



Environment, Food
and Rural Affairs
Committee

23 January 2025

Rt Hon Sir Keir Starmer
Prime Minister
London

By email

Subject: Inheritance tax relief reforms contained within the Autumn Budget

Dear Prime Minister,

I am writing following the Liaison Committee on 19 December. In response to my questioning on the aim of the reforms to Agricultural Property Relief (APR) and Business Property Relief (BPR), you stated:

The purpose was to raise revenue in the Budget, so it was not aimed at a particular group of individuals.

What we tried to do with the regime that we put in place was to protect the family farm by putting in a high threshold for inheritance tax for farms, which means that if you take the figures on the estates for farms, the vast majority of them are unaffected by the changes we put in place. But we were not aiming at a particular group.

This response contrasts with the rationale for the changes set out by the Secretary of State and Treasury officials to my Committee. They informed us that the intention of the policy is to reduce incentives for the super wealthy to buy agricultural land to avoid inheritance tax. This was also confirmed by the Minister for Food Security and Rural Affairs in response to my urgent question on 4 November.

Members of the EFRA committee support the principle of reforming inheritance tax reliefs to close the loophole that encourages investors to buy agricultural land to avoid inheritance tax. Defra states that 'reforms to agricultural property relief are expected to affect the wealthiest 500 estates each year with smaller farms not affected by the changes.' However, my Committee heard compelling evidence on 11 December from tax experts and representatives of the farming community that many farms had already consulted with financial professionals and the scope of the changes mean that significantly more than the Treasury estimate of 500 farms per year will be impacted.

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At the Liaison Committee you confirmed that the reforms apply to both agricultural property relief and business property relief. Previously, they have operated as full, 100% reliefs. I raised my concerns that the Treasury figures do not cover BPR-only claims.

This is one example demonstrating the far-reaching and potentially unintended impact of the reforms for family farm businesses who previously claimed inheritance tax relief through business property relief only. Treasury figures only include business property relief claims where they were also made by agricultural property relief claimants, resulting in an underestimate of the impact. As such, more farming and rural businesses will find themselves above the threshold than assumed by the Treasury in their published figures.

There are many farmers, including tenants, who have made business property relief only claims. A tenant's machinery, business and silage are all BPR assets. We have also heard evidence of landlords planning to sell land to pay for inheritance tax and tenant farmers facing eviction as a result of the reforms.

Will you confirm that the Treasury figures, forming the basis of the 500 farms per year figure, do not include BPR-only claims? Can you also confirm the total number of BPR-only claims made in the most recent year for which data is available?

The Chancellor's [letter](#) to the Treasury Committee dated 15 November provides valuable further information but fails to answer the above questions.

I wish to impress on you the strength of feeling on this matter amongst farmers and stakeholders. Deep concern is fuelling low confidence and morale levels in the agricultural and wider rural community. As such, I would like to meet with you to discuss potential mitigations.

Will you meet with me as a matter of urgency to discuss this matter?

On 11 December we heard evidence calling for a pause in the policy; however, there is sufficient time between now and the 2026 Finance Bill to adapt the proposals to fulfil your intention to 'protect the family farm' while better enabling the Government to meet its fiscal objectives. We would like to work with you to achieve these aims through a positive and solution-focused dialogue.

You have committed to publish a technical consultation in early 2025. Currently, this looks to be a limited consultation focused on one specific aspect of the proposals, relating to the policy on



charges on property within trusts. I believe that this consultation marks a valuable opportunity to hear from and listen to those who may be affected by the reforms.

All UK Farming Unions sent a joint letter to the Chancellor on 8 January. I support that letter's call for the Government's technical consultation to be extended to cover the following issues:

- The impact on farming profitability and the future viability of farmer and grower businesses of the proposed joint £1m threshold, and how would this be affected by introducing different thresholds.
- The effect of the APR/BPR threshold not being transferable between spouses and civil partners.
- The effect of introducing the changes in Spring 2026, with anti-forestalling measures already introduced, on older individuals with agricultural property and their ability to mitigate any potential IHT liability.
- The impact on the tenanted sector, and what mitigations might be effective in reversing the potential reduction in land made available for tenancies.
- Alternative policy measures that could meet HMT's fiscal objectives and prevent APR and BPR being used to avoid IHT, while allowing farms to be passed between generations without being broken up.
- The potential different impacts of the proposed changes across the different nations of the United Kingdom, given variations in farming structures, economic conditions and legal systems.

If this consultation were to be extended, it could allow the full impact of the changes on family farms and food production to be better assessed, and changes made to the policy if necessary. This would not need to delay the implementation date of the policy.

Dan Neidle, Tax Policy Associates, has suggested protecting farmers with a complete exemption from inheritance tax, subject to an increased cap of £20 million. He states that the current proposals do not go far enough to stop tax avoidance but go too far in how they apply to actual farms. At the same time, he advises countering tax avoidance by clawing-back the exemption if a farmer's heirs sell the farm. He states that this could achieve the Government's aims in a way that's both fairer and more effective and plausibly raise about the same amount of revenue.

Will you extend the technical consultation to cover the above issues to demonstrate that you are listening to the farming and rural community?

Farming relies on stability and long-term planning. We agree with Defra's assessment that profitability within the farming sector is very low and are encouraged to hear that Defra is looking



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at measures to help improve farming profitability. We will take evidence on this matter in the coming months and plan to make recommendations to the Government to help realise this objective. In line with this, my Committee looks forward to hearing further details of Defra's 25-year farming roadmap.

I would be obliged if you could provide the answers to these questions and confirm when you are available to meet, by 7 February.

Yours sincerely,

Yours truly,

Rt Hon Mr Alistair Carmichael MP
Chair, Environment, Food and Rural Affairs Committee

CC

Rt Hon Rachel Reeves
Chancellor of the Exchequer

CC

Rt Hon Steve Reed OBE
Secretary of State for Environment, Food and Rural Affairs

CC

Dame Meg Hillier
Treasury Committee Chair