

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

Justin McNulty MLA
65 Monaghan Street
Ballinlare
Newry
BT35 6AY
justin.mcnulty@mla.niassembly.gov.uk



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

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

Our Ref: COR-0157-2025

Date: 6 March 2025

Dear Justin,

**INHERITANCE TAX/PROPERTY RELIEF – FOLLOW UP ACTION POINT FROM ORAL
QUESTIONS (AQO 1617/22/-27) – TUESDAY 25 FEBRUARY 2025**

In the Assembly on Tuesday 25th February 2025, during oral questions you asked if I would place in the public domain all written correspondence and documentation that my Department has issued in respect of alleviating the stress and uncertainty caused to farm businesses in Northern Ireland, as a result 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 can now confirm that copies of all correspondence and documentation in respect of this matter have now been deposited on the Assembly Library. 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.

Yours sincerely

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

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

Rt Hon Steve Reed MP
Defra Secretary of State
Seacole Building
2 Marsham Street
London
SW1P 4DF
Secretary.State@defra.gov.uk



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

An Roinn

**Talmhaíochta, Comhshaoil
agus Gnóthaí Tuaithe**

Depairtment o'

**Fairmin, Environment
an' Kintra Matthers**

www.daera-ni.gov.uk

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

Our Ref: SUB-0155-2025
Date: 11 February 2025

Dear Steve

INHERITANCE TAX – POSSIBLE MITIGATION

As you are no doubt aware, the changes to Agricultural Property Relief (APR) and Business Property Relief (BPR) have caused very high levels of concern and anxiety amongst the Northern Ireland farming community and in the agriculture sector throughout the UK. This is fully understandable given the impact if the changes are introduced in their current form from 6 April 2026.

In December 2024, my Department updated its original analysis paper to take into account not just land values but also buildings, residential property, livestock, and machinery. This has increased the land value to £21,000/acre. The findings reinforce the previous analysis and show that around half of all NI farms, accounting for 80% of the area farmed will have agricultural and business property exceeding £1m and therefore be impacted by the change. Even at a £2 million threshold (which many individual farm units will not be able to obtain), around a quarter of farms accounting for 57% of area farmed are expected to be impacted. A copy of the full analysis is attached.

Recently, the price of land sales in Northern Ireland in 2024 as measured by an Irish Farmers' Journal survey became known. This showed the average land price as £14,736/acre which rises to £19,140/acre when residential property is included. These values are very close to those used in the analysis and have the potential to rise further by 2026. The analysis has also been complemented by further work carried by the Central Association of Agricultural Valuers (CAAV).

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

It has become clear that the level of APR and BPR available to farms is not high enough to enable family farms to pass through the generations without incurring a massive inheritance tax liability which would threaten their existence. This is particularly the case in Northern Ireland which has the highest land values in the UK and Ireland and reports suggest that in 2024, agricultural land is being sold at values in excess of £20,000/acre. I am concerned that decisions on the level of APR and BPR relief have been based on tax claims in the 2021/22 period which clearly underestimate the actual situation due to a number of reasons. The Northern Ireland agricultural sector is now in a position that the survival of a large number of farms, managing most of the agricultural land is dependent on the timing of the transfer of property and the timing of death of the transferor. This is an intolerable position into which to place family farms and it is clear a mitigation is required.

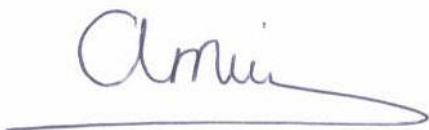
I have been looking at how inheritance tax (or its equivalent) is applied in other European countries and most have particular arrangements for farms.

I would ask the Treasury to consider the mitigating measure that inheritance tax liability be deferred where agricultural land is inherited if it continues in agricultural use and is not disposed of. After seven years, the inheritance tax would be cancelled. This would be a similar concept to holdover relief which is applied to capital gains tax. It would recognise that where land is farmed and continues to be farmed, the value of the land is not realised and hence it would not generate a large inheritance tax bill that would have to be met from cash reserves. In many cases this will not be possible without the sale of assets which in turn threatens the survival of the farm business. It also means that outside investors can no longer purchase land in the knowledge that on death it can be sold free of inheritance tax and capital gains tax. If sold within 7 years of death, it will be liable to inheritance tax and after 7 years, there is likely to be a sizeable capital gain. This approach to inheritance tax currently operates in a number of other European countries including Germany and a similar concept applies in the Republic of Ireland.

