

Report to: Scrutiny Committee



Date of Meeting 10th July 2025

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Changes to Agricultural Property Relief and Business Property Relief

Report summary:

The meeting of the Scrutiny Committee on the 30th January considered a scoping report regarding the impact of reforms to agricultural property relief and business property relief from inheritance tax. These had been announced by the UK Government at the Autumn Budget 2024. The proposed changes have proved to be particularly controversial with the farming community and prompted a subsequent motion from Council on the 4th December 2024.

The proposed scope of work focused on gathering evidence around the likely impact that the forthcoming changes will have on the District, particularly in relation to family farms. This report provides an update on this activity following engagement with the National Farmers Union.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That members;

- Note the contents of this report and acknowledge the lack of granular level data through which to accurately measure the likely impact of the proposed changes in relation to inheritance liabilities for farming enterprises in the District

Recommends to Council that;

- this issue is best addressed at a national level, taking a lead from the Environment, Food and Rural Affairs Select Committee report
- there is continued support for the farming community in the District by pushing for improved consultation, the undertaking of a full impact assessment and consideration being given to both delaying the implementation of the reforms and to alternative proposals

Reason for recommendation:

To provide an update on the work that has been undertaken to understand the likely impact of the proposed changes in terms of inheritance tax.

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Portfolio(s) (check which apply):

- ☒ Assets and Economy
- ☐ Communications and Democracy
- ☒ Council, Corporate and External Engagement

- ☒ Culture, Leisure, Sport and Tourism
- ☒ Environment - Nature and Climate
- ☐ Environment - Operational
- ☐ Finance
- ☐ Place, Infrastructure and Strategic Planning
- ☐ Sustainable Homes and Communities

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information [MPs call on Government to delay changes to inheritance tax reforms until 2027 - Committees - UK Parliament](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ A supported and engaged community
- ☒ Carbon neutrality and ecological recovery
- ☒ Resilient economy that supports local business
- ☐ Financially secure and improving quality of services

Background and context

The government announced planned reforms to Agricultural Property Relief (APR) and Business Property Relief (BPR) from inheritance tax in the Autumn Budget 2024. From 6 April 2026, the full 100% relief from inheritance tax will be restricted to the first £1 million of combined agricultural and business property. The reforms have proved to be controversial and a lingering source of resentment for the farming community.

Members have signalled their concern about the potential impact of these reforms on the farming community in the District. In December 2024 Council agreed the following motion;

In light of the confusing government department figures related to the number of farms affected by the recent Budget changes, and given that farmers' IHT is not an issue that all Members will have sufficient detailed knowledge about, and in order to give maximum consideration of what positive broad support this council might provide to the district's farmers, Council agrees to refer this motion to the Scrutiny Committee requesting that it considers the motion, its recommendations and their implications and to report back to council on the outcome of its deliberations.

This Council urges Councillors to stand with Britain's family farmers, to support our rural communities, and that the Chief Executive sends a letter to the Chancellor of the Exchequer and the Minister of State for Food Security and Rural Affairs signed by all Group Leaders requesting them to reconsider the proposed changes to the Agricultural Property Relief and farming/agricultural related Business Property Relief.

Impact of the reforms in East Devon

A scoping paper was subsequently considered by the 30th January Scrutiny Committee meeting. A particular focus on this was to understand and scrutinise the likely impact of the forthcoming changes on farm enterprises in East Devon.

Subsequently contact was made with Devon County Advisor at the NFU to understand what data was available at the District level. The subsequent response is set out at Appendix A. Whilst helpful, this analysis focuses primarily on the national level. It was subsequently confirmed that

the level of granularity for data stopped at the regional level and that no district level data available to help better understand the potential impacts. This position is accentuated by the fact that the impact on specific farm enterprises will also be determined by individual succession and tax planning arrangements.

The Environment, Food and Rural Affairs (EFRA) Select Committee

The Environment, Food and Rural Affairs (EFRA) Select Committee has recently considered the issue of the planned reforms. The Committee's subsequent report (May 2025) has expressed significant concerns regarding the UK government's proposed changes to inheritance tax liabilities for farmers. This includes;

