Taxing Wealth Report 2024: Reforming inheritance tax ag…

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I have this morning published the next in my series of proposals that will make up the [Taxing Wealth Report 2024](#).

In [this latest note](#), I continue the theme of looking at inheritance tax. This time, I address the issues inherent in the agricultural property relief that is provided by thus tax and suggest their total reform.

The [summary of this note](#) says:

Brief summary

This note suggests that:

* Inheritance tax agricultural property relief currently costs just over £1 billion a year in tax foregone at present.

* The relief is open to abuse and that opportunity should now be denied.

* There is limited evidence of an economic need for this relief in other cases, although the provision of deferred payment arrangements to prevent business disruption at the time of the death of the owner of agricultural assets is entirely appropriate.

* A payment deferral period of up to five years might be permitted in cases where the

estate of a person who actually used the assets in their farming business (some exceptions now being noted) has to sell assets to make payment of tax owing, with the option for extension at the discretion of HM Revenue & Customs.

* Up to £1 billion of additional tax might be collected per annum over time as a result of the adoption of these recommendations.

Discussion

The logic implicit in this relief is that it is important that an agricultural business survive the death of its owner or owners without business disruption arising from the need to realise capital to make payment of inheritance tax.

There are a number of very obvious problems with the supply of this relief on a universal basis without taking into consideration the particular circumstances of the business under review. These include:

* That in the case of tenanted farms there is usually no reason why there should be any business disruption in the event of the death of an owner.

* That the relief is available for land outside the UK, for reasons that are not all apparent and which provides no return to the UK for the relief given.

* That in the case of the ownership of shares in a farm there is no reason why the death of an owner need necessarily disrupt the business of the agricultural property.

* To describe stud farms as agricultural property is surprising.

* The relief can be given for shooting estates and other land uses that are now considered environmentally harmful.

* That it is inappropriate that the owners of assets of this sort should have the opportunity to avoid inheritance tax in addition to avoiding capital gains tax on gains they might have made during their lifetime on the property in question, which charge is cancelled on death. This double taxation relief makes this relief particularly generous as well as open to abuse.

These situations all suggest that:

* The relief might be too generous.

* The relief is open to abuse.

* The assumptions underpinning the relief are inappropriate.

* An alternative is needed.

Recommendations

A number of recommendations flow from these observations:

* No relief should be provided on agricultural assets used by other persons. It should, however, be possible to apply for deferred tax payment in the event of sale of such property to raise funds to pay tax for a maximum of two years, but thereafter no further relief is required.

* Relief for property outside the UK should be abolished.

* Relief for stud farms should be abolished.

* Relief for gaming estates should be abolished.

* Relief for other personally owned assets used in an agricultural property should be abolished but any tax due should deferred for a period of no more than five years, with extensions being permitted on a case-by-case basis. The intention of this arrangement would be to prevent business disruption. This deferral should be sufficient to achieve that goal. Capital gains rebasing at the time of death should be permitted, but a charge should be placed over assets so that they cannot be sold without the liability to inheritance tax due being paid. Revaluation of liabilities owing to take into account changed market circumstances should only be permitted in the first two years following death.

These proposals withdraw inheritance tax agricultural property relief altogether in cases where it is currently likely to be abused and turn it into a deferred payment arrangement in other cases to prevent the disruption that might occur by demanding payment soon after the time of death of the owner of a business or asset. The reasons for originally providing this relief are respected. The opportunity to save two taxes (i.e. both capital gains tax and inheritance tax) is, however, denied, creating much stronger vertical and horizontal tax equity as a result whilst raising £1 billion in additional tax revenue over time on an annual recurring basis.

Cumulative value of recommendations made

The **recommendations now made as part of the Taxing Wealth Report 2024** **would, taking this latest proposal into account, raise total additional tax revenues of approximately £99.2 billion per annum.**