

Environment, Food and Rural Affairs Committee

Oral evidence: The future of farming, HC 527

Wednesday 11 December 2024

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Members present: Alistair Carmichael (Chair); Tonia Antoniazzi; Sarah Bool; Charlie Dewhurst; Helena Dollimore; John Glen; Josh Newbury; Andrew Pakes; Jenny Riddell-Carpenter; Henry Tufnell.

Questions 1 - 79

Witnesses

[I](#): David Sturrock, Senior Research Economist, Institute for Fiscal Studies (IFS); Dr Arun Advani, Director, Centre for the Analysis of Taxation (CenTax); Jeremy Moody, Secretary and Adviser, Central Association for Agricultural Valuers (CAAV); Stuart Maggs, Partner, Howes Percival LLP.

[II](#): Tom Bradshaw, President, National Farmers' Union (NFU); Victoria Vyvyan, President, Country Land and Business Association (CLA); Robert Martin, National Chair, Tenant Farmers Association (TFA).

Written evidence from witnesses:

- [Dr Arun Advani](#)
- [Tenant Farmers Association \(TFA\)](#)

Examination of witnesses

Witnesses: David Sturrock, Dr Arun Advani, Jeremy Moody and Stuart Maggs.

Q1 Chair: Good morning everybody, and welcome to this public evidence session of the Environment, Food and Rural Affairs Committee. We are joined this morning by a couple of colleagues from Committees outside our own membership. We are joined by the chair of the Northern Ireland Affairs Committee, Tonia Antoniazzi, and John Glen, member of the Treasury Committee.

This morning we are going to be scrutinising the potential impacts of the proposed changes to agricultural property relief and business property relief on the farming sector as part of our recently launched inquiry into the future of farming. We have two panels of witnesses today, and we shall be pushing hard to get as much information in to a relatively short period of time as possible. So, as is always the case, less is more on these occasions; brevity is appreciated. For my own part, I would simply remind the Committee and those observing our proceedings of the declarations previously made to this Committee and those included in my entry in the Register of Members' Financial Interests.

Gentlemen, good morning. You will see we have not incurred too much taxpayers' money in keeping the Committee room warm for you this morning. Can I ask you first for the benefit of the meeting and for the official record to introduce yourselves? Perhaps we will just start on the left and work along the panel.

David Sturrock: Good morning, I am a senior research economist at the Institute for Fiscal Studies.

Dr Advani: Good morning, I am an associate professor in economics at the University of Warwick, and I am director of the Centre for the Analysis of Taxation.

Jeremy Moody: I am secretary and adviser to the Central Association for Agricultural Valuers representing, qualifying and briefing some 3,000 of those advising farmers and owners and others across the whole United Kingdom.

Stuart Maggs: Good morning, I am head of private client services at House Percival LLP. I specialise in estate and succession planning for farmers and other business owners.

Q2 Chair: Thank you very much. We are very grateful to you for your time and providing written evidence for us as well this morning. David and Arun, can I maybe start with you first, looking at the rationale for reforming APR and BPR from an economic and taxation perspective? Government have stated that their measures will tackle tax avoidance by the super-wealthy. Who are the super-wealthy in this context and how effective do you think they will be in that aim?



David Sturrock: Looking at who would be affected by this change in tax, it is those who would hold some combination of agriculture and business property above a certain amount at death in their estate. I do not have an exact definition of who the super wealthy would be, but we would expect that as a result of these changes, the effective tax rates on what are, in some sense, the relatively largest estates of multiple millions, would pay a higher tax rate as a result of this. The degree to which that happens depends on how people react, whether they take other action such as making lifetime gifts so that their wealth does not fall into their estate. But I would expect this will have some impact on those with very large estates.

Chair: Dr Advani?

Dr Advani: For most people, inheritance tax gives you about half a million pounds that is tax-free when you include the two main allowances, and then you pay a 40% rate above that. So, you would expect that as people have more wealth you would end up getting towards a 40% rate on average across their estate. If you look at the estates that are worth £10 million, the average tax rate that is actually paid on inheritance is about 23%. That varies a lot though because a quarter of people at that level are paying something like 37%, another quarter are paying less than 9%, and one in six at that level are paying less than 4%. So, there is a huge range among people with high levels of wealth in the amount they are paying in inheritance tax. So, there may be a case for having particular reliefs with stated purposes.

What is really important for this and other Committees to scrutinise is exactly what reliefs there are. Are they serving their purpose at the moment because they are creating this huge inequality, even among wealthy people, in how much tax is being paid? That is really the question.

Q3 **Chair:** The purchase of land is a fairly well-documented route for people wishing to avoid inheritance tax, not necessarily even for food production purposes. To what extent do you feel that these changes are going to catch these people? Do you think it will discourage them from making these investments in the future? Who else might be caught up in the net?

Dr Advani: The concern with the way the reform has been done is that it still leaves a 20% effective rate. That is not quite how it works, but there is roughly a 20% effective rate above the threshold that has been set. One reason for doing that is because there are farmers who you might be concerned about who have wealth a bit above the current tax-free threshold who you want to give a lower rate to because of the well-documented concerns about incomes of farmers. But the downside is it still means that if you have, say, £100 million or £1 billion that you want to put into farmland, a 20% rate is still much more attractive than other sorts of assets. So, this world will still have people who want to buy up agricultural land competing with genuine farmers trying to expand their



farm who are actually wanting to work on the land. Those farmers are still going to have to compete with much better-off people.

One other quick thing to add is that this came in a Budget in which there were other reforms removing some of the relief around pensions and bringing former non-doms into inheritance tax, and so there are actually more people now who will be looking for ways to reduce their inheritance tax bill which might, if anything, drive up the amount of demand for agricultural land that is still relatively tax-privileged.

Q4 Chair: I do not want to put words in your mouth, but I get the suggestion that you think that it is unlikely that some possible implications or consequences of this that we have heard spoken about is the lowering or slowing of land price inflation.

Dr Advani: The 20% tax rate for agriculture on its own would probably slow it slightly but not as much as it could do if it had been 40% after some threshold, but other changes made at the same time mean that overall, the net effect of the Budget is probably not going to be that—

Chair: Significant.

Q5 John Glen: Could I ask you about business rollover relief? There is a wide consensus that people who sell businesses to defer capital gains tax by buying large tracts of land are who most people feel should be dealt with. Could it not have been more effective and more targeted to use business rollover relief to tackle those people who were getting massive relief from capital gains tax, and would that not have yielded more than using this mechanism which allegedly risks bringing in practising farmers who will be more troubled by the outcome?

Dr Advani: For the benefit of the Committee in case not everyone follows all the tax details, if you sell assets that are normally liable to capital gains tax and you purchase agricultural land, then you do not have to pay the capital gains tax upfront. You essentially get a relief while you are buying that. A fairly standard planning strategy would be to sell those assets, get your large gain, and purchase agricultural property. If you hold that until you die, then you are relieved of inheritance tax, but also relieved of the capital gains tax because you do not pay capital gains tax on assets you hold until death.

That is something that does not seem to have been looked at in this Budget but certainly should be scrutinised because it causes this exact problem: relief for any asset I am selling if I am then using it to buy agricultural land, is a way in which I can avoid the capital gains and currently inheritance tax and that creates demand for agricultural land from people who have no desire to farm the land but want to buy it because they are getting it from a tax minimisation perspective.

Q6 Chair: That would be a change that would not have an impact on those who are currently using the land for agricultural purposes with reductions?



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Dr Advani: The reform in itself would not affect the people who are currently using the land for agricultural food production.

Q7 **John Glen:** Why do you think that would not have been looked at? Because it would clearly have saved the Government lots of challenges presentationally.

Dr Advani: I cannot really speculate on what the Government do. Hopefully, at the Treasury Committee, you can ask the Ministers about that. I have no idea.

Q8 **John Glen:** Can I ask about the net effect? If we look at the OBR on page 70, table 3.8 it says, "There are a whole list of measures with high or very high uncertainty." Obviously, we understand that farmers and those who advise farmers will be able to put mitigations to some extent depending on age, the family structure and so on. What do you think about the high and very high uncertainty that the impartial OBR judges would accrue from these changes?

Dr Advani: I agree. There is a high uncertainty about how large the behavioural effects will be because one would expect that, as the conversations have been going on for the last month and a bit since the Budget, there has been a lot of conversation about what farmers should be doing to plan. Some comments by Government Ministers have been to take advice and work out how you can plan. There is fairly standard inheritance tax planning—it is not special for farmers—that if you gift assets more than seven years before you die, the gift is tax-free.

One of the reasons that farmers and owners of agricultural land, whether they are farming it or not, will not have been doing that in recent years will be that if they hold the asset until they die, the capital gains tax is also wiped out. But now, if they pass it on before that then the capital gains tax is not payable immediately, but if the next generation were to sell the asset, capital gains tax would be due on that. That is not a problem for somebody with a family farm that is going to be carried on for many generations because there will be no capital gains tax as long as the asset remains in the family, but it means that liability is not wiped out. That has created some pressure towards people hanging on to the asset until death because then they ensure that both those things are wiped out. That might be one of the reasons why the current structure of the relief up until this reform has not been great.

One thing to add for the Committee's benefit, in case you were not aware, in 1988 Nigel Lawson looked at the possibility of moving from a 50% to 100% relief and he explicitly said he did not want to do it for three reasons. First, it would remove the incentive that was present at the time for passing on control of businesses and farms during lifetime which he thought was really important as part of making sure that you had planned continuity rather than just continuity on death. People would think about when they wanted to hand over and make sure the next generation was looking after the assets. Secondly, it would provide a



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complete tax shelter, and thirdly, it would induce extensive and undesirable behavioural change. Those are the three comments he made in his papers.

Q9 John Glen: Can I probe a little more in terms of the net effect? David, perhaps we will come to you in a second, but your boss, Paul Johnson, who I have done some media with, is totally relaxed about this change. He sees it as a clear loophole. But one of the things that is vexing for the farming industry is the interaction with their operating model.

I have a constituent who says their farm is worth £8 million, has maximised all the conceivable reliefs, has £5 million, creates at 20% of that so £1 million liability paid over 10 years interest-free, but £100,000 a year for 10 years is a lot of money for a farm that is not making very much. Have you done any analysis on the sector itself and the cash-flow dynamics of quite low-return businesses and, therefore, how that nets out in terms of the effect on public finances?

