

Stormont Castle
BELFAST
BT4 3TT
Tel: 028 9037 8806
Email: ps.ministers@executiveoffice-ni.gov.uk

Rt Hon Rachel Reeves MP
By email: Action.Chancellors@hmtreasury.gov.uk

18 November 2024

Dear Chancellor

You will be aware of the concerns from the farming community in relation to the changes on Inheritance Tax Agricultural Property Relief (APR) and Business Property Relief (BPR) announced as part of the budget statement on 30th October 2024.

Farming and agri-food are key sectors to our local economy ensuring vital food security with family farms the backbone of our agriculture sector and local rural communities.

The changes will have a disproportionate impact on family farms in Northern Ireland compared to other jurisdictions, given that Northern Ireland has some of the highest agricultural land prices in the UK and Ireland.

The limitation of £1million to APR and BPR combined at 100% brings a considerable number of Northern Ireland farmers into scope of inheritance tax.

Whilst it is impossible to precisely determine the number of farmers affected, analysis laid in the NI Assembly library by the Department of Agriculture Environment and Rural Affairs is that by 2026, when the inheritance tax changes are due to take effect, just over a third of farms will have a land value of more than £1million, rising to around 75% for dairy farms. When other assets such as value of livestock and machinery are included the proportion potentially affected increases yet further. These farms account for 60% of owned land and provide the majority of food production.

It is important to point out that agricultural land prices bear no relation to its agricultural income earning potential due to very limited supply of land for sale. Furthermore, this value is never realised where farms are passed from generation to generation and continue to be farmed by the same family. Yet this value can generate a massive inheritance tax liability, potentially resulting in working farms having to be broken up to enable it to be paid.

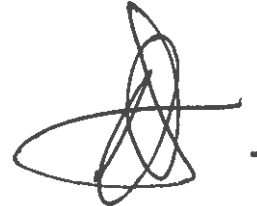
We are writing to urge you to reconsider this decision and ensure Agricultural and Business Property Reliefs are retained as they currently apply and the ability to pass down a family farm from one generation to the next is protected.

Taxation must be fair and proportionate. Placing a large tax burden on farm families to the extent that a significant number of farm businesses cannot continue on the death of the owner could not be described as fair and proportionate.

Yours sincerely



Michelle O'Neill MLA
First Minister



Emma Little-Pengelly MLA
deputy First Minister



Andrew Muir MLA
Minister of Agriculture, Environment
and Rural Affairs



Caoimhe Archibald MLA
Minister of Finance



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Stormont Castle
Belfast
BT4 3TT

22nd November 2024

Dear First Minister, Deputy First Minister, Minister of Agriculture, Environment and Rural Affairs and Minister of Finance,

AGRICULTURAL PROPERTY RELIEF AND BUSINESS PROPERTY RELIEF

Thank you for your letter of 18 November regarding agricultural property relief (APR) and business property relief (BPR).

At Autumn Budget 2024, the Government took a number of difficult but necessary decisions on tax, welfare, and spending to restore economic stability, fix the public finances, and support public services. These were tough decisions given the situation inherited by the Government, but the Government has done so in a way that makes the tax system fairer and more sustainable.

I understand your concerns regarding the changes, but it is important to understand the facts behind this decision because it was not taken lightly. Despite calls to do so, the Government chose not to abolish agricultural property relief. Instead, despite a tough fiscal context, the Government will maintain very significant levels of relief from inheritance tax beyond what is available to others.

Agricultural property relief and business property relief are in addition to existing inheritance tax nil-rate bands and existing exemptions (such as the spouse exemption). The reforms announced at Autumn Budget 2024, which apply from 6 April 2026, mean the first £1 million of combined agricultural and business assets will not pay any inheritance tax. Above the £1 million allowance, inheritance tax will be charged at 20 per cent, rather than the standard 40 per cent. These tax reliefs can be combined with the general allowances mentioned above. This means any couple could pass on up to £3 million tax-free between them. The inheritance tax liability can also be paid in 10 interest-free annual instalments.

You cite figures in your letter regarding the land values of farms in Northern Ireland above £1 million. These figures cannot be used to accurately infer a future inheritance tax liability. The data that we have published sets out that around 500 estates will be affected each year. This data relates to estates making claims for agricultural property relief. Claims data is the correct way to understand an inheritance tax liability. The number of affected estates, meaning how many estates making relief claims that would be impacted by this change, and their value, is

affected by who owns the business, the nature of that ownership, how many owners there are, any borrowing the business has, and how they plan their affairs.

In 2021-22, the most recent year for which data is available, the median value of assets qualifying for agricultural property relief was £486,000 and three-quarters of estates claimed for agricultural property below £1 million. The data also shows that a very small number of claimants each year claim a very significant amount of relief. For example, just 117 estates claimed £219 million in tax relief – that means 40 per cent of the total cost of the relief went to the top seven per cent of assets. The Government believes this approach strikes the right balance between protecting family farms and fixing the public finances in a fair way.

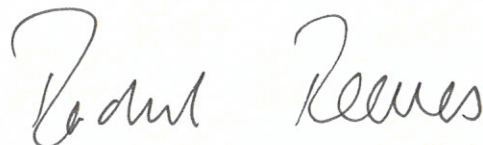
I have also written recently to the Treasury Select Committee to provide more detail on these numbers and you may be interested in the letter, which is available at committees.parliament.uk/publications/45691/documents/226235/default/.

More broadly, the government decided at Autumn Budget 2024 to baseline the full £330 million of agricultural funding provided for farmers and land managers in previous years into the Northern Ireland Executive's settlement. This is an above population share which the Northern Ireland Executive are free to allocate as they choose in devolved areas. Overall, the Northern Ireland Executive settlement for 2025-26 is the largest in real terms of any settlement since devolution and, including the uplifts from the 2024 restoration financial package, the Northern Ireland Executive are funded above their independently assessed level of relative need in 2025-26.

The Government's commitment to farmers and the vital role they play in feeding our nation remains steadfast. There is also an urgent need to repair the public finances, while making the tax system fairer and more sustainable.

I am copying this letter to the Secretary of State for Northern Ireland.

Yours,

A handwritten signature in dark ink, appearing to read 'Rachel Reeves', written in a cursive style.

RT HON RACHEL REEVES MP
Chancellor of the Exchequer