I would ask that you give consideration to this suggestion and raise it with Treasury Ministers. I believe that it would end exploitation of the inheritance tax reliefs while at the same time enable family farms where land will continue to be used within the business for farming purposes to continue to pass from generation to generation without incurring inheritance tax liability on agricultural and business property which is essential to their survival.

I am copying this letter to John O'Dowd MLA, Minister of Finance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A Muir', with a long horizontal flourish extending to the right.

ANDREW MUIR MLA
Minister of Agriculture, Environment and Rural Affairs



Search this site...



New analysis shows half of NI farms potentially impacted by inheritance tax changes

Date published: 10 December 2024

Around half of all farms in Northern Ireland, accounting for 80% of farmed land, could be impacted by the Inheritance Tax changes announced as part of the UK budget in October.

The Department of Agriculture, Environment and Rural Affairs (DAERA) has undertaken a deeper analysis into the impacts of the tax changes, taking into account residential property, farm buildings, machinery and livestock as well as land. This increased the average land value estimations from £15,000/acre to £21,000/acre, taking the number of farms potentially impacted from a third to around half.




News

As part of the UK budget on 30 October 2024, it was announced that Agricultural Property Relief (APR) and Business Property Relief (BPR) combined at 100% would be restricted to £1 million from 6 April 2026.

Speaking of this comprehensive analysis, DAERA Minister Andrew Muir said: "The initial analysis undertaken by my department painted a worrying picture, but this deeper study has truly revealed the stark reality of how many hard-working farmers could be impacted by the inheritance tax changes. I stand firmly with the agriculture sector in calling for these damaging changes to be reversed. Northern Ireland will be disproportionately impacted due to the makeup of our agri-sector and it cannot continue."

The Minister continued: "My Department's analysis is at odds with the Treasury figures presented which relate to 2021/22 claims for APR and BPR and almost certainly a major underestimation of the impact.

"It is important to remember that these claims are from a period when the value of agricultural property and business property made no difference to inheritance tax liability as there was unlimited relief at 100%. I have serious concerns with their use to measure the impact of the changes announced in the Budget. The context will be very different from 6 April 2026 with much more attention being

Cookie settings 

Cookies on www.daera-ni.gov.uk

We use some essential cookies to make this service work. We'd like to set additional cookies so we can remember your settings, understand how people use the service and make improvements. Some of our pages allow selected third parties to set cookies – for example, pages that contain YouTube videos or Google Maps.

[Find out more about how we use cookies](#)



With a £1 million limit on APR and BPR combined at 100%, around half of all farms in Northern Ireland, accounting for 80% of the area farmed will exceed this limit and will be impacted by the Budget change.

Using a £2 million limit (which some, but not all, farms may obtain if they are able to divide farm assets between partners), a quarter of farms would be impacted but these farms still account for over half of the area farmed in Northern Ireland.


The Minister concluded: "I again urge the UK Government to turn back and reconsider the planned tax changes given the disproportionate impact on family farms, particularly in Northern Ireland. The ability to pass farms down through generations of farming families is crucial to securing the future of our agri-food sector. I will continue to do everything I can, working with stakeholders and my Ministerial colleagues to make representations to UK Government Ministers."

The full analysis can be found on the [DAERA website \(/publications/inheritance-tax-changes-uk-budget-statement-30-october-2024\)](https://publications.inheritance-tax-changes-uk-budget-statement-30-october-2024).