David Sturrock: We have not done any explicit analysis of that ourselves in terms of the dynamics of the sector or what it would mean for the amounts raised by this policy. I would note that in addition to the ability to explicitly spread the tax payments over a 10-year period, then at least going forward, there is an ability in principle to spread those further by private action, saving and perhaps using other products. But I agree with you that the amounts resulting can still be large compared to the incomes for some farms.

Q10 John Glen: Could I ask my last question, Chair, and could I turn this to Jeremy and Stuart? Obviously, Jeremy, you have a career of experience in terms of advice and analysis of the rural economy. Surely most savvy farmers can find ways of mitigating the full extent of this. Is there not a lot of unnecessary concern? How do you reconcile the fact that there are so many mechanisms available with the deferral over seven years and, after all, farmers use public services, they must recognise that there are challenges, and revenue needs to be raised. It may be that you do not want to address that point, but in terms of the first point, how do you see the options that exist, and are they sufficient?

Jeremy Moody: The problems here arise from the low level of the £1 million threshold compared to farming assets. You are looking at the main mitigations, as has been indicated, by gifting. You need to have a sufficient number of willing, competent, capable, interested members of the family if you are going to try to pursue some lines that Ministers have taken, and they have to be people who are going to be able to get on with each other. So, for many people, some strategies that are being outlined are simply not realistic because they do not have more than one or two children who are involved in the business. It limits their capacity to do this. Other mitigations are possible, but it is the scale of the task.

Picking up on the earlier question, I have just been doing some modelling for Northern Irish farms and spreading it over 10 years is effectively the



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equivalent of something like three quarters of an extra employee on the business. It is a very significant shock on what the business can pay out of going earnings, leaving only not much, if anything, left for breakfast or for reinvestment.

- Q11 **John Glen:** Will the NFU Mutual and others not provide financial instruments to many earlier on to make mitigations so they can plan?

Jeremy Moody: That is likely, but that is going to be more available for those who are younger. That is not a route for the 91-year-old widower.

Stuart Maggs: The nature of my farming clients is that the natural course of events over the last 30 years has been that the best advice has been to retain the farm until the day you die. This means that we have a lot of 70-year-olds, 80-year-olds and even 90-year-olds who are still working farmers going out on the farm tending to the livestock in the morning.

- Q12 **John Glen:** What is the average age of farmers? Is it mid-60s?

Stuart Maggs: It is in the mid-60s somewhere. Even if you have the next generation involved to bring the average down, the person who owns the farm has naturally been at the elder end of the spectrum. So, this change coming in now has really hit home to farmers because they are in a situation where there is nothing that they can do about it. They cannot give anything away and survive seven years. Even if they could give away, it would not be effective.

There are rules called gifts with reservation which means that if you give something away but you still continue to enjoy a benefit from it, i.e. you are one of three families living on the same farm and it is paying for mum who is a widow and for the parents of the children who are coming up, the mother still cannot give away the farm without being taxed as if she still owned it at the date of her death. So, she cannot plan, which means this charge is going to be a burden, and with agricultural estates getting a rate of return of about 0.5% to 1%, it simply means this is going to be unaffordable and so farms are going to have to sell land or sell up, and it is going to happen a lot.

- Q13 **Charlie Dewhirst:** Thank you all for coming in this morning. I would like to ask a question to each panellist, perhaps starting with David and moving along. Could each of you reflect on the Treasury's figures which say that around 500 estates will be impacted each year and the fact that those figures are contradicted by DEFRA, another Government Department? Do you feel that APR has been taken into account with the same impact as BPR has in some of these figures? Some reflections on that, please.

David Sturrock: I am happy to start off on this. Broadly, I would say that if you want to know what we think will be happening in terms of estates being affected in the coming years, then the figures to look at are forecasts based on what we have seen from recent estates. For clarity,



the figure that is produced by OBR, HMRC and the Treasury for around 500 estates being affected is based on a forecast of how many hold combined agricultural and business assets that would be above a certain threshold. To speak to part of your question, one thing to note is that there were additional figures released by the Treasury to show the impact of also including business assets held by those who are claiming APR and that does not radically change this picture. So, that is taken into account by these figures.

In terms of how far this number represents estates that will be affected, it is worth noting that this is with no behavioural change. If these estates do nothing, we might expect that they would pay higher tax. Some will change the ownership structure of their farm or make gifts in a way that should mean that that number could be lower. Of course, there is a lot of uncertainty from that behavioural change but also the economic factors that drive forecasts like land prices, and so there is uncertainty in both directions on those figures.

In terms of how they stand relative to the figures from DEFRA, there are several reasons why those figures are capturing and trying to capture different things, and it is not easy to compare and read across, and I do not think that they are necessarily in contradiction to each other; they can be consistent. There have been a lot of different numbers going around, of course, to keep things at a high level. The figures that come from DEFRA are about the value of farm businesses. In order to say something about how many would be potentially taxable, we need to know about their ownership structure, which is something we do not have data on, together with the value of those farms. That is one of the main reasons why they will be capturing different things. But we want to look at estates data when thinking about estates affected.

Q14 **Charlie Dewhirst:** One of the challenges is that the definition of a farm is something that the Government have failed to produce—we have had discussions internally about this—which is something that we are keen to understand because of course this is based on the fact that the Chancellor told us in the Budget speech this was about stopping wealthy people using inheritance tax loopholes but protecting family farms. It seems to me that it is a missing piece of the jigsaw when we come to ask what a farm is.

David Sturrock: It is very likely that this change is affecting family farms on any reasonable definition. There are obviously different ways that line could be drawn in terms of excluding some small ownership of agricultural land. There is no exact definition out there but depending on where you choose to draw the line, there will be different potential answers to the question of how many farms are affected.

Q15 **Charlie Dewhirst:** This is not putting words in your mouth, but my view is that there is therefore a concern that a wealthy individual who has bought a large house in the country and has two fields is caught in the Treasury figures as being unimpacted and they are calling them a farm;



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they are not a farm. Frankly, they have some ponies. They are not a working family farm by any real definition, are they?

David Sturrock: There are conditions that you have to meet to qualify for APR. It is not about just owning some land, there have to be certain activities happening on it. But I agree that there could be some that qualify that we would not, under some reasonable definitions, count as a family farm.

Dr Advani: I agree with everything David said so I will just make two points for the interest of time. First, on that last point, I completely agree that there are maybe three kinds of ownership: those who own a house and a couple of pony paddocks, the working family farm and the very caricatured person who owns a large amount of agricultural land and lets it out to lots of people and they do not have any interest in farming themselves, they just want to own those assets. Those are the three categories.

Some work has been done recently that says, in terms of the percentages of people affected, let us try to exclude some of the other groups. Coming back to the original question of what is the number of affected cases, whether you exclude those things does not change that 500 a year number. Part of the reason that 500 a year number is obviously much lower than some other numbers around is that it is a flow measure of the amount per year, and so you want to then aggregate that up over a number of years because there are more years of people who should be worried about being affected.

Just to make sure it is clear for everyone's understanding, there is a distinction between these estates as David described and farms. There is also a distinction between farms and farmers. In terms of the estates that we see that make use of agricultural relief, less than half of estates that are claiming agricultural relief actually have any income from farming anywhere in the five years before death. About 44% of those claims are from people who you would think of as farmers. They had income from farming sometime in the five years before they died. The others are from people who own land that qualifies for the relief, but they do not have any income from farming. That will be a mix of both the first group of those that own a house and some pony paddocks and so on and those that own a lot of land that is let out to lots of people but are not involved in farming themselves in any way. It is worth bearing that in mind.

Jeremy Moody: On that last point: to qualify for agricultural property relief, you have to have agricultural land. That is the starting point, and it has to have been used, even if it is used by somebody else, for at least seven years for the purposes of agriculture while you have owned it. So this is not just the casual ownership of agricultural land; it is that if you have owned it and farmed it for two years yourself, or seven years somebody else has farmed it as a tenant, classically, then that is required for qualifying. It is not simply there to be bought as a pony paddock and a short-term exercise. Clarifying that will help the discussion.



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Picking up on the APR only claims, there is a slight presumption that farming has to be an owner-occupied model as a form of business, and that will come to my answering your main question. A hundred years ago, 90% of farmland was tenanted. Now, 35% of farmland in England is tenanted and less in other parts of the UK. To have tenants paying a going cost for their land, they need to have landlords, and one of the fundamental principles when working farmer relief was replaced by APR in 1981 was to achieve a neutral tax effect between owner-occupied land and let land. Management was a business and personal choice, not a tax-driven choice, and that is important. There is a little bit of pantomime, your word was caricature, about some of these people who are seen to be buying because they are then making renting opportunities available for people who would not otherwise be able to buy the land.

We have looked quite hard at the figures because almost nobody who is closely involved in this feels that the Government's figure is remotely representative of what we feel it should be from practice in the field. This has meant doing a lot of work turning over stones that have not had to be turned over for over a generation. We are starting from a very partial picture of what is going on and the most obvious missing part is the government data on Revenue, assuming that the right questions were asked and that then gave the right answers to it; I have no particular reason to doubt that was the case.

There are many people who are in farming who are making business property relief only claims. We start with those who are running solely tenanted businesses. We then have the people who are farming because of historical advice, or it suits them, through the medium of a family farming company. Their shareholdings are BPR assets, just as the tenant's machinery, business, silage and the rest are BPR assets. There are then those who are partners in farming businesses where land is not a partnership asset, and there will be quite a lot of those, particularly the conventional structure of family farming partnerships.

Beyond that, and I referred to turning over stones, one of the things that we have discovered in going through this is the number of people, presumably who do not have a farmhouse for which APR is important, who have simply made their claims under BPR for land, machinery, buildings, livestock and the rest. That might not be the way it is conventionally thought about, but it is a legal, proper and effective means of getting straight to relief on market value without all the subjective hoops you have to do to pass the tests for APR. There appear to be many more of those than I would have replied to you eight weeks ago. It is one of those things that you turn up.

The last part about those numbers is that we have now seen the HMRC guidance on completing inheritance tax returns for business property relief. If you are fully relieved, you put the value in that it is in the balance sheet and the income tax accounts, which in many cases is dramatically understating the value of the business property relief assets.



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For a dairy herd, it could be understated by 70% or more and that is a very significant uplift when you think about the value of cattle at £1,800 or £2,200 an animal.

The last part to add is that this creates APR claims out of what were previously spouse transfers. If Ministers' advice is taken, the classic model whereby the first spouse dying leaves all the goods to the second spouse and benefits from spouse relief and assets are given on the second death will at least encourage advised spouses to think about whether they should give some down to the next generation which would then be an APR/BPR claim that does not currently exist. They may not want to give as much as £1 million for the reasons previously given on gifts with reservation benefit and the like.

