

## IHT agricultural property relief changes

Synopsis: The Government's response to last year's consultation seeking views on the taxation of ecosystem service markets, and the potential expansion of agricultural property relief (APR).

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In the 15 March 2023 Spring Budget, the Government announced that it was exploring elements of the tax treatment of environmental land management and ecosystem service markets.

Part 1 was a call for evidence on the tax treatment of the production and sale of ecosystem service units.

According to the Government, some tax advisers, industry representatives, and the recent Rock Review of tenant farming in England had highlighted a desire to clarify the tax treatment in this area. The aim of this call for evidence was to understand the commercial operations and the areas of uncertainty in respect of taxation.

Part 2 was a consultation about the scope of APR.

According to the Government, concerns had been raised by some tax advisers and industry representatives that the current scope of APR is one potential barrier to some agricultural landowners and farmers making long-term land use change from agricultural to environmental use. The aim was to explore the extent to which the current scope of APR may represent a barrier and, if necessary, potential updates to the scope of the existing land habitat provisions in the relief.

The Government is not considering changes to business relief.

The Government said that it would respond to the Rock Review in full in due course. However, the Government also used the consultation to explore in more detail a recommendation in the Rock Review to restrict the application of 100% APR to farm business tenancies of at least eight or more years under the Agricultural Tenancies Act 1995 and secure agreements under the Agricultural Holdings Act 1986.

The Rock Review suggests this would encourage landlords to grant long term tenancy agreements and encourage tenants to enter long-term environmental agreements.

On 6 March 2024, the Government published its response to the consultation, saying it has decided...

- to establish a joint HM Treasury and HMRC working group with industry representatives to identify solutions that provide clarity on the taxation of ecosystem service markets where existing law or guidance may not provide sufficient clarity;

- to extend the existing scope of APR from 6 April 2025 to land managed under an environmental agreement with, or on behalf of, the UK Government, Devolved Administrations, public bodies, local authorities, or approved responsible bodies. Relief will be available where there is an agreement or undertaking in place for the environmental land management scheme on or after 6 March 2024. This includes an agreement or undertaking entered into before 6 March 2024 if it remains in place on or after 6 March 2024;
- not to restrict APR to tenancies of at least eight years.

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