

**From the Office of the  
Minister of Agriculture,  
Environment and Rural Affairs**



Department of  
**Agriculture, Environment  
and Rural Affairs**

An Roinn

**Talmhaíochta, Comhshaoil  
agus Gnóthaí Tuaithe**

Department of

**Fairmin, Environment  
an' Kintra Matthers**

[www.daera-ni.gov.uk](http://www.daera-ni.gov.uk)

Ms Aoife Finnegan MLA  
Northern Ireland Assembly  
Parliament Buildings  
Ballymiscaw  
Stormont  
BT4 3XX

DAERA Private Office  
First Floor, Clare House  
303 Airport Road West  
Sydenham Intake  
Belfast, BT3 9ED  
Telephone: 028 9052 4140  
Email: [private.office@daera-ni.gov.uk](mailto:private.office@daera-ni.gov.uk)

Our Ref: COR-0157-2025

Date: 6 March 2025

Dear Aoife,

**INHERITANCE TAX/PROPERTY RELIEF – FOLLOW UP ACTION POINT FROM ORAL  
QUESTIONS (AQ01617/22-27)**

In the Assembly on Tuesday 25<sup>th</sup> February 2025, during oral questions you asked if any farming sub-sector was affected more than others because of the UK Government's decision to change inheritance tax policy from April 2026 so that Agricultural Property Relief (APR) and Business Property Relief (BPR) combined at 100% will be limited to £1m.

I agreed to write to you and share the two pieces of analysis undertaken by my Department which considers the potential impact of the UK Government's planned policy changes in respect of inheritance tax on farms in Northern Ireland. The papers show that a large proportion of farms of significant size will be affected by the change including around 87% in the dairy sector. Furthermore, the papers estimate that half of all local farms will be impacted by the policy change and these farms, account for 80% of agricultural area by area farmed.

The full analysis is available in the Assembly Library but I have attached the papers for your convenience. If you have any questions in relation to these documents, please contact Policy, Economics and Statistics Division for which the email address is [tradepolicy@daera-ni.gov.uk](mailto:tradepolicy@daera-ni.gov.uk).

Yours sincerely

***Sustainability at the heart of a living, working, active landscape valued by everyone.***

If you are deaf or have a hearing difficulty you can  
contact the Department via the Next Generation Text  
Relay Service by dialling 18001 + telephone number.

**INVESTORS IN PEOPLE®**  
We invest in people Standard

**ANDREW MUIR MLA**  
**Minister of Agriculture, Environment and Rural Affairs**

***Sustainability** at the heart of a living, working, active landscape valued by everyone.*

If you are deaf or have a hearing difficulty you can contact the Department via the Next Generation Text Relay Service by dialling 18001 + telephone number.

**INVESTORS IN PEOPLE®**  
We invest in people Standard

## **FUTHER DAERA ASSESSMENT OF THE IMPACT OF THE INHERITANCE TAX CHANGES IN UK BUDGET STATEMENT OF 30 OCTOBER 2024 ON THE AGRICULTURE SECTOR**

1. In the budget statement on 30 October 2024, the UK Government announced that from 6 April 2026, Agricultural Property Relief (APR) and Business Property Relief (BPR) combined, at 100% would be limited to £1 million. After this, the relief would be available at a rate of 50% meaning an effective inheritance tax rate of 20% on land values above £1 million, although strictly speaking the 50% is applied to the value of the agricultural and business property which can make a difference if set against the nil rate band.
2. Previous DAERA analysis looked at the value of agricultural land only. However, farms will typically also have farm buildings and residential property which can constitute agricultural property, and in addition, machinery and livestock which will constitute business property. The value of relief at 100% on all of these assets will be capped at £1 million.
3. The previous DAERA analysis assumed that agricultural land would be valued at £15,000/acre in 2026 based on an Irish Farmers Journal Survey which showed that agricultural land was selling in Northern Ireland at an average value of £13,794/acre in 2023. Further analysis of that survey showed that where a house and farm buildings were included in the sale, the average price was £18,386/acre in 2023 which is an increase of 33.3% compared to agricultural land only. Applying the 33.3% increase to the 2026 value of £15,000/acre gives £20,000/acre.
4. The DAERA Farm Business Survey (FBS) has valuations for working capital on farms which includes the value of machinery and livestock as well as debt. In 2022/23, the FBS showed working capital averaging at £1,225/acre of owned land, ranging from around £700/acre of LFA cattle and sheep farms to around £1,900/acre for dairy and lowland cattle and sheep farms. There are limitations to these valuations and arguments could be put forward that they may be considerably higher. They will not reflect the position on horticultural, pig, and poultry farms which have limited coverage in the FBS. Nevertheless, for the purposes of this analysis, a figure of £1,000/acre has been used which gives a total value of £21,000/acre of owned land in 2026 to cover all agricultural and business property on a farm.
5. At £21,000/acre, 19.5 hectares of owned agricultural land would translate into an agricultural and business property value exceeding £1 million. Therefore on average, farms where the assets are owned by one person which exceed 19.5 hectares will be affected by change in the Budget as they will no longer have all of their agricultural and business property values reduced to zero for the purposes of inheritance tax. The breakdown of these farms are shown in the tables below.

