

COUNTRYSIDE ALLIANCE BRIEFING NOTE: RURAL ECONOMY

House of Lords

Thursday 11 June 2026

- **Rural communities offer significant untapped potential for contributing to the national economy, but they need clear support from the government with policies that support the countryside to thrive.**
- **The Rural Premium – the added costs people face by virtue of living in the countryside – and issues with local service closures underscore the need for a more joined-up approach within government to rural policy.**
- **Partial changes announced in December 2025 to the family farm tax are a step in the right direction, but the government must re-focus on working with the rural community, not legislating against it.**
- **The Countryside Alliance welcomed the Chancellor’s announcement of a business rates reduction for the Retail, Hospitality and Leisure sector as it improves the position for businesses compared to what it would have been had it not been made.**
- **We remain, however, deeply concerned about the cumulative impact of a range of pressures, including taxation and market conditions, on the continued viability of rural pubs, which often serve as the backbone of their communities.**
- **Full alignment of shotguns with Section 1 firearms would be hugely damaging for the shooting sector, and the rural economy more widely.**
- **The proposed ban on trail hunting also runs contrary to the government’s ‘mission’ to promote economic growth. The British Hound Sports Association’s recent socio-economic survey states that hunting contributes £100 million to the rural economy each year.**

Background

- A recent House of Lords Library report stated that in 2023, rural areas of England contributed an estimated £259bn in gross value added (GVA) to the economy, representing 12.2% of its total GVA.
- The report noted the diversity of the rural economy but highlighted the particular contributions of sectors including agriculture – which represents a third of GVA in rural areas – and tourism, which comprises 4% of rural GVA.¹

¹ House of Lords Library, [Rural economy: UK government policy](#), 04.06.26

Support for rural areas

- The government has announced a range of funding streams and other commitments designed to support the rural economy. These are welcome, but the Countryside Alliance has concerns over how well-integrated its approach to rural policy is, and how effective it will be at tackling the cost of living in rural areas.
- On 25 February 2025 the then Defra Secretary, Steve Reed MP, addressed the NFU Conference and made a range of commitments intended to support the food and farming sector and boost profitability. These included:
 - Extending the seasonal workers visa scheme for five more years.
 - Steps towards greater public sector procurement of British produce.
 - A further £110 million investment in technology grants.
 - Protecting farmers in trade deals.
 - Strengthened biosecurity through a new £200 million National Biosecurity Centre.²
- Then on 4 March 2025 the government announced up to an additional £38 million of funding for rural communities more broadly.
- The announcement mostly consisted of up to £33 million being directed to the Rural England Prosperity Fund, used to improve local infrastructure and essential services that benefit rural communities and help businesses in rural areas to expand. Projects eligible for grant funding include creating rural business hubs, diversification, community gardens, footpaths and community kitchens.
- The remaining up to £5 million will support rural services. Part of this will be directed to the Rural Community Assets Fund, which provides capital funding for the refurbishment and development of community-owned assets such as village halls or community centres, and part will support Rural Housing Enablers who help bring forward sites for affordable housing.³
- The Countryside Alliance argues that the Rural Premium – the added costs people face by virtue of living in the countryside – and issues with local service closures underscore the need for a more joined-up approach within government to rural policy. These issues, plus others such as the availability of healthcare and transport, touch on matters that fall under the purview of a broad range of government departments. However, unlike other thematic policy areas, such as animal welfare and net zero, there appears to be no instrument for developing an overarching policy or strategy.
- Higher living costs in rural areas have knock-on consequences for rural businesses, leaving less money in the pockets of residents and requiring them to rely more heavily on large and online retailers, whose economies of scale allow them to bear down on costs, instead of supporting local businesses that remain vital sources of revenue, employment and convenience.

² Defra, [Government announces raft of new policies and major investment to boost profits for farmers](#), 25.02.25

³ Defra, [Government funding for rural communities set out](#), 04.03.25

Food and farming sector

- Budget announcements in 2024 by the Chancellor of the Exchequer, Rachel Reeves MP, restricting the availability and thresholds for Agricultural Property Relief and Business Property Relief produced a furious reaction among farmers and were dubbed the 'Family Farm Tax'.
- With Countryside Alliance analysis showing that there are 190 Labour MPs at least part of whose constituencies are rural, it was reported in March 2025 that around 40 Labour MPs had met Treasury officials to express disquiet about the changes.⁴ Subsequently in May, the Labour-majority EFRA Committee called on the government to delay and change the measures.⁵
- On 23 December 2025, the government announced a partial reversal of the policy, extending the full 100% relief from inheritance tax to the first £2.5 million of combined agricultural and business property, an increase from the first £1 million of such property. Above the £2.5 million allowance, impacted individuals will access 50% relief from inheritance tax on qualifying assets and will pay inheritance tax at a reduced effective rate of up to 20%, rather than the standard 40%. This tax can be paid in equal instalments over 10 years interest free.⁶
- Reacting both to the change in inheritance tax policy and the recent Countryside Alliance poll of public attitudes to the government's rural policy (see above), Tim Bonner, Chief Executive of the Countryside Alliance, said:

"While the partial changes to the family farm tax are a step in the right direction, the government must desperately learn the fundamental lesson of this policy debacle, which is that it needs to work with the rural community – not legislate against it. The government has a very long way to go to rebuild trust."