Working through those factors and what we see of the structure of the industry across the UK we have come to a figure. We do not think a figure in a year is relevant because it is saying to the people who die in 2027 that they do not matter. Looking at it over a generation, a conventional 30 years—you could argue for a longer period but probably not a shorter period—that is where we get to our 75,000 farming taxpayers having worked through the ownership structures of the various businesses I have just rehearsed.

Q16 **Chair:** The equivalent figure and the Treasury figures would be about 15,000, am I correct?

Jeremy Moody: Yes. If you multiply that by 30 it gets you exactly to that.

Q17 **Chair:** Stuart, you wanted to say something.

Stuart Maggs: First, can we stop talking about pony paddocks? Pony paddocks do not qualify for agricultural property relief. If you put horses on your agriculture property, it stops qualifying for a lease, so that is a complete misnomer. You need to have owned and occupied it for the purposes of agriculture for at least seven years, which means it needs to be farmed properly. Husbandry needs to be happening on the land, and you need to be growing crops; you cannot be running ponies on it as that does not qualify. That is the first point.

The second point is 500 a year is, as you say, 15,000 a generation. The real issue is what affected means. The Treasury has said, "If we pick up this hypothetical set of rules that we have come up with and applied it to 2021, how many people would have paid some tax in those circumstances?" That will never happen in the real world. What we ought to be looking at is what Jeremy has done which is how many people are waking up this morning thinking, "Am I going to lose my farm if my father dies?" which is much more likely to be about 70,000 to 75,000 people once you run the numbers.

Q18 **Chair:** In the debate last week, I mooted the possibility that those in executory practice were not too rigorous in their assessment of values. Is



there any way of ever broadening that out?

Stuart Maggs: It is an interesting question. I am sure that there are some people who are very happy on the basis that this is never going to be disposed of. To be fair, if you are doing your job well, there is quite a strong driver to try to maximise the value of an agricultural estate at the date of death on the basis that it then passes to the next generation with the highest base cost possible for the next generation in case it should be sold. So, a well-advised individual will have discussed with a valuer to maximise the value taking into account everything they can.

Chair: I am sure that anyone instructing a properly qualified solicitor will be well advised.

Jeremy Moody: If I might just come in on that, having tested this with members who would be doing the valuations, the impression is that, and I am talking with Treasury officials about this, a professional valuer will almost always be engaged for any significant agricultural property, that is land, buildings and dwellings. For the reasons of the HMRC advice, it is rare for a professional valuer to be instructed to give a current market value of the business assets, the livestock, the machinery and other goods.

Chair: It is lifted from the accounts.

Jeremy Moody: Yes.

Q19 **Jenny Riddell-Carpenter:** I want to go back to land values. I know that we spoke about it at the beginning, but I am keen to bring in Jeremy's view specifically on this. What is your assessment of what the impact this policy could have on land values?

Jeremy Moody: With everything else going on, at the moment, once we get past any immediate shock from this, I am inclined to be with the OBR and most other commentators that it is probably neutral. What it would do over time is tend to disadvantage people who farm as individuals in the marketplace because they face a loss of cash. It leaves those outside buyers who are looking to buy the smaller parcels because it is an amenity or something tangible to own, hobby farming or whatever else, below the £1 million or still getting the 20% threshold. They are in that market. Those who are farming or holding land through vehicles that do not die, like companies, charities and institutions, are still unaffected. So, their liquidity remains in the marketplace, so you probably have a shift. This is an answer at the UK level. I was talking with somebody in Scotland who is farming at one end of a peninsula. His market may be very much a farmer market, and that may have particular effects, but taking the UK market as a whole, there does not seem to be a particular reason to suspect that land values move for this at this point.

Q20 **Jenny Riddell-Carpenter:** Understood, thank you very much. At the heart of the debate and the conversation around this is about data and modelling, and on some side of the arguments people say it is not going



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to have a detrimental effect, and on the other side, people say that it does. I have certainly spoken to a lot of the farmers in my own constituency about it.

I would like to bring in David and Arun particularly on this question: what assessment have you made or done, and what modelling have you carried out that looks beyond just land values and cost of land and looks to the viability of this? We know that a 10-year interest-free repayment for a £100,000 tax bill would be £10,000 a year. We also know for £1 million it would be £100,000 a year and that in areas like the east of England, where it is a very dry region, farmers are investing heavily in infrastructure. They are taking out debt: loans and mortgages, not for the land itself but to invest. We have heard from Stuart, and it is well versed that often profit is 1% or 0.5%. So, the viability of the modelling, the viability of the ability for people to pay this, what assessment has been done for that, taking in debt investment and so on?

There is a part two to that, sorry, I know you were about to jump in and answer. If you have done modelling, have you done assessments of that? Is there a part two to this that looks at what the impact will be on future investment in farming, in agriculture and in the investment that the farming communities need as well?

Dr Advani: Now that we have seen the reform that has been proposed, we are very interested in exactly this question. When we set whatever that threshold is going to be, which is currently proposed to be £1 million, it is important to understand what those liquidity effects are. The relief was introduced explicitly because of the concern about family farms and the liquidity constraints they would face. So at CenTax, we are now modelling using the secure, completely anonymised HMRC tax data that we have used for other work to look at what the incomes for people who are making these claims are and to look at what the incomes were in the years before death in the best way we can to try to approximate what it will be in the future and to understand what, in principle, they would be able to save and what other assets are in the estate as well that might be available, those non-farm assets that might be liquid to be available to pay off part of that debt.

Q21 Jenny Riddell-Carpenter: When will that be published?

Dr Advani: It depends on how long the modelling takes and we have a clearance process that HMRC sets. It will be in spring. By spring, I mean what meteorologically we think of as spring rather than Government's spring, March rather than June.

Q22 Jenny Riddell-Carpenter: Where do you get that data?

Dr Advani: HMRC makes it available for any bona fide researcher. There is a data lab facility in which you can use their secure data, and so we are using that facility.

Q23 Jenny Riddell-Carpenter: Brilliant. So, you can answer part one of that question, but you would only be able to draw assumptions about part two



and the potential impact it might have in terms of investment in farming, agriculture, and so on.

Dr Advani: That data will not be particularly detailed in terms of our understanding of what debt farmers are currently able to take on. The key question and the core question around all this is how able are farmers and owners of assets able to access capital from other sources because in a world in which they could freely borrow and it was very easy and straightforward, which I do not think is the world we live in, then some concerns might go away because you would say, "Oh, we can borrow to be able to pay this off." The real concern is that they cannot borrow freely.

To add to your point about the fact the farmers will be already taking out debts to be able to invest in infrastructure is that some of that debt will already be reducing some of the asset value within their estate. That is one of the reasons the inheritance tax data are the right ones to use for understanding what the value of the estate is as a whole, because it is a mistake sometimes that people take the land value and multiply it by some average thing and do not have information on this kind of debt and other assets.

Q24 **Jenny Riddell-Carpenter:** Yes, some debt would, but some debt would not, would it?

Dr Advani: We would observe the debt in the estate because it would be something that would be taken off. What we would not know about is what choices farmers would make in the future in this world in terms of what investment choices they would make versus when they would decide that they do not necessarily want to do that.

Jenny Riddell-Carpenter: Understood, thank you.

Q25 **Helena Dollimore:** I just want to bottom out this point that has been touched upon around pony paddocks and whether there is a bit of a myth around that at present. Colleagues have referenced that perhaps if somebody had a house, two fields and some ponies, they might currently be on the list of people benefiting from APR. Can the panel for the benefit of doubt just clarify whether they are or are not currently included in APR?

Jeremy Moody: The use that you describe would not qualify for APR unless those horses were sold to the Belgians for food. We are expressly looking at agricultural use for the purposes of agriculture. It is agricultural land that is at the bottom of the whole edifice of APR, for seven years if it is somebody else, so pony paddocks would not qualify. It is an easy jibe, and it complicates the debate.

Q26 **Jenny Riddell-Carpenter:** Or for two years before as well.

Jeremy Moody: Two years if you own—

Jenny Riddell-Carpenter: If you are farming it yourself.



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Jeremy Moody: Yes.

Dr Advani: If you are a hobby farmer as well.

Q27 **Jenny Riddell-Carpenter:** Those figures are not included in the current assessment?

Jeremy Moody: No.

Q28 **Jenny Riddell-Carpenter:** Is that what we are looking at? Okay.

Dr Advani: Unless you are doing some farming of your own. So, if you were doing some hobby farming as part of it so that you can say, "I have some agricultural use."

Q29 **Chair:** What about two dozen rare breed cows?

Stuart Maggs: If I can qualify, the bottom end of the APR claim, the under £2 million, is often going to be a combination of people who have come out and bought, for example, some parkland around their house and some sheep are being run on it. That would qualify. It is the person who has bought a field next door that is let to the local farmer and is being used by the local farmer either because it is being ploughed up or he is running some sheep on it, but one day he thinks he might get some development on it because the village boundaries might expand, so he has kept it. It is not now, it is 30 or 40 years in the future, but he has kept it.

The other people who are in there are a lot of small holdings. The bottom end, sub-£2 million-ish, are probably people with very small-scale activities and low levels of acreage who are ticking over and probably not doing the agriculture themselves unless it is a smallholding but retaining the land. Then the claim goes in at the date of death and it gets uplifted and passes to the next generation.

Jeremy Moody: But there would also be the small areas of land that are used for intensive businesses: pigs, poultry, horticulture, which will not use very much land but will be piling up value of output on it. Partly with the way the flow of this goes but actually as a matter of family history, there will be land owned by other members of the farming family from a past inheritance or something they make available to the farm. For example, the aunt may have 50 acres who would also come in on this and simply be farmed as part of a larger exercise just simply by the fact there has been previous devolution of assets.

Q30 **Helena Dollimore:** I am hearing from you that when various different claims have been bandied around about a percentage that may or may not be affected by these changes, some have rebutted those figures by saying that those who are not impacted are those people with pony paddocks or whatever, but what I am hearing from the panel is that those people who are included in those figures are genuinely farming and are benefiting from APR at present.



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Dr Advani: They may not be the ones farming it, but the land should be being farmed.

Helena Dollimore: The land is genuinely being farmed. Yes, that is clear.

Jeremy Moody: It may just be worth pointing out that all these issues go to the Valuation Office Agency and if it senses a problem it may come out and look. At that point, they are the eyes of the Revenue for this purpose and would report back. They have skilled agricultural valuers in their membership doing this. That will not be in every case but—

Q31 **Helena Dollimore:** Does that happen often in your experience, Jeremy?

