

# Where next? Emerging opportunities, changes and risks for land and property owners

Owners of land and property in the UK have experienced many changes in legislation and taxation in recent years. With continued economic uncertainty and a new Labour government, we have considered the current risks and opportunities which may arise from these known and potential changes.

- Wider changes
- Inheritance tax
- Capital gains tax
- Investment income
- Stamp Duty Land Tax (SDLT)
- Commercial and ad hoc



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Risk/change/opportunity	Source	Key issues	Likelihood of change	Our comments
<b>Wider changes</b>				
<b>Change:</b> Labour Party election July 2024	Party manifesto and Press	Changes to taxation in the Budget on 30 October.	<p><b>High</b></p> 	<p>The Labour Party pledged in its manifesto not to increase the basic, higher, or additional rates of income tax, and not to increase VAT, the main rate of corporation tax or National Insurance (the promises not to raise the basic, higher or additional rates of income tax, VAT or National Insurance were reiterated by the new chancellor, Rachel Reeves, on 8 July). No such pledge has been made about capital gains tax (CGT) or inheritance tax (IHT), although during the election campaign Labour did say that none of its plans required tax rises beyond those announced, and it guaranteed to keep Private Residence Relief (PRR) so that people selling their main home wouldn't pay CGT. It's also notable that nothing was committed to about changes to pension tax rules, so these are considered vulnerable to change.</p> <p>Labour's manifesto included its intention to make certain changes to tax policy. These included: abolish "non-dom" status; end "the use of offshore trusts to avoid inheritance tax"; changes to tax on carried interest; end the VAT exemption on private school fees; and increase the Stamp Duty Land Tax (SDLT) surcharge for non-UK residents buying residential property in England and Northern Ireland from 2% to 3%. It's also committed to modernise HMRC and make changes to the law to tackle tax avoidance.</p> <p>Clients should be reviewing making gifts ahead of 30 October and possibly taking capital gains at the current low rates.</p>
<b>Opportunity:</b> Incentives for investment in companies	HMRC/Labour manifesto	Corporation tax increased from 19% to 25% from April 2023 but with increased capital allowances.	<b>In place</b>	A range of incentives have been made available to companies to encourage investment in plant and machinery. In addition to the Annual Investment Allowance (AIA) at 100%, full expensing is available on 'main rate' plant and machinery, along with a 50% first year allowance for 'special rate' expenditure. The sunset date of 2026 was removed following the 2023 Autumn Statement. Labour's manifesto confirmed it would retain permanent full expensing and the AIA.
<b>Opportunity:</b> The Rural Business Unit	The OTS property income review	The OTS had proposed that HM Treasury, HMRC and DEFRA work together to create a simplified tax regime for diverse rural businesses.	<p><b>Low</b></p> 	<p>The current regime often sees estates taxed separately on farming, renewables, holiday lets and property income with restrictions in place on the level of loss relief available for individuals between these sources. Making Tax Digital, where up to five tax returns might be required per year, is acknowledged to be a significant burden for these businesses.</p> <p>The Country Land and Business Association (CLA) has proposed the concept of a 'Rural Business Unit' to simplify tax compliance. This may also provide incentives to diversify while maintaining farming operations as the farming operations can then be efficiently subsidised by other commercial operations. The change to holiday lets from 6 April 2024 will however merge property letting and holiday letting into a single regime.</p>