- **Lack of Consultation and Impact Assessment:** The Committee strongly criticises the government for announcing these changes in the Autumn Budget 2024 without adequate consultation, impact assessment, or affordability assessment. This lack of due diligence means the full impact on family farms, land values, tenant farmers, food security, and farmers in devolved administrations remains "disputed and unclear."
- **Risk of Unintended Consequences:** The report highlights a "considerable risk" that the reforms could lead to negative, unintended consequences for vulnerable farming groups, potentially forcing the sale of land that has been in families for generations.
- **Calls for Delay:** The EFRA Committee urges the government to delay the final announcement of its APR and BPR reforms until October 2026, with implementation pushed back to April 2027. This delay, they argue, would allow for better formulation of tax policy, proper consideration of alternative proposals, and more time for farmers to plan and seek professional advice.
- **Support for Reform (with caveats):** While the Committee acknowledges and supports the government's stated aim of reforming APR and BPR to close loopholes that allow wealthy investors to buy agricultural land primarily for inheritance tax avoidance, they emphasise that this should not come at the expense of genuine farming businesses.
- **Alternative Proposals:** The Committee notes that stakeholders, including the National Farmers' Union (NFU) and the Country Land and Business Association (CLA), have proposed alternative solutions, such as a "clawback mechanism." This mechanism would retain 100% relief at the point of inheritance but impose a tax on assets sold within a set period post-death. The Committee calls on the government to publish its evaluation and rationale for following or not following these alternative policy measures.
- **Erosion of Trust:** The report highlights a breakdown of trust between the government and the farming community due to these tax changes, alongside other policy decisions like the sudden closure of the Sustainable Farming Incentive (SFI). This lack of trust makes it difficult for the government to convey a positive long-term vision for the agricultural sector.
- **Impact on Mental Health:** A survey referenced in the report indicated a significant drop in farmer optimism and a negative impact on mental health following the Autumn Budget announcements, with inheritance tax changes being a key concern.
- **Data Discrepancies:** The Committee points out that the government's estimate of only 500 estates being affected by the changes is contradicted by figures from industry bodies, which suggest a much larger number of farming businesses could be impacted.

In essence, the EFRA Committee's position is that while reform of inheritance tax reliefs might be necessary to prevent misuse, the current government approach is rushed, lacks proper assessment, and risks severely damaging legitimate family farming businesses. They advocate for a pause to allow for a more consultative, evidence-based, and farmer-friendly approach to tax policy.

Conclusion

The motion agreed at full Council clearly highlights members' concerns about the potential impact of the reforms on the farming community in the District. However, following further exploration, it

is clear that there is a paucity of data from which to properly understand this issue below the regional level. The comprehensive report by the EFRA select committee also helps to demonstrate that this issue is best addressed at a national level.

Financial implications:

There are no direct financial implications on this Council from the recommendations in the report.

Legal implications:

There are no legal implications requiring comment

Appendix A

Changes to investment

Almost half of all family farms have paused or cancelled planned investment in the wake of changes announced to Agricultural Property Relief and Business Property Relief. The NFU partnered with Family Business UK and 30 other UK trade associations to assess the impact of recent changes to inheritance tax on family-owned businesses and farms. Conducted by independent consultancy CBI-Economics, the study saw more than 4,000 businesses and farms across the UK take part.

Key findings revealed that:

- 49% of family farms have paused or cancelled planned investments since the budget, while 43% say they will do so before April 2026.
- An additional 34% say they have deferred or reduced investment already.
- 14% say they plan to sell off assets or part of the farm.
- One in ten say they've downsized farming operations since the Budget and 21% plan to do so before April 2026.

More info: [200,000 jobs lost from BPR & APR Change - FBUK](#)

NFU suggest a Clawback mechanism

The NFU is proposing an alternative approach to the government's planned reforms to APR and BPR, known as a 'clawback' mechanism. We envisage the best way of meeting these aims is by way of a "clawback", where IHT is only applied to qualifying assets (those currently eligible for both APR and BPR) if they are disposed of within a seven-year period after death, and so tax is paid only when the finance is available to do so, in keeping with sound principles of taxation. Applying a clawback would maintain the ongoing day-to-day operations of businesses after a death while disincentivising the use of IHT reliefs as a tax avoidance measure. Importantly, it would still allow the Exchequer to raise the revenue it needs. Such clawback mechanisms are used in many other European countries.

AHDB analysis

AHDB analysis has found that the government's proposed changes to inheritance tax will affect more than 75% of English and Scottish farms. AHDB has calculated 42,204 out of 54,938 farms (76.8%) in England and Scotland that are 50 hectares (124 acres) or more in size will be affected.

That is 33,286 farms out of 41,602 (80%) for England and 8,918 farms out of 13,336 for Scotland (67%). The study looks at average balance sheet data mainly sourced from Defra, the Farm Business Survey and the Scottish Government.

OBR Forecast

OBR released a report : Supplementary forecast information release Costing of changes to agricultural and business property relief. See report: [Costing of changes to agricultural and business property relief: OBR supplementary forecast information release](#)

The Office for Budget Responsibility has said that government changes to inheritance tax on farms will likely leave elderly farmers horribly exposed, with no time to manage their way through the new policy. The OBR published a supplementary forecast on the costing of changes to agricultural and business property relief. In its report, the OBR says that it is 'highly uncertain' whether the measures will raise the £500m the claims it will raise.

Retailer support:

All of the UK's major supermarkets have publicly stated their shared concerns over the government's proposed changes to inheritance tax.

Some worked examples

This NFU page provides some worked examples of what the tax could mean for farmers: [What will I pay in inheritance tax on my farm under the family farm tax? – NFUonline](#)