit to do.

The sessions have been run with a view to people planning their retirement and thinking about the appropriate time to pass over assets to who they wish them to go to as opposed to illness or death forcing the issue.

Communicating your succession plan to those affected is as important as making your plan. So often we assume that we know who our successors in the business will be and how they will run the business. Unless the questions are asked, assumed answers are not always right; ‘you don’t know what you don’t know’.

Questions to ask yourself as a starting point in thinking about your succession plan are:

- Do you wish to farm forever?
- What would happen to your asset base in the event of you being incapacitated or dying?

From the super attendance at the sessions, a diverse range of questions have arisen and a couple of examples are:

- Although I feel that I can farm forever, I know that is potentially not a reality and where do I start on a succession plan?
- How can I fairly distribute my asset base between my children when some work on the farm and some don’t?

The succession planning events continue to run across Scotland, so please contact your local Johnston Carmichael office for future dates and venues if you wish to book a place.


# On the road

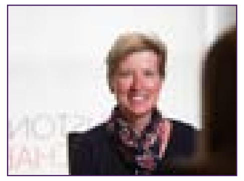
We will be taking a stand at the following shows this year, so please pop in for a refreshment and a chat with the team.

| | |
|---|---|
| **9 June 2018** | **Angus Show** |
| **21–24 June 2018** | **Royal Highland Show** |
| **1-2 August 2018** | **Black Isle Show** |
| **3-4 August 2018** | **Perth Show** |
| **5-6 August 2018** | **Turriff Show** |



# Meet the Agriculture team


Robin Dandie
Partner and Head of Agriculture
**Forfar**
01307 465565
Robin.Dandie@jcca.co.uk


Jane Mitchell
Senior Manager
**Inverurie**
01467 621475
Jane.Mitchell@jcca.co.uk


Alex Docherty
Partner
**Edinburgh**
0131 220 2203
Alex.Docherty@jcca.co.uk


Neil Steven
Partner
**Edinburgh**
0131 220 2203
Neil.Steven@jcca.co.uk


Lorna Cruickshank
Senior Manager
**Elgin**
01343 547492
Lorna.Cruickshank@jcca.co.uk


Karen Wilson
Senior Manager
**Forfar**
01307 465565
Karen.Wilson@jcca.co.uk


Sheena Ross
Director
**Fraserburgh**
01346 518165
Sheena.Ross@jcca.co.uk


Elaine McKilligan
Director
**Huntly**
01466 794148
Elaine.McKilligan@jcca.co.uk


Jennifer Cormack
Partner
**Huntly**
01466 794148
Jennifer.Cormack@jcca.co.uk


Stephen Dickie
Partner
**Huntly**
01466 794148
Stephen.Dickie@jcca.co.uk


John Todd
Partner
**Inverness**
01463 796200
John.Todd@jcca.co.uk


Graham Leith
Partner
**Inverurie**
01467 621475
Graham.Leith@jcca.co.uk


Maureen Duncan
Director
**Inverurie**
01467 621475
Maureen.Duncan@jcca.co.uk


Senga Prior
Manager
**Perth**
01738 634001
Senga.Prior@jcca.co.uk


Graeme Bell
Senior Manager
**Stirling**
01786 459900
Graeme.Bell@jcca.co.uk


Peter Innes
Partner
**Stirling**
01786 459900
Peter.Innes@jcca.co.uk

# Where sharp minds meet


**Aberdeen**
01224 212222

**Edinburgh**
0131 220 2203

**Elgin**
01343 547492

**Forfar**
01307 465565

**Fraserburgh**
01346 518165

**Glasgow**
0141 222 5800

**Huntly**
01466 794148

**Inverness**
01463 796200

**Inverurie**
01467 621475

**Perth**
01738 634001

**Stirling**
01786 459900

jcca.co.uk


JOHNSTON CARMICHAEL