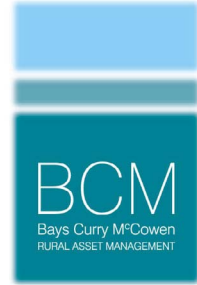


PRESS RELEASE



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The McKenna Case – is contract farming safe?

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From Andrew Bays – Bays Curry McCowen (BCM)

Farmers and landowners will often rely on 100% agricultural property relief (APR) from Inheritance Tax as part of their tax planning for the transition of ownership of landed assets to succeeding generations. Most will be well aware that the eligibility for such relief has come under specific attack from the Antrobus case(s) and the ramifications of this on the character appropriate test and the agricultural value of a house has been well publicised and commented on. However, the recent McKenna case could be argued to have even more far reaching effect.

The McKenna case involved a house that was later sold for just over £2 million and 110 acres of agricultural land. Whilst it is not entirely surprising that the house did not qualify for relief, the comments by the Special Commissioner could have extremely far reaching effect.

In the past the farmhouse has been defined as the house from which a farming business was managed and it has not mattered if the landowner has other business interests or was semi-retired. The McKenna case has effectively added the further condition that the person living in the house must be involved in the day to day farming of the land. This makes the prospect of achieving the relief far more difficult where contract farming agreements or grazing lets are in place. Indeed, even employing the services of an agent needs to be handled carefully.

This decision has fundamental impact on the management of land and houses where there is an intention to rely on APR. BCM would urge all such owners to carry out a review of the asset management arrangements in light of both Antrobus and McKenna.

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