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<b>Risk:</b> Economic fluctuations	The Office of Budget Responsibility and Press	The economic uncertainty of the past few years appears set to continue and may affect a wide variety of businesses.	Medium 	While the economy is recovering following the spike in inflation, further shocks to the economy are possible. Equally, farm produce prices may continue to be affected by world events. 2024 is a US presidential election year, which could affect markets and economies beyond the US itself. Greater protectionism seems likely under either presidential candidate.
<b>Opportunity:</b> Support for environmental schemes	The Rock Review/Spring Budget 2024	The Rock Review provided proposals for both tenants and landlords.	Medium 	The Rock Review was published in October 2022. Produced by the Tenancy Working Group it made 75 recommendations, primarily focused on securing the future of tenant farming in the UK. The government responded in May 2023, accepting the general recommendations but not committing to significant changes in the tax or agricultural holdings legislation. See below for the extension of APR for environmental schemes.
<b>Risk (Scotland):</b> Land reform in Scotland	The Land Reform (Scotland) Bill	Estates over 1,000 hectares will be restricted from selling land without the approval from Scottish Ministers.	High 	<p>In an effort to break up large landholdings in Scotland, the Scottish government has drafted a new land reform bill. The key points include a restriction on estates over 1,000 hectares selling any land without permission from the Scottish Ministers, enforced lotting on land sales, compulsory land management plans, model leases for environment use of land by tenants, extensions to the right to compensation for tenants for damage caused by game and an extension to existing provisions to tenants' right to buy. While intended to promote community engagement, sales of estates may be delayed significantly due to the involvement of Scottish Ministers and will incur additional costs in ensuring they comply with the proposed legislation. The bill is expected to take some time to progress through Parliament but is expected to be in place by 2025.</p> <p>While unlikely that the provisions would be adopted south of the border, parties may be watching closely to gauge the success or otherwise of the agricultural and environmental aspects.</p>
<b>Risk:</b> Furnished holiday lets (FHLs)	Spring Budget 2024	The existing benefits for owners of let furnished holiday accommodation will be withdrawn from April 2025.	High 	<p>In a surprise move as part of a package to pay for their National Insurance cut, the previous Conservative government announced that it would abolish the FHL regime. The benefits of the regime have been whittled away over time, with the remaining benefits prior to the announcement being the availability of capital allowances and the ability to claim a 10% rate of tax on disposal. Labour have announced that they will continue with the abolition of the regime, though will allow capital allowances to continue to be claimed where these are pooled prior to the changes.</p> <p>At the same time the then Conservative government announced a cut in the rate of capital gains tax on residential property from 28% to 24%. This has been legislated and took effect from April 2024. The current inheritance tax rules, which set an extremely high bar to qualify for relief, are based on established case law rather than legislation and no changes to these rules have been set out so far.</p> <p>There is a window of opportunity to transfer FHLs with holdover relief before 5 April 2025 (unless blocked on 30 October).</p>

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<b>Risk:</b> Inheritance tax (IHT) review	Press	IHT reform is a key point of difference between the parties.	High 	Before the election had been called Labour had suggested a review of tax reliefs would take place if it won the election. The only mentions of IHT in its manifesto was the pledge to “end the use of offshore trusts to avoid inheritance tax”. There is wide speculation that there could be significant reform to IHT, but no further details are expected until the Budget.
<b>Inheritance tax</b>				
<b>Risk:</b> Business Property Relief (BPR) – Trade: Investment ratio	OTS IHT report	The OTS report suggested moving away from a not wholly or mainly investment test for BPR to a higher bar.  Risk of a loss of BPR on whole landed estates where the trading test is not met.	High 	The current regime allows BPR to be available where a business’s trading activities are, when taken in the round, more than 50% of total activities. An update to this could take the form of increasing the ratio of trading to investment (for example, in a 2019 report, the OTS suggested moving to an 80:20 ratio).  Decisions on passing assets to next generation while there is an established pathway should be reviewed regularly. Landed estates should be reviewing their trading percentage regularly and actions taken to address the risk of “reverse Balfour” where the trading activities do not qualify for any relief due to the level of investment activities and the taxpayer is worse off as a result.
<b>Risk:</b> Removal of Agricultural Property Relief (APR) for let farms	Press	Landowners letting farmland to tenant farmers can currently obtain 100% relief against agricultural value of land despite not farming it themselves.	Medium 	The media make much of this point. This threat is leading to more land being farmed in-hand; while returns are generally better than from agricultural rents, the annual income is more volatile and further investment in modern farm buildings, equipment and expertise are often required. The loss of APR had been flagged as a risk for many years with no change as yet, but these are unprecedented times. This risk is linked to the very important CGT holdover relief which applies to both 50% and 100% APR assets.  The other potential area of risk would be a revision of contract farming arrangements were APR to be restricted on let farms. HMRC would have a greater incentive to clamp down on arrangements where the farmers have minimal involvement and little or no capital at risk, or where rental agreements are dressed up as contract farming.
<b>Opportunity:</b> Extension to APR for environmental schemes	Spring Budget 2024	APR will be extended from April 2025 to cover land managed under approved environmental schemes.	High 	At Spring Budget 2024, it was announced that from April 2025 the scope of APR would be extended to environmental land management, removing a key risk of diversification. The legislation required for this hasn’t yet been introduced and Labour hasn’t commented on whether it will implement the proposal. However, as BPR tends to apply anyway, at an expected cost of only around £5 million per annum, the scope is limited.  Other proposals, such as restricting APR to longer tenancies had not gained traction with the previous Conservative government.

