Times letters: Farmers’ campaign to save a way of life

Wednesday November 20 2024, 12.00am, The Times

Sir, A number of wealthy individuals of my acquaintance bought hobby farms for the inheritance tax breaks. The even-handed application of IHT to agricultural estates might just help to make farms more affordable for genuine aspirant farmers.
David Rew Chilworth, Hants

Background

I have never owned a farm and never will. However, the debate on the taxation of the estates of farmers was of particular interest, as it illustrated the law of unintended consequences writ large in the matter of the distortions of the tax system.

I have known a number of individuals in the upper echelons of the medical profession and elsewhere who have bought small farms for their tax efficiency, in particular in respect of past exemption of their estates from Inheritance Tax.

I have no profound knowledge of the intricacies of land taxation, but I thought that the issue was worth noting and so too (clearly) did the team on the Letters column of the Times.

I append two further letters from more knowledgeable correspondents to the The Times on this particular day to illustrate the emotive issues in greater depth:

Letter 1.
Sir, Will Lloyd gives an eloquent account of how many farmers feel (“Starmer’s farmer bashing may bloody us all”, Nov 18). The government is out of touch with the reality of a farming life. It claims that the majority of farms will not fall foul of the imposition of inheritance tax but does not seem to appreciate who grows the food that the population relies on; instead it has penalised those who have dedicated their lives to producing it.

Farming is a hard and, financially at least, unrewarding way of life: to make a 1 per cent return on capital is considered acceptable. Farmers chose to do it down the generations because the way of life is incomparable.

To be so little valued by those in power is dispiriting. A farm business that is exempt from IHT when valued at under £1 million is in most cases a hobby farm or smallholding, some with a few acres of fenced pony paddock. All very good but generally not producing much towards feeding the population.

These enterprises will be exempt from tax. The super-wealthy who are using investments in agricultural land to shelter their wealth from IHT surely have access to the finest financial advice and will undoubtedly find a way of avoiding this tax. That leaves the rump in the middle at risk, the ones ministers say will be protected: good old-fashioned family farms of 500 to 1,500 acres.

Who would want to pass on all the accumulated wealth of experience to the next generation when faced with a tax bill of hundreds of thousands of pounds that would wipe out all profits for the foreseeable future? This policy needs a serious rethink.

James Williams

Farmer; Aston Rowant, Oxon

Letter 2.

Sir, Henry Scrope has written an excellent letter (Nov 19) suggesting that farmers should have a £5 million IHT exemption. This, however, is still an arbitrary amount. There are surely two elements to calculating the approach of an appropriate exemption level: capital value and return on capital. If one sets a "fair" family income, say £50,000, how valuable a farm is required to provide such an income?

I don't know the answer, but I am sure HMRC does. If the exemption was so set, and inflation-linked, it might well provide fairness.

Chris Greaves FCA

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