Jeremy Moody: Probably not in perhaps half of cases, but it happens where they sense something needs to be checked.

Q32 **Helena Dollimore:** Jeremy, you also mentioned that the changes we are talking about today have not impacted those institutions that do not die. I was quite surprised when speaking to local farmers to learn that a lot of farmland in my constituency in Hastings and Rye is owned by an Oxford college: All Souls College. I understand this is fairly common. A lot of land is owned by the Oxbridge colleges and by the big private schools and by big institutions that do not die. With all your expertise as a panel in this area of tax, are there any changes you would propose to those institutions that do not die that you feel may contribute to the farming sector in future to raise revenue from those institutions?

Jeremy Moody: The first point, perhaps, is that they are making land available for tenants to rent. Unlike other sectors, they are doing so with a very long-term horizon capable of offering longer tenancies that many people say would be desirable for the sector. So this is where there is a risk of caricature in looking at this.

I would then answer more generally by saying that it would be more consistent with the principles of good taxation to raise tax when money is available to pay it, and that points more to disposal than it does to taxing whenever the Grim Reaper chooses to come, and often perhaps sequentially in a generation. The ways in which you do that are open to debate, so I am not necessarily going down the road that was flagged earlier, but it is better for business planning, investment and more rational for tax policy to take money when there is money available to pay it, rather than the tax itself driving change.

Q33 **Helena Dollimore:** David, Arun, any reflections on that?

David Sturrock: I do not want to add anything on that one. It is not something I have thought about in depth.

Q34 **Andrew Pakes:** We have picked up one of my questions, but one of the great troubles with public discourse on this is that we have too many different sets of figures that roll against each other, so we are comparing



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a one-year retrospective with 30 years, and we are scrutinising the Treasury assumptions., You will forgive me, I think, but I and many colleagues I talk to struggle with a 30-year 75,000 by not having the level of scrutiny the Treasury figures do.

Can you tell us a bit more about it? You mentioned that within it there are some people who own lands but use them as renting opportunities, so they are not actually farming themselves. Are they included in the 75,000 figure? Do you include farmers that have no children, so they will not be passing those farms on; they will not get the inheritance because they have no children?

Jeremy Moody: Unless they have brothers, sisters, nephews or nieces.

Q35 **Andrew Pakes:** But the general public in my constituency do not have that opportunity in their own areas, so it is a special relationship. So when we talk of 30 years and 75,000 figures, that is a really wide canvas for us to understand without understanding assumptions.

Jeremy Moody: First, it is on the implicit assumption in this that a rough average is to get to figures and to take it that farming assets are devolved down a generation, typically a generation from birth of one generation to the next that you can call 30 years. That is a rough figure for this and would be a conventional figure for this. Then it is the question of what family members you have, who need not necessarily be direct lineal descendants—sometimes it is grandchildren or it may be laterally within a family—but the very starting point was looking at those farms that would on the face of it on average across the UK look to have a value of at least £1 million and then to start looking at the composition of the ownership structure of those. So, we have the companies and the company shareholders, those who are solely tenants and then we start looking at the division. We have DEFRA data for this, which feels right from experience that 46% of farms in England, but read across, and it is probably a higher fraction in Northern Ireland, are solely owned by one person and 49% are owned in combination by members of a family. For example, classically, a married couple, a married couple and one child, a married couple and two children—various combinations.

Q36 **Andrew Pakes:** Can you provide data on that to us?

Jeremy Moody: It is all in the papers I have provided to the Committee staff.

Q37 **Andrew Pakes:** An actual breakdown at that level so we understand how many are farms with couples?

Jeremy Moody: That is in the paper provided to Committee staff and circulated. I am happy to forward that to you if I have an address.

Andrew Parkes: Thank you.

Chair: We have your written evidence already, I have it here: CAAV discussion paper, thank you.



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Q38 Sarah Bool: Obviously, this is incredibly complicated. If the Government keep going ahead on this process and have set this £1 million threshold, what would be a more realistic threshold that would at least try to offset some of this if they were to be able to move that band at all?

Jeremy Moody: I am afraid the answer starts with the question what is the object of the threshold? If the object is a small family farm that produces a livelihood and will contain significant owned land, then you are looking at having to increase that threshold quite markedly. It will vary between sectors. Again, sorry, but I have most recently been looking at some Northern Irish figures due to a reason to do with yesterday, but you would be looking at an average value of a cereals farm in Northern Ireland being about £6 million and a dairy farm about £4 million for those capable of meeting those tests. That includes machinery, livestock and so on for the different types of farms. I am referring back because that would be a matter of the policy objective, but it would be that data where you would start if you were trying to protect a small family farm once you have decided what a small family farm is.

Dr Advani: As a quantitative person, I would want to look a bit more at the data that we have from HMRC, referring to my earlier answer. The stated objective of this relief is to protect and stop the break-up of small family farms. That was the reason the relief was introduced. It is important to understand what the liquidity constraints are that those farms face and try to find out where a threshold would be that would be consistent with that. It is important to start from that and to remember that in the current form the way the relief has been structured until since 1995 is one in which the relief has driven up the cost of land in a way that is not effective and not supporting genuine farmers because it makes the land more expensive for them. So, that is the reason why a reform is certainly necessary.

The important question is where you set that threshold. We are doing further work and we are happy to provide that to the Committee when we have done it.

Q39 Chair: This is a question of a non-structural relief for a economical purpose. Dr Advani, before we move on, we have your written evidence in relation to the interrelation of agricultural relief and business relief, so I am not going to dwell on that, but is there anything you would want to add to that?

Dr Advani: No, I have covered it in written evidence.

Chair: Tonia, there are subjects in relation to the geographical variations here. You have been exceptionally patient. Welcome to the Committee.

Q40 Tonia Antoniazzi: Thank you, Chair. As has been said, I am the Chair of the Northern Ireland Affairs Committee. I am also a Welsh MP, so I have an interest in this question: Yesterday, we took evidence on this topic because of the impact that these inheritance tax changes are going to



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have in Northern Ireland. We heard from the UFU that many of the farms are smaller, owned farms, so there are very few if any, tenant farmers, and there are higher land prices.

We know that farming policy in the UK is devolved, however, this is not, and I wanted to know more about the impact and the consideration of these reforms on the devolved countries. I am going to start with Jeremy because he was unable to join us yesterday due to technical faults in this room. I know you have a report coming out on Northern Ireland, but what are the main things that you need to flag with us?

Jeremy Moody: I will pick out Northern Ireland and Scotland at this point. Northern Ireland has smaller, livestock-based units in the main, which include intensive pigs and poultry coming through and higher land values. In Armagh, the price of land could easily be £20,000 an acre, obviously less in the Sperrins but you are looking at distinctively higher land values than you would have outside some hotspots in Great Britain. There is a pattern of ownership which appears to be more strongly sole ownership rather than between members of the family and so that concentrates value at that point on these units. Again, we are getting to figures of something in the region of 5,500 to 6,000 taxpayers being affected. If I play that through, there are around 200 a year coming through, which again is 40% of the Government's total for the whole UK. This is the difficulty of reconciling the figures that we can come to with the presentation.

The very distinctive point I would like to make about Scotland, but it is not a purely Scottish point; it is 90% to 95% a Scottish point, is that one of the questions that was opening up in the courts at the time when full relief was introduced, and therefore it stopped the discussion, was the value of an agricultural tenancy that continues after the death of a tenant. Most Anglo-Welsh tenancies die with the tenant, but in Scotland they continue and can be bequeathed by the tenant, and there are processes for family members to seek it. At that point, it becomes a valuable asset. The case law has been developing since the late 1930s but was critically developing in the very early 1990s. For a lowland Scottish arable farm, you are running into the £1 million threshold on an asset that you cannot liquidate, you cannot get value for it compulsorily if you are the tenant. So, this a charge for which there is no resource. We think you get about 300 acres there and that will apply to possibly joint tenancies in England that continue or a few fixed-term, long FBTs in England and Wales.

But the point is very distinctively a Scottish one and will play through on a sector that is already pretty precarious. That is quite an important thing to understand: it is taking value when an owner-occupier can sell land, an owner-occupier can pledge land to a bank, a tenant cannot, and that is something that is worth canvassing.

Q41 Tonia Antoniazzi: Has anybody else done any work on the devolved nations?



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Dr Advani: It is something we are looking at as well in the work we are doing now. We know there has been a reform that has been proposed so it is something we are looking at as well, so we will have some evidence to share with the Committee.

Q42 **Henry Tufnell:** I refer the Committee to my declaration of interest. Jeremy, you talked about England, Scotland and Northern Ireland. Is there any way that we could get specific figures in respect of Wales?

Jeremy Moody: It would be nice to try. The difficulty is we have aggregate data that will just about stand the weight of judgment at UK level, and a certain amount of modelling and so on is what I am relying on in Northern Ireland. I have been asked by Scotland to produce a figure on how many might be affected, and I have stressed that there has got to be a very large margin of tolerance in Scotland, partly because of the 10,000 crofters that turn up in many of the statistics, which give it a very particular pattern at that point.

I would like to try for Wales. This is all work that has really been driven by the end of October, with a lot else happening. It would be nice to try; I do not have a figure for you at the moment, but you are dealing again with a very strongly livestock-based economy. When you get down to Pembrokeshire, there will be some very significant dairy herds with value as well as the machinery in potatoes and other horticulture. It would obviously be different in the Cambrian mountains with lower land values but large numbers of sheep. So, there needs to be some caution in making judgments on data that covers such a wide spectrum. If we come forward with a figure, it will be caveated in terms like that. I do not have one for you now.

Q43 **Henry Tufnell:** Can I take a step back for a second, thinking long term over the course of this policy? We have quite a unique agricultural sector in this country because of the way in which land is owned which is different if you look at Europe or the US, for instance. We have talked a lot about organisations that do not die. I am interested in your view about the changes to the agricultural sector as a result of the policy in the long term.

Jeremy Moody: Inevitably, it weakens productive agriculture. This is an interesting policy that hits the people it is supposed to protect and protects those it is supposed to hit, which is awkward. It tends to lead to fractional ownership of land within a business, which must probably complicate its borrowing capability at that point, and people unwinding mortgages secured on land that they are then giving in different directions. There are complications around that.

There is a need for a business to retain competent management, and that is where there are issues about people wanting to be equitable between children who are away and children who are intensely involved in the business, managing that and wanting to keep the people who are the business in the partnership running the business. Conceivably, that is



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where it leads to an increase in the let sector as families ensure that land is let to the business by separate ownerships so there is coherence to the business. The worry goes back to an earlier question around borrowing capacity, both with the cost of the charge and how this may fracture ownership structures to deal with this when many economic pressures are in exactly the reverse direction.