Retail, Hospitality and Leisure (RHL) sector

- The contribution of the Retail, Hospitality and Leisure sector to the rural economy is significant, but in recent years the sector's economic viability has suffered from increases in taxation, rising labour costs and difficult market conditions.
- During the Budget on 26 November 2025, the Chancellor announced "*permanently lower tax rates for over 750,000 retail, hospitality and leisure properties – the lowest tax rates since 1991*". The measure consisted of lowering the business rates multiplier by 5p.
- On the same day, however, the Valuation Office Agency (VOA) published its assessment of the rateable values of all commercial properties in England and Wales, which is the other main component of how much a business actually pays in rates.
- Business rates valuations are an attempt to reckon how much a turnover a business should have been able to generate during the year of assessment, which, for the 2026 revaluation, was 2024. The last time rates were valued was in 2023 with an assessment year of 2021, during which market conditions were heavily depressed by the coronavirus pandemic.

⁴ The Express, [Full on Labour revolt over Rachel Reeves as 40 MPs send furious letters over tax plans](#), 06.03.25

⁵ Countryside Alliance, [Commons committee backs Family Farm Tax campaign](#), 16.05.25

⁶ HMT & Defra, [What are the changes to agricultural property relief?](#), Updated 23.12.25

Since those conditions no longer existed in 2024, some increase in business valuations was inevitable.

- VOA statistics show that pubs experienced an average increase of 30%, but anecdotal evidence suggests they have been distinctly uneven, with some publicans showing on social media business valuation increases of up to four times.
- The revaluation also coincided with the unwinding of business rates relief schemes introduced initially by Rishi Sunak as Chancellor during the pandemic and reduced to 40% by the present Chancellor the previous year.
- Further transitional reliefs were also announced but the Telegraph reported analysis from UK Hospitality that the combined effect of all of these factors would leave pubs facing an average bill increase of 15%.⁷ next year. In January 2026 the government announced that business rates bills for pubs would be cut by 15% for 2026-27 and frozen at that level in real terms for the following two years. However, restaurants and bars were not included.⁸
- The Countryside Alliance welcomed the Chancellor's announcement of a rate reduction for the RHL sector and indeed, had called for her to uphold the commitment she made in last year's Budget to do so. The reduction does improve the position for businesses compared to what it would have been had it not been made.⁹
- We remain, however, deeply concerned about the cumulative impact of a range of pressures, including taxation and market conditions, on the continued viability of rural pubs, which often serve as the backbone of their communities. Pressures arising from government policy include higher wage costs as a result of increases in statutory minimum wage, and the increase in the rate of employers' National Insurance Contributions from 13.8% to 15% from April 2025.

Trail hunting and shooting

- Trail hunting and shooting both make significant contributions to the rural economy, but the government is currently taking steps that threaten that economic contribution.
- Full alignment of shotguns with Section 1 firearms would be hugely damaging for the shooting industry, and the rural economy more widely. If, as polls have suggested, it caused a decrease in participation in shooting by 1/3, the loss to the UK economy would be £1.1 billion.
- In rough calculation the increased cost to licence holders from shotgun transfers having to be treated as variations could be £7 million p.a., not to mention the cost to the police. The impact of such cost increase would invariably lead to a downward trend in shotgun sales, causing harm to the UK economy both in terms of trade but also in the numbers engaged in shooting activities.
- The economic impact of full alignment across the wider economy and especially in rural areas would be significantly greater than £7 million, from job losses to losses of businesses dependent on shooting.

⁷ The Telegraph, [Pubs face annihilation after business rates overhaul](#), 29.11.15

⁸ Simply Business, [Relief for pubs as government confirms business rates U-turn](#), 28.01.26

⁹ Countryside Alliance, [Business rates blow to rural pubs](#), 02.12.25

- The government's recent Land Use Framework, published on 18 March, further threatened the shooting sector in declaring an intention to explore licensing shoots and imposing conditions. Given that any licensing scheme must proceed from a ban, the restrictive approach the document suggested would only undermine the critical economic, social and conservation contribution made by well-managed shooting.¹⁰
- A ban on trail hunting also runs contrary to the government's 'missions' to promote economic growth and improve the NHS for the sake of achieving better health outcomes. The British Hound Sports Association's recent socio-economic survey states that hunting contributes £100m to the rural economy each year. A Countryside Alliance survey has also found that 97% of hunting participants believe the activity to benefit their physical and mental health.

Countryside Alliance position

- In broad terms, the Countryside Alliance is keen to address the 'rural premium', the added costs of living that residents must pay by virtue of living in a rural area. This is a key challenge to rural Britain and reflects the reality of our members' and supporters' daily lives.
- Rural communities offer significant untapped potential for supporting the national economy, but they need clear support from the government with policies that support the countryside to thrive.
- The government must respect rural communities and work with them, recognising that it cannot achieve food security, meet housing targets or tackle climate change and biodiversity loss without those who manage the countryside.
- The Countryside Alliance has therefore published a report to provide solutions for how the government can unlock the full potential of the countryside by promoting opportunities for growth, fostering innovation and encouraging a cultural shift in policymaking. It offers practical solutions for creating a more inclusive and dynamic relationship between the government and rural communities, ensuring that rural areas are empowered to play a leading role in shaping national progress.
- Our report, *Reconnecting with the Countryside*, argues that the government should introduce a Rural Community Impact Assessment (RCIA) process, an annual State of the Countryside report and a Countryside Champion within government to co-ordinate these initiatives and act as liaison with rural communities.¹¹

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¹⁰ Countryside Alliance, [Land Use Framework: our response](#), 19.03.26

¹¹ Countryside Alliance, [Reconnecting with the Countryside: A Way Forward](#)