**Farms which own greater than 19.5 hectares of agricultural land and therefore have a value of agricultural property and business property (agricultural land, farm buildings, residential property, and working capital) exceeding £1million when valued at an average of £21,000/acre. (Source: 2023 NI Agricultural Census)**

	<b>Farms owning 19.5ha+</b>	<b>NI Total</b>	<b>% on farms owning 19.5ha+</b>
Very Small Farms	8,148	20,603	39.55%
Small Farms	2,090	2,641	79.14%
Medium Farms	998	1,168	85.44%
Large Farms	1,565	1,719	91.04%
<b>Total Farms</b>	<b>12,801</b>	<b>26,131</b>	<b>48.99%</b>
<b>Total Area Farmed (ha)</b>	<b>833,694</b>	<b>1,042,318</b>	<b>79.98%</b>
Dairy Cows	295,426	319,346	92.51%
Beef Cows	164,772	236,082	69.79%
All Other Cattle	865,076	1,117,917	77.38%
<b>Total Cattle</b>	<b>1,325,274</b>	<b>1,673,345</b>	<b>79.20%</b>
Ewes	700,632	973,718	71.95%
All Other Sheep	776,095	1,073,116	72.32%
<b>Total Sheep</b>	<b>1,476,727</b>	<b>2,046,834</b>	<b>72.15%</b>
Pigs	559,186	682,339	81.95%
Poultry	16,768,033	25,584,747	65.54%
Cereals (ha)	27,831	31,803	87.51%
Other Field Crops (ha)	11,863	13,785	86.06%
Horticultural Crops (ha)	1,539	2,189	70.31%
Agricultural Labour Force	30,375	52,676	57.66%

<b>Farm Type</b>	<b>Farms owning 19.5ha+</b>	<b>NI Total</b>	<b>% of farms owning 19.5ha+</b>
Cereals	178	275	64.73%
General Cropping	417	1,283	32.50%
Horticulture	65	188	34.57%
Pigs	60	144	41.67%
Poultry	361	633	57.03%
Dairy	2,202	2,519	87.42%
Cattle & Sheep LFA	6,988	15,267	45.77%
Cattle & Sheep Lowland	2,171	5,300	40.96%
Mixed and Other	359	522	68.77%
Total	12,801	26,131	48.99%

NB. The figures for some enterprises, particularly horticultural crops, pigs, and poultry should be treated with caution as non land assets of the farm will have a greater bearing on the total value of farm assets in these cases.

6. Just under half of all farms in Northern Ireland have agricultural and business property values exceeding £1 million using an average valuation of £21,000/acre. It is around 40% - 45% of cattle and sheep farms and 87% of dairy farms. As these are the larger farms, they account for a very high proportion of agricultural output. They have around 80% of the total land farmed, 70% of beef cows, 90% of dairy cows, 80% of total cattle and 70% of sheep.
7. There are a number of caveats that must be applied when attempting to translate the analysis into potential inheritance tax liability. Agricultural market value will vary significantly across NI and will be lower in parts of the LFA, particularly mountain areas. Farms operating as one unit may have land owned by more than one family member, to which the APR and BPR thresholds would apply individually. Also, some land will have development value which will increase the number of farms above the £1m value threshold. While the numbers are unlikely to be large, development value can generate a very large inheritance tax liability for an individual estate.
8. A number of the caveats will increase inheritance tax liability but the possibility that owned land on a farm unit may be owned by more than one person has the potential to reduce it. (The analysis is based on owned land for valuation purposes so excludes land rented in.)
9. If farm assets can be divided between a farmer and spouse so that each can pass on agricultural and business property directly to the next generation, then it would be possible to inherit up to £2 million of agricultural and business property on a farm unit which would have its value reduced to zero for inheritance tax purposes by APR and BPR. As an unused portion of the APR and BPR combined threshold of £1 million is not transferable, this will

require a division of assets of the farm between more than one person.