Stuart Maggs: On ownership structures, it is already not a straightforward matter to secure charges over agricultural property. It is an involved process that requires experts who know what they are doing. The more dispersed the ownership of the farm is, the harder it is going to be to do and so it is just going to make things increasingly difficult for people to secure charges over their property.

Dr Advani: I was just going to add that one thing that has been very clear since the Budget and the focus on the issues that face farming is that there are lots of pressures on farming. The wider question for this Committee in engaging with this is how much the use of inheritance tax relief has ever been the appropriate way to support farmers when they have these constraints. Direct support that actually supports farmers who are farming might be something that would be more effective at supporting farmers than something that supports farmers only when they die, or owners of agricultural land when they die where they may or may not be passing it on to descendants who want to hold on to that farm and actually use it.

Currently, the relief is something that costs money and some is going to people who will pass on the land to somebody who does not want to farm it and might want to sell it on, and at the same time is not providing support to, for example, the second son in a two-son family who is not going to inherit for the reasons that have just been explained—that you wanted to try to consolidate the ownership—but he still wants to stay in farming and is trying to find a different way to get access and is having to compete with someone wealthy who wants to buy up farmland just for the sake of passing it on. So, the inheritance tax relief has never really been the best way to support the farming sector.

Jeremy Moody: Coming back very briefly on that, this is also the issue of the viability of the tenanted sector. It relies on people wanting to invest in land that they are then willing to let. Without that, you do not have tenants, and that is a much easier way for people to gain access to additional ancillary land or for land when they are starting a business without having to carry the capital cost of ownership and the returns we have talked about. I do not want to lose sight of that angle in this because pursuing too narrow a view prejudices that sector.

Chair: You also invite me to spend the next four hours explaining to the Committee what is involved with crofting tenure. We will pass on that. For the avoidance of doubt, a croft is an area of ground surrounded by red tape. Sarah, you have questions on the legal implications.



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Q44 Sarah Bool: Thank you very much, Chair. Stuart, as you mentioned, many expected to die in the saddle, so they have not really been making their plans. I am not asking for legal advice because I know it is very specific, but what sort of legal steps do you think farmers might now try to take to lessen their inheritance tax burden in the future?

Stuart Maggs: An awful lot. The first thing people are going to need to do is change their wills. The fact that the proposed £1 million is not transferable seems peculiar because it just puts an additional burden on people, meaning that they have to change their wills either to leave something down a generation early or to put some sort of complex trust structure in place to capture the relief in order to achieve the numbers that, to be frank, some Ministers have been glibly talking about, of £3 million. That is not achievable without some complex tax planning in place involving changing wills and putting structures in place.

People are going to need to redraft partnership agreements to bring in the next generations. Most farms tend to farm in partnership rather than using companies, so they are going to need to be updated. If they exist, they often have not been looked at in the last 30 years. There are certainly people in Norfolk who have partnerships based on a handshake in 1950.

They will be trying to move land between generations which creates a real problem when it comes to the charges that are already in place. If you are charged to a bank because you have some borrowings, which is fairly common, then you cannot give that land down to the next generation, even if they are in partnership with you, without getting bank consent. Banks often take that as an opportunity to reset their charges, to recharge all the refinancing and there are all the legal processes involved.

You are then going to be looking at prenuptial and postnuptial agreements depending upon whether the next generation is married. Every farmer I have ever spoken to has a horror story about someone they know who got divorced and lost the farm and therefore they are rightly paranoid about the risk of that and the need to make sure that the farm is secure to pass down to their children, who may well have been working on it for the last 30 or 40 years with low pay due to the fact that they expect to pick it up and now they are worried that they will not.

So, there are extensive legal steps that will need to be taken. This pivots back to what we were talking about earlier about people being affected. It is potentially a little disingenuous to say that people are only affected if they end up paying tax. In order to avoid paying tax they might have had to accrue thousands if not tens of thousands of pounds of legal fees, financial fees, land agents, accountants and valuers in trying to achieve a new structure that is tolerable to them and their personal circumstances. The people who will be caught by this are those who die early, those who cannot plan and those who are unfortunate. By any measure, drawing up



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a tax to tax the unfortunate has to be bad, and it is not the right way that the Treasury should be bringing things together.

You asked the question earlier about what the threshold should be. There is some discussion about what that might be. A straight threshold is probably the wrong way to do it. If what you want to do is stop people investing in farmland to avoid inheritance tax, then you would want some sort of clawback so that you have a relief that applied on sale and deferred the tax and if you remained in farming for, say, a decade the tax bill goes down by 10% per annum. The person who just inherited it because they want money will sell it because they can make a much better rate of return on the stock market. The person who is doing it because they are a farmer and that is all that they know to live their life, they will keep it and will not be impacted by the tax. That is the sort of law I was expecting they might try to bring in to attack this tax avoidance strategy. It is not what we have seen.

Q45 Helena Dollimore: Just to touch on those points, Stuart you mentioned expensive legal advice that people might be taking. I will not ask you what your hourly rate is.

Stuart Maggs: Thank you.

Helena Dollimore: We know from the evidence Arun has submitted that 56% of those qualifying for APR under the current regime had not received any income from farming in the last five years. Do you think that reflects very wealthy individuals who are not genuinely farming and paying for very expensive legal advice in order to take advantage of a loophole that was intended for people who are genuinely farming?

Stuart Maggs: I am aware that there are buyers who are non-agricultural. I very rarely deal with them personally, but the land agents I speak to are aware that they exist and are in the market. Institutional advisers are the key contrapoint to farmers when it comes to acquiring farmland.

To your question, there are some who will have taken good-quality legal advice, but it is probably let farms because where you are going to see the income coming from people who are claiming APR with no farming income is probably because it is let and so it is coming through a different route and will not show up as farming income. It will show up as let land.

Q46 Helena Dollimore: Would that not be, on the previous discussion, about institutions that do not die holding much of that land?

Stuart Maggs: They are not in the figures from the Treasury at all.

Q47 Helena Dollimore: So why would they be paying APR?

Stuart Maggs: Because it is not just institutions that own land to let it, it is individuals as well. For example, we act for a number of estates—

Helena Dollimore: High net worth individuals for example.



Stuart Maggs: Yes, we act for a number of estates who have had tenants in place for 30 years or 40 years and in some cases 50 years or 60 years, multi-generational tenancies under the old Agricultural Holdings Act which gives people the security to come into farming and then with the benefit of that long tenancy learn the trade and farm for many years.

Jeremy Moody: To add to that if I may, if we are to see the growth that would probably be desirable at this time of change in the tenanted sector, retiring farmers are the most likely source of available land to let, and they would then be moving into this category. One slight caution I had on reading the report is that the HMRC material referred to SIC, standard industrial classifications, and no safe assessment return puts those figures on it. So, somebody has mediated the data, and it might be worth trying to understand how effectively that was done given the many ways people describe what they do as a business.

Dr Advani: Just one thing I would add in terms of this point about the let sector is that it is an important sector. The tenanted farming sector is something we certainly do want to support. The key thing to understand about this is that for the 56% of people who own land that they are letting out, which is great and something we want to support, in a world in which they pay some inheritance tax and if they choose to sell off the land to somebody else, that person could still let it to the same tenant. It does not necessarily remove the land from the let sector and have people farming it, it just means that for those who own it but are not actually involved in the farming themselves, it is an asset that passes to somebody else to continue to use it. So, the land does not disappear in a world in which inheritance tax is paid.

Chair: Gentlemen, thank you very much indeed.

Examination of witnesses

Witnesses: Tom Bradshaw, Victoria Vyvyan and Robert Martin.

Q48 **Chair:** Good morning, you have been with us already for the evidence session this morning. Can I invite the members of the panel to introduce themselves, for the benefit of our audience and the official record? Mr Bradshaw first.

Tom Bradshaw: I am NFU president, representing 44,000 members across England and Wales.

Victoria Vyvyan: I am president of the Country Land and Business Association, and a farmer and landowner from Cornwall.

Robert Martin: I am national chair of the Tenant Farmers Association for England and Wales.

Chair: Thank you very much for your attendance. Some of you have also submitted written evidence, for which we are very grateful. Jenny, can I invite you to start the questioning please?



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Q49 Jenny Riddell-Carpenter: This is a question to you all. What discussions did you have with the Treasury and the Government ahead of this announcement on 30 October?

Tom Bradshaw: The only official discussions were the comments that had been made by the Secretary of State some 11 months ahead of it, that there would not be any changes to agricultural property relief. Those were public statements, which were reaffirmed a couple of weeks later. We got wind that something was being discussed the Wednesday before the Budget, and at that point we went public with our campaign to write to MPs. Over 3,500 members wrote to MPs ahead of the Budget, but there was no formal consultation at all.

Victoria Vyvyan: I agree with everything that Tom has just said. The nature of agricultural property relief has been in the air for a long time. Because we are very much aware of that, we made detailed representations to the Treasury about the effect we thought unconsulted changes to APR might have. Our views were not sought, but we made representations.

Q50 Jenny Riddell-Carpenter: Ahead of the 30th?

Victoria Vyvyan: Yes.

Robert Martin: Yes, we also made representation to Ministers as well as to the Treasury officials. We were not able to get in to see Rachel Reeves, which would have been a huge help to us. They took many notes, and that is where we are up to.

Q51 Jenny Riddell-Carpenter: That was obviously before the 30th. What communications have you had since the 30th? How receptive have they been? What specific recommendations have you made?

Tom Bradshaw: There have been multiple conversations, and it would not be a good use of time to go through them all. The first meeting I had with the Secretary of State, Steve Reed, on the Monday morning after the Budget, James Murray—the Exchequer Secretary to the Treasury—asked to be present. At that moment, I asked James what question the Treasury had asked itself. I said, “If we understand the question, we can help you find a solution, but until we know the question it’s impossible for us to help you.” It appeared at that point that there is no question.

It has been incredibly difficult to actually find and recommend a resolution. If the priority is to try to close the perceived tax loophole, for those who have made wealth outside agriculture to invest in agricultural land to pass it down, then we will all work together to close the loophole. Until we actually know what the exam question is, it is very difficult. We have had multiple meetings since then, up to the Prime Minister. The Chancellor so far has refused to engage.

Q52 Jenny Riddell-Carpenter: Can I be clear that you are saying that if the Government say there is no U-turn, you have not come forward with a



solution to make this a better policy; is that what you are saying?