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<b>Risk:</b> Limit on inheritance tax reliefs	Institute of Fiscal Studies (IFS) 'Raising revenue from closing inheritance tax loopholes'	In a study of revenue raising options, APR and BPR could be capped at £500,000 per individual.	Medium 	<p>In a study on options for raising revenue from cutting down on inheritance tax relief, the IFS suggested that capping APR and BPR to £500,000 would raise £1.8 billion per year by 2029-30, not including the IHT paid by trusts. Meanwhile removing BPR on AIM shares would raise £1.6 billion per year for the same period, while removing the relief on pension pots would only raise around £400 million, though expected to rise substantially in the coming decades as those with large defined contribution pension pots grow older.</p> <p>While the level of any cap on APR and BPR would be a matter of some debate and no mainstream political party has suggested this as a policy, a raid on inheritance reliefs when these amounts are involved would be a seriously destructive policy for family-owned businesses.</p>
<b>Risk:</b> Wealth tax	TUC/Press	Wealth taxes operate in several European countries to redistribute wealth as well or instead of inheritance or gift taxes.	Low 	<p>The TUC published an analysis based on Spain's wealth tax suggesting a one-off wealth tax could raise £10.4 billion. While in opposition Labour's Rachel Reeves publicly ruled out any plans to impose a wealth tax if Labour won the election.</p> <p>However, with the changes to the tax regime for non-domiciled individuals, issues in reforming the taxation of old offshore trusts and the unpopularity of IHT, even among those who don't pay it, future reform remains a live issue.</p>
<b>Capital gains tax</b>				
<b>Risk:</b> Increases to CGT rates in line with income tax rates	Press	The current CGT rates are recognised as historically low.	High 	<p>CGT rates for higher rate taxpayers are currently 20%, 24% (residential property) or 28% (carried interest gains). These rates may increase, perhaps as high as 40%, with additional rate taxpayers paying up to 45%. Labour pledged during the election campaign that none of its plans required tax rises beyond those announced, which didn't include any increase in CGT rates, but other changes to CGT could be a means of increasing revenue from capital transactions, and since announcing that Labour had found a £22 billion overspend in the current year, Reeves has said that she thinks there will have to be tax rises in the Budget on 30 October. Any increase in rates will need to be balanced against the possibility that capital transactions may decrease in response.</p>
<b>Investment income</b>				
<b>Risk:</b> Increase tax on investment income	Press	Labour's pledge to improve public services will be difficult to achieve without raising more tax revenue.	Medium 	<p>Paul Johnson, director of the Institute for Fiscal Studies (IFS), has suggested that Labour's promise of delivering "genuine change" in Britain would require more funding than their manifesto proposed. Given the pledges not to raise any of the main taxes, we could see other changes to the tax system, such as aligning the taxation of investment income with earned income and subjecting it to 20%, 40% and 45% tax based on the income tax bands.</p>

