



# TOP TIPS FOR FUTURE PLANNING

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Succession planning is one area that many farming families delay in making, whether from fear of confronting the inevitable, because they are struggling to make decisions about how to be fair to their children, because there is no heir apparent or, simply because there never seems to be time to think about it!

Starting the process early will enable the management of the farm business and the assets to be handed over in a considered and structured way, although not necessarily at the same time. Succession planning should be a business decision, an intrinsic part of the overall planning for the long-term future of the business or estate, and not be treated as a separate issue. This does not have to be done on one certain date or in a rushed manner, but as an ongoing process with retirement planning a key factor, and, while tax is important, other considerations should also be taken into account.

## Top 5 considerations:

### 1. Know the 'What, Who, How'

Start by identifying what assets you have, who owns them and how are they being used. Make an accurate record of all family assets and debts, and not just those on the farm. How are the property assets being used? For example, is the land owned by A and farmed by a farming partnership comprising A & B? Is it let to Y? Is the land or buildings still in agricultural use enabling it to qualify for inheritance tax agricultural property relief or has the use changed?

### 2. Is your current business structure the right one?

Consider whether your current business structure is suitable for long-term business objectives. If you are a sole trader, could you consider a partnership with family members? If you already have a family partnership, is there a written agreement and is it still fit for purpose for a modern farming business? If there is no partnership agreement then one should be drawn up immediately. Consider a change in business strategy such as contracting out or in, share farming, or tenancies.

### 3. A willing and able successor

For many family farms, younger members may already be working in the business so it becomes a question of when the management and assets are to be handed over. This can be done in stages as they acquire the experience and skills needed to run the business.

It is more difficult to decide what to do if the younger generation have other aspirations. While you may want the farm kept in the family, the next generation may decide to sell it. If you have an unprofitable operation you may decide you would be better to sell rather struggle with the stress of seeking to maintain it just so the next generation can inherit assets tax-free and sell for a healthy windfall.

### 4. Family/business needs and fairness

It is an important part of the succession process to decide which members of the family will own which assets in the future. While there is often a desire to be fair and split assets equally between children, this may be detrimental to the ongoing business if only one of the children is actively involved in the farm business. If you start planning early enough, you may be able to build up assets for non-farming children.

### 5. Get the right support

Professional support is essential but equally you need a clear understanding of what you need in order for the professionals to achieve it. With the right support and advice, the process can be an opportunity for both the business and your family.



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