Tom Bradshaw: All the organisations represented today have written to the Prime Minister asking for a pause and a consultation. This is such a complicated area. There are many ways of making the policy less bad, but a full consultation will hopefully arrive at the right solution, rather than a less bad solution.

Victoria Vyvyan: We have probably had all the meetings that are on the list of people you ought to meet immediately, after having given them bad news. The problem has been that we have had long meetings, with no sense whatsoever that any listening is happening. We are talking about the outcomes, the long-term effects on the industry and on individuals. Everybody nods and smiles, and there is no sense of any listening. That is why this is such a helpful inquiry to sit in on. We can argue until the cows come home about the 500 and the 70,000, but there is no acceptance of the assumption that we are muddling up business assets with personal wealth in this move, and therefore we are going to end up attacking an industry and people's businesses. That is completely unnecessary.

Q53 **Jenny Riddell-Carpenter:** I have the same question that I asked Tom: are your recommendations based on trying to improve the policy that has been introduced, rather than advocating for a U-turn? If it is the former, what recommendations have you put forward that you felt needed to be heard?

Victoria Vyvyan: Well, the first thing is the pause. Let us stop and think. Let us not just crash forwards, hoping against hope that this will turn out all right, or it will turn out differently. We agree with the two other associations represented here; a pause to really consider whether there should be a full U-turn, and a different approach to agricultural property relief and business property relief. If there is a loophole, HMRC has everything in its power to change or close that loophole. Between us, we could find a great many ways of doing that. But this is not the answer to that question. In a way, you have two questions there: should we stop? Yes. Should we have a consultation? Yes. But one of those questions—the important question—is: was this the right thing to do in the first place? Could we all be a bit cleverer about this?

Robert Martin: The unintended consequences on the tenant sector are my concern. On the evening of the Budget, we met with Daniel Zeichner and explained to him in words of one syllable the effect it is going to have: we are going to see shorter-term tenancies, risk-averse landlords, notices to quit to free land, in order to sell and pay tax. You have already heard from one of your other evidence providers today about the effect they see in the tenant sector.

You have also heard today about the estates that are not affected: the Church, the Crown, the Duchy, the trusts with charitable status, the colleges. We have private landlords, who have been long-term letters of



land for hundreds of years. They still want to let land, but if they are going to be affected by the tax implication, then they will have to make the land vacant possession, and tenants will lose their livelihoods.

Q54 Tonia Antoniazzi: One of the things that has been very clear, especially when we took evidence in the Northern Ireland Affairs Committee yesterday, is that this is having a huge impact on the wellbeing of our agricultural communities. I was just wondering what measures you have noticed. What have you noticed about the concerns of farmers and the increase in their concerns? Is it impacting their mental health?

Tom Bradshaw: It is very clear. The examples that I am being sent through are often from what I would say are middle-aged farmers. They are concerned about their parents, or parent, who do not believe they have seven years to be able to plan, and the awful, unacceptable position that those individuals have been put in. Somebody said earlier on that they have not taken advice, and that is completely wrong. A lot of these people have spent the very best money on tax planning advice, and until the Chancellor sat down, the correct advice was to keep the farm until death. Now they do not have any way to plan through that, and yet they have given everything to producing the food for this country in that period post-second world war. They really deserve a lot more respect than they have been given by the changes that are proposed.

I am going to talk about the most severe human impact that could end up being triggered by this: those people who genuinely are either in ill health, or do not believe that they are going to be able to live for seven years, may well decide that they should not be here on 26 April. Now, no policy should ever be published that has that unintended side effect. What I am being told by some people is, "Money doesn't trigger this." I may agree with them that money does not trigger it, but it is not money. This is a lifetime of work; it is the heritage and custodianship of our farms.

Victoria Vyvyan: We have very good support in some ways, which is why we know about this. It is not just personal anecdotes. The auction marts run a very, very supportive system, making sure that people who are not just concerned about themselves can report in. You can pick up leaflets, you know who to call. We have a system in Cornwall which, in fact, is first picked up by the health inspectors. When somebody phones in because there are dead sheep lying in the fields, that is when they know there is a problem. They go in and they go to visit, and they discover, yes, there is terrible potential for suicide, but that is on top of a pile of other human pain: abuse in the family, children not going to school. This is a big problem, which finally manifests itself sometimes in that last push.

For the next generation issues, we just are saying to everybody to say to their oldies, "You've been our tall trees, now we're going to be yours." That is the best you can do. You have had it in your discussions in the House recently about end of life, and the fact of the matter is the nicest,



most forbearing, most family conscious people will go, "Oh, you could do without me," whereas the real brutes never think that. It will be those severe cases. All I am going to add is that this is a pebble in a pool, to businesses that come out from that business at the centre. We are all employing other people, who are all employing people, so it is not just that one thing.

- Q55 **Andrew Pakes:** I will just come in on a couple of questions. First, Tom, I hope you hear how much respect, as a Committee, we have for you and farmers, which is why we are holding this inquiry. We want to be able to look at it and shine a light on it from different angles. All of us on the Committee have the commitment to do that, and to do it to the best of our ability. I would like to tease out a couple of questions, to see if you on the panel understand some of the Government's motivation. That might allow us to reflect on the journey they are trying to take. First, I have heard and just want to confirm, do you all recognise the Government's view there is a loophole? You are not against any change: you are just not happy with this change?

Victoria Vyvyan: I would start by saying this is an unmeasured effect. I like to know data. I will always go back and say, "Find me the number." Is this a perceived problem—actually I would quite like to buy that land, and somebody else has come in and paid over the odds for it—that has happened only once in 20 miles around me, or is this a persistent problem? My grandfather bought a farm. He was a perfectly legitimate farmer. Somebody has to be buying into this system, and they are going to need assets to do that. It is a simplification. However, if there is a loophole, I have every confidence in the advice of both this Committee and the Treasury being able to close that loophole, as far as is necessary for everybody to have a clear conscience about it. But that does not mean people should not be buying farms.

- Q56 **Andrew Pakes:** Absolutely. I said that because when the CLA came to see me before the Budget, and this was on the table, the CLA position given to me was that no change whatsoever was necessary. Now we seem to be discussing it differently, where change could be necessary.

Victoria Vyvyan: I am trying to bend to your position, actually. This is me being forbearing. Our position has always been: if you think there is a problem with APR, let us talk about the problem, let us not just go swinging in there, getting rid of it. It is a mistake in farming to talk about APR without talking about BPR, as the last group was saying, because a lot of the assets will come under BPR: the stock, for example, in a dairy, and the machinery and so on. Nothing is perfect. Everything can do with being improved. We are none of us perfect.

I just want to reiterate Tom's really good point at the beginning. It grates a bit with us all, to be told that we have not done any tax planning. We did our tax planning; it was called agricultural property relief and business property relief, and we have structured businesses around those



reliefs to make them multi-generational businesses. It feels a little condescending when they say, "Poor souls, they didn't do any planning."

Q57 **Andrew Pakes:** My question was: you accept some change could happen, but not the changes proposed?

Victoria Vyvyan: Usefully, yes.

Tom Bradshaw: I would like to draw our attention please, Andrew, to a comment that was made by the Office of Tax Simplification report in 2019, "It is generally understood that the main policy rationale for BPR and APR is to prevent the sale or break-up of businesses or farms to finance inheritance tax payments following the death of the owner." That statement is still absolutely true. Any change to APR or BPR should be on personal wealth and should be affordable, rather than being on business wealth.

That is where the suggestions in the earlier panel, around making sure that there are available assets to pay the tax, probably lead you to a very different proposal from the one that is on the table. Again, this is where consultation with the experts would really help, because it is perfectly possible that out of a grown-up consultation, the Government may be very surprised at the solutions that can be offered. What is clear today with the proposal that has been made in the Budget, is that there is a desire from this Government to change where we are today. Our position is, "Let's work with you to get to an outcome that works for all, rather than the blunt instrument we have today."

Robert Martin: To add on that really, if the loophole supposedly was to stop money coming in from outside agriculture and buying land up, they still have left roll-over relief in place. They really have not stopped that at all, and that is my concern about that one.

Q58 **Andrew Pakes:** If the Government were here, they would be saying this is about how all sectors need to contribute, and they have tried to do it fairly. They would say all sectors need to contribute, because they are trying to repair public services. Have you done any modelling? Do you have any data you could share for us about what the impact is, what changes need to happen in those public services in rural areas, and any alternative funding you would have to put into those?

Victoria Vyvyan: That is a big question. Fortunately, we produced a paper with the all-party parliamentary group a couple of years ago, about the rural economy and how to reinforce and grow the rural economy. There are a lot of weaknesses in the public services; unfortunately, it is not just down to buses. I take it a little amiss. We pay our taxes. We are talking about capital taxes here, not the fact that we are paying our income tax, our VAT, our staff, their national insurance contributions. We are contributing. And by the way, trundling out a whole fat load of food at the same time, which we are forced to sell at less than market price.



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It is not like we are not contributing. That has crept into the dialogue, which I sometimes feel it should not have. What we could contribute is not very much money. The annual takeout from this particular tax is said to be equivalent to a day and a quarter of the NHS, is it not? Is the candle worth the flame? Is it worth ruining an entire industry for one and a quarter days of the NHS? Mr Streeting might suggest that he would like some more help with changing the NHS.

Q59 Andrew Pakes: I was more interested in whether you have identified other routes that would raise money to put into public services in rural areas, if it was not this.

Victoria Vyvyan: Yes, and it is a long document, and I would be more than happy to send it to you, but the best way to improve this sector is to grow. Help us to invest, help us to grow our businesses. We lag behind the urban areas in terms of productivity, but we have the capacity to add £40 billion to the GVA of this country. Funnily enough, that was the sum she was looking for. Do not kill us, let us fight our way out of this corner.

Tom Bradshaw: The other really important thing is that ever since the second world war, there has been a covenant between farming and government, that farming gets on and does its job of producing food. It has never really been about the returns, it has been about that way of life, that heritage, that custodianship. Unfortunately, with other changes in the Budget, along with this one, it feels like that covenant has been broken. We are supporting the whole of society with the food we are producing at very, very low returns. How much more do we need to support society? Let us get to a point where we are paying those taxes through the food we are producing, through getting fair market returns.

There were some interesting elements in the manifesto, which could have answered some challenges around standards of imports, and fairness in the supply chain, and public procurement. Let us get them in place so that we are a profitable sector that is driving reinvestment and really delivering for food security, rather than looking at how we generate a little more tax income to rebuild our rural services.