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<b>Stamp Duty Land Tax (SDLT)</b>				
<b>Change:</b> Abolition of multiple dwelling relief (MDR)	Spring Budget 2024	The relief where more than one property is acquired at the same time was withdrawn from 1 June 2024.	In place	As announced in the Spring Budget 2024 MDR for SDLT was abolished from June 2024. Previously the relief limited the SDLT payable where there were multiple residential properties included in a purchase of land and buildings. This affects the purchasers of landed estates, which traditionally include a range of former worker cottages. The government said that it would consult on the impact for agricultural businesses, but this appears to have been quietly dropped.
<b>Commercial and ad hoc</b>				
<b>Change:</b> Reform of agricultural subsidies	Agriculture Act/Scottish government	Reduced direct farming income and rents.	High 	<p>ELMS continues to be DEFRA's policy for natural capital-based land use in England. While reducing existing production subsidies, ELMS and AECS represent new opportunities for many estates. A key risk is ensuring that potential claims are understood for cost and benefit.</p> <p>In Scotland, the Scottish government's paper 'Delivering our Vision for Scottish Agriculture' sets out a tiered payment system with greater emphasis on climate change and biodiversity, with the expectation that this is phased in from 2025. The policy lacks detail and substance as yet.</p> <p>However, opportunities for diversification to access new land management grants have an impact on cashflow and can have a greater financial risk from accidental non-compliance. The likely change in the mix of subsidy sources may affect diversified businesses who may find their trading element is less profitable with subsequent impact on their 'Balfour Matrix'. Careful planning may be required to ensure that such schemes do not impact on APR, BPR or loss relief.</p>
<b>Change:</b> Business rates changes	Business Rates Review/ Budget/Labour's manifesto	Fundamental review of business rates.	In place	The business rates revaluation for England and Wales came into effect, although there is a raft of measures to assist businesses from 1 April 2023 during the transition to the new rates. Separately, during the election campaign, Labour pledged to replace the business rates system in England, with the new system set to raise the same revenue but in a "fairer way".
<b>Change (Scotland):</b> Rent controls	Scottish government	The rent controls introduced in 2022 have come to an end.	In place	The introduction of rent controls to help tenants through the cost of living crisis in 2022 have come to an end, along with extra protections introduced against evictions at that time. There is a one-year transitional period where large increases may be tapered to a maximum of 12%. Further reforms and permanent rent controls are set out in the Housing (Scotland) Bill. The fluid political situation in Scotland could see change occur here.

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<b>Opportunity:</b> Reform planning regulations	Previous government consultations/ Party Manifestos	Measures to alleviate demand for housing in England.	Medium 	<p>The previous Conservative government ran a consultation in 2023 in connection with local plans, calling for them to be updated every five years, with increased simplicity and clarity for those wishing to make planning applications. It ran another consultation earlier in 2024 on changes to various permitted development rights. The feedback to both consultations is still being analysed.</p> <p>In May 2024 changes were introduced to allow further permitted development rights for rural communities to encourage diversification. Meanwhile a report by the Levelling Up, Housing and Communities Committee called for clarity, consistency and certainty in any new planning rules.</p> <p>Within days of coming into office Labour announced plans to change the planning system. The plans include reforming the National Policy Planning Framework, including restoring mandatory housing targets. Local Planning Authorities will now be expected to have universal coverage of local plans, and reviews of greenbelt boundaries. These will prioritise brownfield and (as yet undefined) “grey belt” land for development to meet housing targets where needed.</p>
<b>Opportunity:</b> Windfarms	Labour government announcements	Planning to be relaxed for onshore wind in England.	High 	<p>On 8 July 2024, the Labour government announced the immediate ending of the effective ban on new onshore wind in England, by removing the extra tests in planning policy which had applied only to onshore wind. Reeves said that making these changes means that onshore wind applications will be treated in the same way as other energy development proposals. Labour will hope these changes go towards achieving its aim of making Britain a “clean energy superpower” and doubling onshore wind, tripling solar power, and quadrupling offshore wind by 2030.</p>
<b>Risk: Land Value Capture</b>	‘After the Virus’	The compulsory purchase of land at current use values.	Medium 	<p>The report recommends a model template for the creation of ‘development corporations’ to combine long-term public sector involvement with private investors and developers.</p> <p>The proposal is that development corporations should be able to capture value from planning and reinvest in the communities. Estates could be forced to sell under compulsory purchase, but at current use values. May reduce appetite for sales. Reduced balance sheet values (bank borrowing impact). With the downturn in the housing market large scale reforms of the market may be deferred until the economy recovers.</p>