Notes to editors:

1. Follow DAERA on [X](https://twitter.com/daera_ni)  (https://twitter.com/daera_ni) formerly called Twitter and [Facebook](https://www.facebook.com/daerani.gov.uk/)  (<https://www.facebook.com/daerani.gov.uk/>).
2. All media queries should be directed to the DAERA Press
Office: pressoffice.group@daera-ni.gov.uk (<mailto:pressoffice.group@daera-ni.gov.uk>) Or telephone: 028 9016 3460.
3. The Executive Information Service operates an out of hours service for media enquiries only between 1800hrs and 0800hrs Monday to Friday and at weekends and public holidays. The duty press officer can be contacted on 028 9037 8110.

Latest news

[Brucellosis compensation rates for March 2025](https://www.daera-ni.gov.uk/news/brucellosis-compensation-rates-march-2025)  (<https://www.daera-ni.gov.uk/news/brucellosis-compensation-rates-march-2025>)

28 February 2025

[Outdoor, active careers with CAFRE](https://www.daera-ni.gov.uk/news/outdoor-active-careers-cafre)  (<https://www.daera-ni.gov.uk/news/outdoor-active-careers-cafre>)

28 February 2025

[Bird life at CAFRE](https://www.daera-ni.gov.uk/news/bird-life-cafre)  (<https://www.daera-ni.gov.uk/news/bird-life-cafre>)

27 February 2025

[CAFRE events highlight details of the Sustainable Agriculture Programme](https://www.daera-ni.gov.uk/news/cafre-events-highlight-details-sustainable-agriculture-programme)  (<https://www.daera-ni.gov.uk/news/cafre-events-highlight-details-sustainable-agriculture-programme>)

27 February 2025



Cookies on www.daera-ni.gov.uk

We use some essential cookies to make this service work. We'd like to set additional cookies so we can remember your settings, understand how people use the service and make improvements. Some of our pages allow selected third parties to set cookies – for example, pages that contain YouTube videos or Google Maps.

[Cookies](#) (/articles/cookies-daera) impacted-potentially-
impacted

[Accessibility](#) (/articles/accessibility-statement-department-agriculture-environment-and-rural-affairs-daera-ni)

[tax-](#) [tax-](#) [inheritance-](#)

[The Northern Ireland Executive](#) (https://www.northernireland.gov.uk)
changes&changes&prepare
changes

[The Executive Office](#) (https://www.executiveoffice-ni.gov.uk)

[Department of Agriculture, Environment and Rural Affairs](#) (https://www.daera-ni.gov.uk)

[Department for Communities](#) (https://www.communities-ni.gov.uk)

[Department for Education](#) (https://www.education-ni.gov.uk)

[Department for the Economy](#) (https://www.economy-ni.gov.uk)

[Department of Finance](#) (https://www.finance-ni.gov.uk)

[Department for Infrastructure](#) (https://www.infrastructure-ni.gov.uk)

[Department for Health](#) (https://www.health-ni.gov.uk)

[Department of Justice](#) (https://www.justice-ni.gov.uk)

[nidirect.gov.uk – the official government website for Northern
Ireland citizens](#) (https://nidirect.gov.uk)



Cookies on www.daera-ni.gov.uk

We use some essential cookies to make this service work. We'd like to set additional cookies so we can remember your settings, understand how people use the service and make improvements. Some of our pages allow selected third parties to set cookies – for example, pages that contain YouTube videos or Google Maps.

**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

Daniel Zeichner MP
Minister of State at the Department for
Environment, Food and Rural Affairs
House of Commons
London
SW1 0AA
ps.daniel Zeichner@defra.gov.uk

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

Our Ref: SUB-2057-2024

Date: 26 November 2024

Dear Daniel

NI ANALYSIS PAPER ON IMPACT OF INHERITANCE TAX CHANGES ON FARMS

Following our Inter-Ministerial meeting on 18th November 2024, I agreed to provide you with a copy of the analysis paper undertaken by my department, on the impact on Northern Ireland farms of the inheritance tax changes announced as part of the Budget statement on 30th October 2024 and the limitation of Agricultural Property Relief and Business Property Relief at a rate of 100% to a combined value of £1million. A copy of the paper is attached which I hope is helpful. It can also be found in the Assembly Library at: <https://www.niassembly.gov.uk/assembly-business/research-and-information-service-raise/deposited-papers-2024/>.