Q60 John Glen: Just very quickly on process. Pre-Budget, you would not normally expect to speak to Treasury Ministers, would you? Was the way the run-up to the Budget was conducted unusual?

Tom Bradshaw: We will always write to the Chancellor pre-Budget and ask for a meeting, and it is down to the Chancellor as to whether she would like to.

Q61 John Glen: I am trying to be fair to this Government, in that on fiscal measures you would not expect to have a dialogue before a Budget, would you?

Tom Bradshaw: I was not critical. I just said that there was an offer to meet from us, and the Chancellor decided not to take that. Now, if there



was going to be a big change that was going to impact our sector, maybe somebody from Treasury would have had a call or a meeting.

Q62 John Glen: Tom, you were reported to have met with the Prime Minister, and it was reported that he had indicated there would be a softening in the approach. Do you have any observations about that report?

Tom Bradshaw: I do not think there was necessarily, but it was that he was very much listening. It was a private meeting, and I am not going to break the trust of that meeting. What I would say is I felt that the Prime Minister had a far better understanding of the unintended consequences by the end of the meeting, than he did at the start of the meeting. I am very surprised that as yet we have not had any firm action on the back of the meeting.

Chair: I am going to move on, but Tom, you touched on an area where it is appropriate for us to remember that actually, our proceedings are seen well beyond the confines of Westminster. We are being broadcast, and much of what we are talking about will have a very direct and human impact on those who are watching our proceedings today. The Clerks will arrange for links to relevant support on our Committee's social media channels, for anybody who feels affected by the evidence they have heard today, should anybody require to avail themselves of that.

Q63 Josh Newbury: I would just like to start by echoing Andrew's thanks for coming and being really frank with us. A number of us are on the NFU's parliamentary scheme, and we are really looking forward to exploring all these issues around the future of farming outside London. For the benefit of our inquiry, could I ask you both, Tom and Victoria, just to put on record the assessment you have made of the number of farms that might be affected by this, and how you arrived at those figures?

Tom Bradshaw: We have not actually published a number of farm businesses. When we have looked at the Treasury data, we have used previous OBR experts to model this with us. When we take off the long tail, which was being talked about earlier on, we get to 75% of commercial farms that are caught in the eye of the storm. When I go back to that definition that I read out earlier on, from the Office of Tax Simplification, it does not talk anywhere there about protecting small businesses. Somehow, we have ended up in a place where we think that small businesses should be protected, or this is a government policy, rather than looking at the wider impact of not protecting the wider group of businesses. We believe that 75% of commercial farms that are producing this country's food will be impacted, or will be within the scope of the change.

Unfortunately, with this it is a bit of a game of roulette; you never know when your time is coming, and whether you are one of the 500 or not, but everyone has to prepare not to be in that number. That means life insurance, pension contributions, and extremely expensive professional fees from lawyers. That cash does not exist within the business. Any cash



that was there previously was being reinvested in food production for the future, instead now it is going to have to be taken out of the business for those life products and that advice. It just does not seem like that is how we deliver food security and productivity gains for the future.

Victoria Vyvyan: Well, what he said. Also, the figures that we worked through are in the region of 70,000 holdings affected. That is because we are taking the same generational view. We do not know when we are going to go. Just as an aside to that, which was covered this morning, we do not know the order in which we are going to die. It is just not given to us to understand that particular part of the plan. Therefore, we could take a lot of very expensive advice—in fact, I am going to see my lawyer this afternoon to take said expensive advice—for it to be completely thrown out. There is no guarantee that the expensive advice you take is going to work.

The life insurance. At his end of life, from the Institute for Fiscal Studies, life insurance probably seemed quite cheap. For my end of life, life insurance is no longer a cheap option; it would be an expensive option. D&J Bray is just installing heating in our event space as we speak; that would be instead of. At every point, this will be instead of. The professional advice keeps being covered, but also, one of the mistakes that I would like to correct from this morning was that the bank would be happy to lend us money to pay tax. Banks do not lend money to pay tax. It is written quite clearly on all their loan stuff. That is not what they do, because there is a big chance that they are not going to get it back. Over the period, we reckoned—in the old sense of “calculated”—at 70,000, the NFU and the CAAV have reckoned it slightly higher than that. A margin of error still leaves a huge number.

Q64 **Josh Newbury:** You mentioned holdings, right? Is that based on holding numbers? Because we know that often one farm can have a number of holding numbers.

Victoria Vyvyan: I meant it in the terms of business, from business.

Q65 **Josh Newbury:** There is this big public debate around the figures, and what we as a Committee are trying to drill down into, is how many farms are going to be affected, rather than estates. Why is there that disagreement on the figures, and how can you help us get to that point where we are really talking about businesses being affected, as opposed to just the number of estates for tax purposes?

Tom Bradshaw: We cannot argue the historic Treasury figures. They are an accurate snapshot of what happened in 2021-22. There has probably been language that even I may have used at times, which has suggested those figures are inaccurate. They misrepresent, but they are not inaccurate. That is something we should be conscious of. When the figure came out that 73% of estates will not be affected, when we look at our members’ businesses, that is where we have the biggest disagreement,



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because we believe that 75% of commercial farm businesses will be affected.

As I have already said, you do not know if you are impacted until the time comes when you are in the eye of this. The other thing is obviously with land price inflation, there has been double-digit inflation over the past few years, so that means that the number of estates coming into this will be bigger. If you look at when the 100% relief came in in 1992, a lot of estates over the decade post-1992 may have already had tax planning in place pre-1992. Post-1992, the advice would have been to keep the farm asset until death. Many of those estates will be getting to a point now, 30 years later, where they are moving into that period where the owners of those estates could well be in that age, in the twilight of their careers. That is the area now where it is very difficult to ascertain what that profile looks like. There will be a significant number in there whose planning is to keep the asset until death, and that would have been from 30 years ago.

Robert Martin: Whereas the landowners are trying to plan to sort it through, I already have estates in my area that have an inheritance tax liability, and they have already given notice to quit to the tenants. Some people have no idea whether they will have a roof over their heads next week, next year, whenever it is going to be. The impact is now. You asked before, "How did you meet the Treasury?" We meet the Treasury three or four times a year, because part of what we have said as an organisation is we need to see a slight change in the tax rules. If you have exemption on inheritance tax for 10 years but you are prepared to let the land for 10 years, and you get the exemption on the tax, that will help to secure the land for the generation within the tenant sector.

Q66 **Chair:** Is that Treasury Ministers or officials that you are meeting there?

Robert Martin: Both. George Dunn and I were in Downing Street before and after the Budget. Before to say what would happen if they did this, and then after to tell them what was going to happen due to the changes they had made.

Q67 **Josh Newbury:** I just have one follow-up question on that. One of the things that has been talked about a lot is that the biggest financial liability for this would fall on the largest estates, and that has been cited as a reason why it is fair in that sense. Do you have a sense of how many of those large estates are actually made up of many smaller tenanted farms? Because that is one of the arguments that you in particular are making, Robert, is it not? That these large estates actually are made up of a lot of smaller farms?

Robert Martin: It is. In the turn of the year, when the notices were put in to these tenants, we held a meeting, and we had 60 tenants in the room who were going to be affected by this. At that point, the estate was talking about a Balfour partnership, and that was working really well until the Budget, and Balfour does not work now. We said to them, "Would you



support us to try to go back to Treasury, to get the exemption for the 10 years plus?" It was eight years in the Rock review, of course. They said, "Well, if you can get us this exemption, we'll let for 20 years." These people have let land for hundreds of years, for long term, three or four generations of the same family on the same estate. I was the third generation on my estate, but my landlord was a charity, so they are not affected by this. We have lifelong owners who have let for years, and held historic land masses, and all they want to do is let the land.

Victoria Vyvyan: Could I just add to that? A large number of our members who are letting land are not letting 40 tenancies, they are letting two or three. The majority of them will have two or three or four tenants, and it will be a mixture of Agricultural Holdings Act tenancies, and new FBTs, and so on. One thing that has not come up is that in these new circumstances, they are going to be liable for their business property relief, and they do not have an asset that they can easily sell to fulfil that obligation.

The first payment is due within six months of death. You cannot wait until somebody dies, and then start faffing around trying to free up land to sell so that you can pay that first charge. If you miss that first charge, you pay 9% interest on it. Then that clock really starts to tick, and people start panicking, they start panicking about missing the next one.

We both sit on the Farm Tenancy Forum, which was established a year ago as a result of the Rock review. It has been a really great force for good collaboration between the landlord and tenant sector. I cannot recommend it enough, and we did not all go into it thinking that, actually. I want to support all that Robert says really, in that probably one of the biggest unforeseen consequences of this will be in the tenant sector.

Q68 **Helena Dollimore:** I am conscious of time, and given the discussion so far, I am going to combine the questions. I would like to begin by echoing my colleagues' comments, to place on record our thanks to the farming community, the hard work that everybody in the rural community does day in, day out to put food on our table. We really appreciate that. As a Committee, we are very much agreed that as well as looking at this issue in hand today, we are determined to look at the wider profitability of the farming sector, and the issues that have been building up for many years, if not decades, affecting farmers and the wider community.

We have touched briefly on tenant farmers. Robert, I just wanted to ask you about the impact of some changes on tenant farmers. Specifically, we talked in the previous evidence session about the fact that over half of those who qualify for APR under the current Treasury figures—which nobody is disputing—have not received any income from farming in the last five years. What would be your assessment of those 56% who have qualified for APR, but not received any income from farming? What proportion are currently renting out their land to tenant farmers?



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Robert Martin: I would have thought the vast majority will be, because they will not be just having land sitting doing nothing. There are schemes available via the Government for whether you have a tenant on, you are planting trees, you have fallow, or you have legume leys. You are not going to just have it sitting dormant, because land goes backward very, very quickly unless it is invested in.

Q69 **Helena Dollimore:** You have expressed some concerns that with these changes there might be a smaller pool of land available for tenant farmers. Who do you see buying up that land instead? Would it be other landlords who would then lease the land?

Robert Martin: I am sure, if people have the roll-over relief available to them. In my area, we also have quite a lot of building going on, so people are selling land for development and then reinvesting back into that land again. There was talk of if the land comes back in value, the tenants can buy it. It is just not going to happen. It is really not going to happen, because there is more of a return for the tenant on his investment than there is for the owner-occupier on their investment. Tom was saying people do it for the generation. I have a rent to pay, so I have to do it for the profit, because if I do not pay the rent I am out.

