

# Funding the Future

Article URL

Published: January 12, 2026, 7:38 pm

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Farmers need to stop talking nonsense. I thought it worth sharing an anecdote based upon a BBC Northern Ireland radio discussion I took part in yesterday with regard to Labour's new, very modest, inheritance tax charge on farms passed on by people at the time of their death.

The President of the National Farmers' Union in Northern Ireland claimed that this charge would apply to most farms in Northern Ireland. Under questioning from a very sensible host, he agreed that the average farm that he was talking about was about 100 acres in size and that farmland in Northern Ireland is worth, on average, about £16,000 an acre. There would, of course, be other assets on the farm, including livestock, crops, equipment, and a farmhouse, but let's be realistic and guess that, as a result, the farm as a whole, which would make up the vast majority of the person's estate on death, would not exceed £2.5 million in worth.

Let's also presume that this would, as a family farm, have been farmed by a couple. Each partner in that couple has a £1 million exemption for passing on the farm on death, and presuming that they use this wisely, that would exempt £2 million of farm assets from an inheritance tax charge.

It is also now possible for a couple who write their wills in ways which are very easy to arrange to enjoy an inheritance tax exemption of £1 million when the last survivor dies, which sum does not include the farm because the farming exemption can be added on top of this sum, meaning that in total it is entirely possible for a farming couple to pass on £3 million of farm assets without an inheritance tax charge arising.

An accountant from Northern Ireland who was on the programme failed this out. The discussion continued on the basis that only £1 million of the transfer would be exempt from the charge, which was wholly incorrect.

I pointed out the fact that the discussion was based on an entirely false premise as a result. In fact, as I noted, simply based on the data that the NFU President supplied, it was very obvious that most family farms in Northern Ireland would not be subject to this inheritance tax charge, but despite this, the NFU President claimed that this charge would spell the end of family farming in Northern Ireland, the end of food production

there, and be a disaster for UK food security, and all of those claims are complete nonsense.

So why did that happen? What was apparent was that the NFU President and the accountant involved in the discussion had a decided dislike for those they thought to be left-wing, which label was, however, never attached to me. I think we can safely presume as a consequence was that all that they really wanted to promote was political nonsense that was entirely divorced from reality.

These farmers need to [read the article that I wrote here yesterday](#) or watch [the video that I have posted here today](#). I made many of the points in both of those on air, but the NFU President then claimed that I was entirely wrong to suggest that imposing inheritance tax on farms would in any way change the value of farmland. That was because, he said, demand for farmland was strong for a great many reasons other than its use for inheritance tax planning.

What did, in fact, become perfectly clear was that he was very pleased to be sitting on assets worth a considerable sum, but what he did not want to do was to make any contribution to society as a consequence. The presenter realised this and so asked the NFU president why he thought his farms should go untaxed when he obviously thought others should pay tax to pay for the subsidies he enjoyed. He appeared unable to answer the question.

If this is the quality of the arguments that farmers can come up with, they really should get back to their land because they obviously have no idea about economics, politics, or tax.

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I will also add this exchange in the comments here this morning. I start with a comment from a person called Ted Franke, who has never commented here before:

*As a grower of crops, and fourth generation, all I can say is that the cash to pay the IHT just isn't there. In the last 40/45 years of our business, we can say that we have consistently earned below average income. We survive. Farms in the UK have been government subsidised to maintain dirt cheap food in the shops. Over the last 10 years our share of the money to pay our costs is between 35 and 40 % of the shop shelf price. The gross price average of our raspberries is 30% lower now compared to 1998. Our supermarket masters say we should be more efficient. I'm 69 now and most of my life have worked between 100 to 120 hours a week depending on whether we were harvesting or not. Our business has been valued at a ridiculous price. Lots of asset value, little cash which is not enough to pay the potential IHT bill. Also the return is insufficient to borrow the money from the bank to pay the IHT. If farms became more profitable if perhaps people paid a realistic price for their food? Wishful thinking.*

*How about a complete U turn? No IHT for anyone? Sweden did this a couple of years ago and immediately their revenue took more money overall because people didn't hide their money anymore. Here in the UK the big problem is there is a palpable jealousy in the population, an actual hatred of people who are perceived to maybe "better off". Well when I was working my 120 hour weeks I was quite happy but not better off than most. In fact many a year the Eastern European fruit pickers earned more than the family members. In 2019 our four family partners earned 100 pounds a month each. Anyone like to swap?*

This was my reply:

*Ted*

*I have read some really absurd comments on here in my time, but yours really does rank right up there. Let me be entirely clear as to why I say that.*

*No one asked you to be a farmer. No one required that you stay in the job. No one required that you impose hardship on your family to maintain your farm. All of that was done by your own choice. So, if you decided to run a failing business for 50 years, dedicating all your life to a task that provided you with no reward, and only a reason to gripe, then that was exactly what you wanted to do.*

*Given that you obviously presume that you will have an inheritance tax charge as a result of Labour changes, let me presume that your farm is worth more than £3 million, and might even be worth £5 million, or there would be little real reason why you are getting so upset about things.*

*You could, of course, at this moment sell your farm. You would, of course, have a capital gains tax bill that might come, if the farm is worth £5 million, to maybe £1 million, leaving you a clear £4 million in the bank. You could then put that in a bank deposit account and make at least 4%, and then have an income of at least £160,000 a year in your retirement, which is vastly more than the income that most people will enjoy in their lifetimes.*

*You are, therefore, an exceedingly rich man who chooses to produce food at a substantial loss for reasons that are hard to explain and then wishes to complain about the taxation of wealth precisely because he is by any reasonable standards a very wealthy person.*

*What is more, your claim that there is no money to pay the inheritance tax when in fact if you were to die and leave the farm to your children the inheritance tax bill would be no more than £400,000, leaving them a net value of £4.6 million on the basis that I have estimated, and an annual income to share of in excess of £180,000 a year.*

*Your claims that there is no money to pay this bill is, straightforwardly and very*

*obviously wrong. In fact, it is worse than that. It is bogus.*

*And please don't tell me that you could not possibly sell. It is obvious that very many farmers are actually doing so, or the farms of the type that have been created by James Dyson would not exist.*

*Very politely, I suggest that you stop moaning, count your good fortune, sell up, leave someone else to worry about why your farm cannot make money, enjoy your retirement, and give your children a share of your quite remarkable wealth.*

*Richard*

*PS And the argument holds even if your farm is only worth £2 million or so, given what you are telling me.*

I chose not to mention Ted's persecution complex because he thinks people hate him for being rich when I am quite sure no one does, although moaning certainly won't help his cause. The politics of envy, it would seem, are all his.