The main point I would like to emphasise is that not just 1/3rd of Northern Ireland farms are likely to own land of a value exceeding £1 million and therefore are likely to be impacted by the Budget changes but as these are the largest farms, they account for around 60% of the agricultural land in Northern Ireland and the majority of production. Taking into account the caveats referred to in the analysis, I am of the view that it is a realistic appraisal of the potential impact in Northern Ireland and has found general acceptance among stakeholders.

I do have serious concerns about the Treasury figures on APR claims and their use to state that less than 500 estates with agricultural land will pay inheritance tax each year due to the Budget changes. These statistics relate to 2021/22 when APR was unlimited at 100% and therefore the value of agricultural land declared as part of the estate or whether it was declared at all made no difference to the calculation of inheritance tax liability. That context will be very different from 6 April 2026. There were 1,730 claims for APR in 2021/22 but this seems very low given that there are 209,000 farms in the UK and there

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

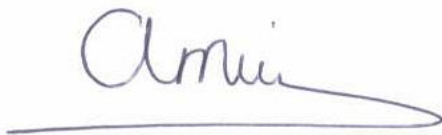
will also be APR claims by non farming landowners. Furthermore, the value of APR claimed of £1,570million equates to only around 80,000 hectares at an average UK market land value of £8,000/acre in 2021/22 (and not all APR claims will be exclusively for agricultural land) which again is very low given the total UK agricultural area of 17 million hectares and the area that would be expected to transfer each year given farms will be transferring every generation.

This would give rise to the possibility that in the past, either agricultural land was given a low value or was not included in estates at all or a combination of both, in the knowledge that it made no difference to inheritance tax calculations. It will be a very different situation post 6 April 2026 and hence it does not appear to be valid to use the Treasury figures on APR claims in the past to assess the potential impact as they will be a serious underestimate given the different policy context.

I would be grateful if you could consider the points made about the Treasury figures and explore further with Treasury and come back to me with an explanation as to how they could be relied upon to measure the potential impact of the Budget change.

I am copying this letter to Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs, Huw Irranca-Davies MS, Cabinet Secretary for Rural Affairs, Land Reform and Islands, Mairi Gougeon MSP, Minister of Agriculture and Connectivity Scotland, Jim Fairlie MSP, NI Minister of Finance, Caoimhe Archibald MLA and NI Secretary of State, Rt Hon Hilary Benn MP.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A Muir', with a long horizontal flourish extending to the right.

ANDREW MUIR MLA
Minister of Agriculture, Environment and Rural Affairs

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)

	Farms owning 19.5ha+	NI Total	% on farms owning 19.5ha+
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%
Total Farms	12,801	26,131	48.99%
Total Area Farmed (ha)	833,694	1,042,318	79.98%
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%
Total Cattle	1,325,274	1,673,345	79.20%
Ewes	700,632	973,718	71.95%
All Other Sheep	776,095	1,073,116	72.32%
Total Sheep	1,476,727	2,046,834	72.15%
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%

Farm Type	Farms owning 19.5ha+	NI Total	% of farms owning 19.5ha+
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)

	Farms owning 39ha+	NI Total	% on farms owning 39ha+
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%
Total Farms	6,204	26,131	23.74%
Total Area Farmed (ha)	599,690	1,042,318	57.53%
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%
Total Cattle	927,826	1,673,345	55.45%
Ewes	484,703	973,718	49.78%
All Other Sheep	530,594	1,073,116	49.44%
Total Sheep	1,015,297	2,046,834	49.60%
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%

Farm Type	Farms owning 39ha+	NI Total	% of farms owning 39ha+
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

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.

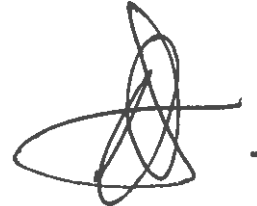
We are writing to urge you to reconsider this decision and ensure Agricultural and Business Property Reliefs are retained as they currently apply and the ability to pass down a family farm from one generation to the next is protected.

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