Q70 **Helena Dollimore:** There has been some reference to the Rock review into the tenant farming sector, and I know that obviously the Government are committed to implementing those recommendations. Have you seen any progress since that review in your sector, in terms of those being moved forward under the previous Government? What would be your top recommendations to progress with speed from that review, affecting tenant farmers?

Robert Martin: Well, Victoria has already mentioned about the Farm Tenancy Forum, which is working really well. We now have the code of conduct in place, but why you would have to have a code of conduct to tell people how to behave, I do not know. We have a tenant farming commissioner, who will hopefully be in place by the spring of next year.

I have already reiterated this, about the fact that the fourth part was to get exemption from inheritance tax if the landlord lets for 10 years plus. Well, it was eight years in Rock. The Tenant Farmers Association has been asking for about 10 to 15 years for tenures, because if I have long-term tenure, then I am prepared to invest. If you have a well-invested holding for the tenant, it is also a well-invested holding for the landlord; I am a custodian, as Tom has already said, and if I do not look after the land, the land will not look after me, and I will not be able to generate a profit. Profit may be a very dirty word, but the profit allows me to spend 80% of my income within 30 miles of my business. I am supporting the local community; the people who work for me have children who go to the local school, the local village hall, and there is a whole community that is based around the rural community. If I look at what my landlord did back in the day, back in the 1800s, they built a village hall, they built a church, and they were the glue that held the community together.



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- Q71 Helena Dollimore:** You referenced profit. No one on this Committee would think profit was a dirty word, but we are very aware of how the farming sector has become less profitable in recent years. I know we have seen 12,000 farms close in the last decade. I just wondered if the panellists could comment on what they see as the main drivers of that in the last decade. What have been the biggest problems for farmers?

Victoria Vyvyan: I will leave Tom very much to talk about profitability, I am just going to talk a bit about why landholdings are growing. We have to be very careful not to look at that and see it as always a bad thing. For example, one of our members brought together three hill farms, to make one farm that was a really viable farm for new entrants to come into and equip. There is a big difference between equipped farms and what is referred to as bare land.

The tide of history is also running through this; we are getting larger holdings developing because people need to make a living. We need to put that background behind it. For tenants, it might seem ultimately that there are fewer tenancies, but that might be because those tenancies can now really make a living. We need to be really careful thinking that fewer farms necessarily means a lot of other people have come in; there might be all kinds of reasons.

Regarding the question about who is going to buy the land: the first person who is going to want to buy the land is the person who lives next door. Everybody says, "You get only one chance to buy the fields on the edge of your farm." That inflates prices, because you will pay almost anything to make sure that you get hold of that land. We have not really stuck enough on the new landowners. People say, "Corporate," but the new landowners might be a family farm that has been told to incorporate. It is a bit of a broad term. Also, the charities are much, much bigger in this sector. The wildlife trusts are being funded as a charitable sector, but also sometimes funded by the Environment Agency, for example, to buy land. It is a much, much more complicated picture, and that is why it is great that you have the time to listen to that.

- Q72 Helena Dollimore:** Just before I bring in Tom on the wider sector issues, you touched on that issue around who is owning the land. If you look at the top 10 recipients of subsidies from DEFRA in recent years, many of the people on that list often are a surprise. For example, Oxbridge Colleges or huge multinationals. Do you think that is right, and has the way subsidies have been given out in recent years incentivised the right kind of actors in the farming industry?

Victoria Vyvyan: We have very much supported the movement into environmental land management, because after leaving the European Union, the CLA felt very strongly that it would be almost impossible to sit next to somebody on that old Clapham omnibus and explain that you were being paid by the acre, because it would seem necessarily to favour people with more acres. The word, "subsidy" to us is an old-fashioned word. We do not get subsidised. We get paid by contract to deliver public



goods for the Government, and therefore, for the people of the United Kingdom. That has been a really healthy change.

Also, big is not necessarily bad. In terms of feeding 65 million people, you need scale. You do not get 180-acre sugar beet farms. It just does not happen. The economics do not work out like that. Big is not always bad. Seeing more commitment from government, about pushing forward environmental land management at speed, is going to be vital for the success of the sector. On profitability, Tom is the expert.

Tom Bradshaw: Well Victoria, you have led into that beautifully, because I even have severe questions about the profitability of the environmental land management scheme, if I am honest with you. That is something that probably deserves an inquiry in itself, but that is not for me to decide. The public money for public goods is now a simple contract between farming and government, to deliver those services that the public require. It is not a support payment, and people will do it if they think they can generate profit out of it.

There are so many challenges around profit. I was in the US back in September, and over there they said, "You've got the most competitive retail sector in the world." That is the crux of this issue. Food inflation has not kept up with real-terms inflation for the last 40 or 50 years. We spend less than 10% of disposable income on average on food; I know that is widely variable. We are not getting the returns from the food that is being produced for the risk that goes into it. That is another reason why this change to policy is not affordable. The affordability of the change to IHT is something that should be absolutely central to it. At the moment, we do not believe farms can afford to pay the tax bill.

Import standards are another one that is very, very important when we look at the ability of the market to function. I draw your attention to poultry, particularly broiler production, where all we are doing is lowering our stocking density here in the UK. We are raising our standards without the ability to build new sheds, and we are drawing in imports from Poland, Thailand and Brazil that are produced to worse standards than we are currently producing to. What is the rationale in that? We need to look at what stops the market functioning properly in economic terms, so that we can get to the bottom of this. That is probably for another day, rather than today.

Q73 **Helena Dollimore:** One of the big issues that has been raised with me by a local farm in my constituency, which was growing potatoes for hundreds of years and then stopped last year, is the big supermarkets. They simply cannot compete with the way that the big supermarkets are running their procurement, and the prices that they are paying for things. One of my farmers described it as a death knell to the industry.

Tom Bradshaw: The competitiveness of our retail sector was exactly what I highlighted. They purchased a lot of our production. As an industry, we all need to say, "Where do we want to be in 10 years' time,



and what does sustainable production look like, and what reinvestment is required to get there and how do we deliver that?" It is an incredibly competitive sector, where many of our members do not get the returns and cannot pass the cost increases on. Now this Budget—beyond APR and BPR—is hugely inflationary for food production. With national insurance and national living wages, our horticultural sector, the intensive sectors, are really, really concerned that they are not going to be able to pass on those increased costs.

Q74 Helena Dollimore: Would you welcome changes in the area of the big supermarkets and how they conduct themselves?

Tom Bradshaw: Look, it is too simple to say yes or no to that. There is room for looking at that, but that does not solve the question we are really looking at today.

Q75 Helena Dollimore: Just finally, you did not touch on energy prices and the impact they have had. Has that been a big issue?

Tom Bradshaw: I am very nervous about the energy market.

Chair: Obviously, this impacts the wider profitability of the sector, but we are under pressure of time. I am keen to keep it focused if we can, for the moment. I have to bring in Charlie.

Q76 Charlie Dewhirst: Victoria, you alluded to the pebble in the pond and the impact; how money is taken out of the sector and then not spent on businesses. BPR also affects people who are not farmers: other businesses in the rural economy, the rural community. Do you want to share—very briefly, because we are about to go to PMQs—the impact that might have on other businesses surrounding the farmers as well?

Victoria Vyvyan: I see that everybody is at the centre of a different web in the way the rural, commercial community works. We are a web of direct employment, therefore we are contributing by employing people, and they are going off and spending their available cash where they can. We are also a web of indirect employment. I have referred to Bray's, I have referred to all these people; we form a very small part of their annual turnover, but while we have the money to invest, all of us are all of their turnover, we are the people, and they too are feeling that effect.

What happens when we get a big tax bill? First, we look at direct employment. Who can we do without? It is very hard to do without people who actually do things, so it is quite hard to replace the doers. But it is not so hard now to replace the administrative staff, and all those things that are built around them. Maybe that is just the shape of the future, but the first place we will look is direct employment. Secondly will be the indirect. Which projects do we have phased in for next year, which we are now not going to even consider? Not necessarily because of inheritance tax, God willing, but because of all the other pressures, and as you were saying earlier, needing to put aside money to make allowances for this big change of direction. Apart from when I was at



university, I have never really lived in a big urban conurbation. Now I am here a lot, I perceive that they have those same relationships. Perhaps they are more stark in a rural area, because there is not somewhere else to go for that employment. If we let somebody go, they will not get it.

Q77 John Glen: A lot of things have been mentioned about profitability. You could talk about how the previous Government did not get the capital grants out quickly enough, you have uncertainty over the land use framework, you have the thresholds and the national insurance changes, the distribution of value across the supply chain for supermarkets, and so on. To try to get to the heart of this issue for today, if you had to prioritise in terms of what you would want from the Government, in terms of things they need to fix most, you want more profitability: how would you put this APR, BPR issue in terms of the priority that you need to be fixed? There are so many things, as there always are, for government to deal with.

Tom Bradshaw: This is very easy, because if we went back to 30 October, it was not on the agenda. Let us remove this from the agenda while we fix the other problems. We have brought another problem into the sphere of challenges the farming industry is facing. We know the industry needs to make huge investment over the next decade to meet our environmental mitigation responsibilities. This takes cash that should be invested in the future of our businesses to mitigate environmental risk. How is a joined-up policy delivering food security, when food security is being recognised as part of our national security? This just seems to be a distraction, and it is a rounding error in the Budget. It is not that it is going to raise a significant amount of money. This is not bringing anything until 2027 anyway. It feels like it is something that could be removed, consulted on, and we can remove this as an issue.

Q78 John Glen: And give you space to do all the other things that you need to?

Tom Bradshaw: All the other priorities, yes. There are so many other priorities, which were already on a burning platform, and then we have added something else to the pot.

Q79 John Glen: Robert, do you agree with Tom's assessment?

Robert Martin: Well, I suppose if you look back over the years, every Government have had a cheap food policy. They have put—if you will call it that—a subsidy in place to mitigate that. Most people I deal with would much rather get no payment from the Government, and take it from the supermarket till, from the consumer. I do not have my plumber or my electrician saying, "Well, it's only so much an hour, and then I'm going to get a top-up from the Government." That does not work. Whereas for me, if my milk price or my beef price is down, then a payment comes in to mitigate that. We have already mentioned food security, but it is only in my father's generation that they remember rationing. I am very



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concerned that Ministers are making decisions on a full stomach at the moment. That is my concern.

Victoria Vyvyan: I am going to take that one.

Chair: On this point though, we have reached midday. It may be that members' attention will now focus elsewhere in this building. We are very grateful to you for your attendance and for your evidence today. We shall take further evidence and consider our reports. Thank you for your attendance, we are most grateful.