10. DAERA does not have data on the ownership structure of farm units in Northern Ireland but anecdotal evidence suggests that the typical situation is that they are owned by one person. There is now an incentive to change this but in many cases this will not be possible, especially if there is no surviving spouse.
11. The tables below show the breakdown of farms which have agricultural and business property value of more than £2 million and therefore would not have this value fully relieved by APR and BPR even if they were to divide assets between partners to avail of APR and BPR combined at 100% at £1 million each. (It will be a relatively rare occurrence where the assets of a farm unit can be divided between more than 2 people prior to inheritance/transfer to the next generation.)

**Farms which own greater than 39 hectares of agricultural land and therefore has a value of agricultural property and business property (agricultural land, farm buildings, residential property, and working capital) exceeding £2million when valued at an average of £21,000/acre. (Source: 2023 NI Agricultural Census)**

	<b>Farms owning 39ha+</b>	<b>NI Total</b>	<b>% on farms owning 39ha+</b>
Very Small Farms	2,880	20,603	13.98%
Small Farms	1,351	2,641	51.15%
Medium Farms	694	1,168	59.42%
Large Farms	1,279	1,719	74.40%
<b>Total Farms</b>	<b>6,204</b>	<b>26,131</b>	<b>23.74%</b>
<b>Total Area Farmed (ha)</b>	<b>599,690</b>	<b>1,042,318</b>	<b>57.53%</b>
Dairy Cows	231,684	319,346	72.55%
Beef Cows	100,655	236,082	42.64%
All Other Cattle	595,487	1,117,917	53.27%
<b>Total Cattle</b>	<b>927,826</b>	<b>1,673,345</b>	<b>55.45%</b>
Ewes	484,703	973,718	49.78%
All Other Sheep	530,594	1,073,116	49.44%
<b>Total Sheep</b>	<b>1,015,297</b>	<b>2,046,834</b>	<b>49.60%</b>
Pigs	494,481	682,339	72.47%
Poultry	9,675,803	25,584,747	37.82%
Cereals (ha)	21,957	31,803	69.04%
Other Field Crops (ha)	9,766	13,785	70.85%
Horticultural Crops (ha)	736	2,189	33.62%
Agricultural Labour Force	16,915	52,676	32.11%

<b>Farm Type</b>	<b>Farms owning 39ha+</b>	<b>NI Total</b>	<b>% of farms owning 39ha+</b>
Cereals	96	275	34.91%
General Cropping	175	1,283	13.64%
Horticulture	19	188	10.11%
Pigs	35	144	24.31%
Poultry	162	633	25.59%
Dairy	1,468	2,519	58.28%
Cattle & Sheep LFA	3,163	15,267	20.72%
Cattle & Sheep Lowland	885	5,300	16.70%
Mixed and Other	201	522	38.51%
Total	6,204	26,131	23.74%

NB. The figures for some enterprises, particularly horticultural crops, pigs, and poultry should be treated with caution as non land assets of the farm will have a greater bearing on the total value of farm assets in these cases.

12. With a £2 million effective threshold for APR and BPR combined at 100%, the number of affected farms falls to around 25% but they still account for around 58% of the total land farmed, 43% of beef cows, 73% of dairy cows, 55% of total cattle and 50% of sheep. This is a very significant impact when compared to the fact that between 4% to 7% of estates in general are expected to be paying inheritance tax.
13. The £2 million effective threshold for APR and BPR combined at 100% is a maximalist position which will be unattainable in many individual cases and the actual situation in Northern Ireland at present is likely to lie much closer to the £1 million threshold position.
14. Each individual taxpayer has a threshold of £325,000 which is subject to a nil rate of inheritance tax which can increase to £500,000 where the transfer involves a residential property, provided the transfer is to children or grandchildren and the estate is worth less than £2m. It is also possible to use a partner's unused allowance meaning that the nil rate band threshold could be as high as £1m. This threshold can be used to cover assets which are not agricultural and not business property such as savings. It can also be used to cover the remaining value of agricultural property and business property after the application of APR and BPR. The value of assets which are not agricultural/business property will vary significantly between individuals and DAERA has no data on this. The nil rate band threshold could lower the impact to some extent although the estates of many of the larger farms will exceed £2.7 million in total value and hence will not be able to avail of the £175,000 increase in the individual allowance. In these cases the nil rate band threshold will

be £650,000 where a spouse has an unused allowance of £325,000.

**DEPARTMENT OF AGRICULTURE, ENVIRONMENT AND RURAL AFFAIRS**

**9 DECEMBER 2024**