The Voice of the Countryside

# COUNTRYSIDE ALLIANCE BRIEFING NOTE: IMPACT OF AGRICULTURAL PROPERTY RELIEF AND BUSINESS PROPERTY RELIEF ON FAMILY FARMING IN NORTHERN IRELAND

**Westminster Hall, Carla Lockhart MP**

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## Summary


- **The last Budget announcements by the Chancellor of the Exchequer, Rachel Reeves MP, restricting the availability and thresholds for Agricultural Property Relief and Business Property Relief have produced a furious reaction among farmers.**

- **The Chancellor's stated policy objective was to prevent the use of land acquired by the wealthiest estates as a means of avoiding inheritance tax, but subsequent debate has focused on the number of estates that will be affected annually.**

- **In Northern Ireland, the average value per acre of agricultural and business property is estimated to reach £21,000 by 2026. At that rate of valuation, 48.9% of NI farms would exceed £1 million in agricultural and business property value and could therefore potentially be impacted by the changes.**

- **The structure of farmland ownership in Northern Ireland also suggests the likelihood of disproportionate impact when compared with the whole of the United Kingdom.**

- **A report by the House of Commons Environment, Food and Rural Affairs Committee, which has a majority of Labour members, warned that the Treasury's measures risk causing serious harm to family farms, rural livelihoods and food security. It called on the government to delay the changes pending a rethink.**

- **The Countryside Alliance is greatly concerned that the changes will mean family farms being captured by inheritance tax, meeting those bills will necessitate sales of parts of landholdings, food security will be threatened as a result, and there will be particular impacts on the estates of farmers who die within seven years of any tax planning measures they take to mitigate the effects.**

- **Closing a loophole to stop people avoiding tax is a legitimate aim, but the Chancellor has failed to meet her pledge to protect family farms in doing so.**

## Background

- On 30 October 2024 the Chancellor of the Exchequer, Rachel Reeves MP, announced the first Budget since the Labour Party's general election victory. The Budget included changes to the inheritance tax regime affecting farms. The Red Book states these changes as follows:

  > *"5.54 Inheritance tax: agricultural property relief [APR] and business property relief [BPR] – The government will reform these inheritance tax reliefs from 6 April 2026. In addition to existing nil-rate bands and exemptions, the current 100% rates of relief will continue for the first £1 million of combined agricultural and business property to help protect family businesses and farms. The rate of relief will be 50% thereafter, and in all circumstances for quoted shares designated as "not listed" on the markets of recognised stock exchanges, such as AIM."*[1]

- The announcement produced a furious reaction among farmers. The Chancellor's stated policy objective was to prevent the use of land acquired by the wealthiest estates as a means of avoiding inheritance tax, but subsequent debate has focused on the number of estates that will be affected annually.

- It has been suggested, by the Countryside Alliance and others, that:

  - Family farms will be captured by inheritance tax that would not otherwise have been.
  - Meeting future inheritance tax bills will necessitate sales of parts of landholdings with particular impact on smaller holdings and potentially making some farms economically unviable.
  - Food security will be threatened as a result.
  - The Treasury appears to have assumed farmers would use tax planning to mitigate the effects of the changes on their estates, but such options are not universally available, in particular to farmers who die within seven years of any such planning taking effect.

## Impact in Northern Ireland

- Analysis from the Centre for the Analysis of Taxation (CENTAX) suggests that just over 20% of farm estates within Northern Ireland will be impacted by the changes, representing about 5% of all farms impacted across the United Kingdom.[2]

- In 2024, the average price of agricultural land in Northern Ireland was a record high of £14,736/ac, reaching £20,174/ac in Armagh.[3] These values are of the land only; they exclude other farm assets, such as residential buildings, farm buildings, machinery and livestock that are included in the valuation of a farm estate.

[1] HMT, Autumn Budget 2024, 30.10.24, p. 128
[2] CENTAX, The Impact of Changes to Inheritance Tax on Farm Estates, 08.25
[3] Irish Farmers Journal, Land price in NI jumps £1,000/ac, 05.02.25

- In evidence to the House of Lords Finance Bill Sub-Committee, the Ulster Farmers' Union (UFU) highlighted impact analysis from the Department of Agriculture, Environment and Rural Affairs (DAERA) showing that at an estimated average land value of £15,000/ac, 36% of Northern Irish farms would exceed a valuation of £1 million, thereby exceeding the new threshold.[4]

- DAERA analysis further suggested that, including all qualifying assets, the average value per acre of agricultural and business property in NI would be approximately £21,000 by 2026. At that rate of valuation, 48.9% of NI farms would exceed £1 million in agricultural and business property value.

- The UFU argued that the dairy sector would be particularly exposed, with 87% of farms passing the £1 million threshold accounting for 80% of land farmed in Northern Ireland and the majority of its agricultural output.

- The UFU also highlighted that the structure of farmland ownership in Northern Ireland suggests the likelihood of disproportionate impact. Across the UK, 17% of farms are owner-occupied but these farms constitute 37% of those impacted by the changes (presumably because the land owned by those farms is a business asset for valuation purposes). In Northern Ireland, most farms are owner-occupied: 52% entirely and 43.2% with a mixture of owned and rented land.

- Therefore, a higher proportion of Northern Irish farms meet a condition that suggests they would be likely to be affected by the changes than of farms across the UK as a whole.

**Political debates**

- The first major parliamentary debate on this subject came in the House of Lords on 21 November 2024.[5]

- Opening the debate, Baroness Northover (LD) set out the human impacts of the government's policy. She recounted the tale of a farm owned by a 94-year-old widowed father but worked by his offspring, whose ownership had never been passed on owing to the longstanding principle that it would be protected from IHT; she then detailed a:

  > *"farm of 350 acres… owned by a widow of 87. Her daughter's voice broke as she told me that her mother thought she was better off dying before the change comes into effect in April 2026. The debates over assisted dying and the elderly potentially feeling that they are a burden came horribly to mind as I listened to her."*

- Lord Herbert of South Downs (Con), Chairman of the Countryside Alliance, expressed pride in having joined the farmers' demonstration in Whitehall the previous Tuesday. In an already challenging environment, he said, the changes to IHT are a tax too far. He pointed out that the Defra Secretary himself had observed that, last year, half of all farmland sold went to non-farmers, so where families must sell acreage to fund a tax bill the result will be land no longer farmed.

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[4] UFU, House of Lords Finance Bill Sub-Committee: Call for Evidence – Response from the Ulster Farmers' Union (UFU), 07.10.25
[5] HL Deb, 21.11.24, v841

- Lord Herbert's predecessor as Countryside Alliance Chairman, the former Labour MP and now non-affiliated peer Baroness Hoey, spoke of her *"disappointment and indeed… sadness at the Government's attack on family farms."* She cast doubt on Treasury figures predicting the number of farms that will be affected and decried the failure to consult farmers' representatives, warning the government:

  > *"It is a measure being pushed through by the Treasury, which has long wanted to do this but was stopped by both Labour and Conservative Chancellors over the years. Sadly, the current Chancellor has given in, and now she will have to face the consequences—not just for her party but for the country."*

- Frontbench spokespeople for both the Liberal Democrats (Baroness Bakewell of Hardington Mandeville) and the Conservatives (The Earl of Effingham) each confirmed their parties' opposition to the change, with the latter stating that:

  > *"His Majesty's Official Opposition are committed to reversing the family farms tax if the Government refuse to listen to farmers before the next general election."*

- Subsequently the Conservative Party brought an Opposition Day debate on the subject on 04 December 2024.[6] The Party's motion was defeated by 339 votes to 181.

- Perhaps the most significant political intervention was the enquiry, and subsequent report, by the House of Commons Environment, Food and Rural Affairs Committee. Published on 16 May, the report warned that the Treasury's measures risk causing serious harm to family farms, rural livelihoods and food security.[7]

- Crucially, the Committee is chaired by Liberal Democrat MP Alistair Carmichael (Orkney and Shetland) but has a majority of Labour members.

- It found that the changes to APR and BPR were announced without adequate consultation or assessment of their impact. The report warns that the reforms risk producing *"unintended negative consequences"* and could affect *"the most vulnerable,"* particularly small family farms.

- The report recommends that the government delays any final decision on the reforms until October 2026, with implementation not before April 2027, and uses that time:

  > *"to consult on its proposed changes, conduct an impact and affordability assessment, and consider policy measures and mitigations to reduce any unintended negative consequences".*

[6] HC Deb, 04.12.24, v758
[7] EFRA Committee, The Government's vision for farming, 16.05.25

## Countryside Alliance position

- Our immediate reaction to the Budget announcement was as follows:

> *"[T]he Alliance shares the concern of the NFU and CLA about the changes announced to agricultural property relief and business property relief which may threaten the long-term viability of the family farm. Young farmers taking over their parents' farms already face significant challenges breaking even. The possibility of facing a 20% inheritance tax bill above the first £1 million in business value at the outset may prove one obstacle too many."*[8]

- We have since maintained opposition to the tax changes and support for farming families that risk being affected, including by running an extensive e-lobbying campaign and supporting farmers' protests.

- Baroness Mallalieu, a Labour peer who serves as President of the Countryside Alliance, wrote:

> *"Closing a loophole to stop people avoiding tax is a legitimate aim and Rachel Reeves is perfectly justified in addressing that.*
>
> *"What she has not done, however, is to do what she also promised and protect family farms whilst doing that.*
>
> *"The threshold she has set for inheritance tax is completely unrealistic and my farming neighbours and others all across the country are now terrified that dying at the wrong time will see farms that have been in the same families for generations broken up to meet the demands of the tax man."*

- Closing a loophole to stop people avoiding tax is a legitimate aim, but the Chancellor has failed to meet her pledge to protect family farms in doing so.

- The Countryside Alliance calls on the Chancellor to revisit this policy. She should revise it so it can fulfill the objective of preventing the abuse of landholding as a means of avoiding inheritance tax without risking the inter-generational viability of legitimate family farms in Northern Ireland and across the United Kingdom.

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[8] Countryside Alliance, Countryside Alliance responds to Budget Statement 2024, 30.10.24