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<b>Risk: Carbon/ environmental taxes</b>	'The Great Carbon Swindle'	New 'green' taxes may emerge to raise tax revenues without increasing existing taxes.	Medium 	<p>Governments have tough targets to get to net zero by 2050 (Wales and England) or 2045 (Scotland). The application to the consumer market is considered, but tracking the carbon footprint of products is complex.</p> <p>The report's alternative is to target carbon intensive imports such as coal generated electricity from abroad, domestic steel, cement, brickmaking, chemicals, domestic fuel and horticulture. This could increase the cost of construction and fertilisers for farming.</p> <p>Following the EU's recent implementation of a Carbon Border Adjustment Mechanism (CBAM), the UK CBAM is due to be introduced by 2027. It will place a tax on the imports of relevant emission intensive goods into any part of the UK from countries with a lower or no carbon price.</p>
<b>Change (Scotland): Shooting</b>	The Wildlife Management and Muirburn (Scotland) Act	Increased regulation of shooting in Scotland is likely. The UK government may come under pressure by campaigners to impose similar rules in England.	High 	<p>This Scottish Act gives inspectors increased powers and a licence will be required to shoot red grouse. The burning of heather would be restricted to those with a muirburn licence and vermin control is further regulated. This may increase compliance costs and reduce profitability. Some estates may consider abandoning shooting to pursue environmental or renewable schemes where there may be good commercial reasons to do so. There may be opportunities for English shoots if shooting in Scotland reduces as a result of fewer grouse, though as with land reform, parties south of the border may be interested in the result.</p>
<b>Opportunity: Natural capital and decarbonisation</b>	Net Zero Strategy, Environment Act	The market is developing and expanding for both the measure and sale of carbon credits while new revenue streams available for provision of 'public goods'.	In place	<p>Carbon credits are currently available for new tree plantations and peatland. The science is developing at speed to calculate the level and value of carbon sequestration: trading platforms and markets are growing.</p> <p>Businesses are increasingly looking at legitimate green credentials and avoiding accusations of 'greenwashing'. Biodiversity Net Gain offsetting for developments is being mandated in England from 2024. HMRC has provided some guidance but the tax position of how carbon credits will be treated still needs further clarification.</p> <p>Estates are increasingly using software to establish a natural capital baseline to identify monetisation opportunities, comply with supply chain pressure, as well as to voluntarily improve their own practices.</p>
<b>Change: Energy performance Changes</b>	Department for BEIS	Minimum requirements for energy performance certificates are increasing as part of the movement to net zero emissions.	In place	<p>There are differing requirements for residential and non-residential lettings and variance between the parts of the UK. Landlords need to budget for the costs of reviews and the works required as a major transition to energy efficient buildings is expected over time. Insurance premia may also be affected.</p> <p>In England, commercial buildings need to comply with new EPC ratings from 1 April 2023 and those targets will get tougher over time.</p>

## UK offices

### Bournemouth

T: +44 (0)1202 204744

### Bristol

T: +44 (0)117 9151617

### Edinburgh

T: +44 (0)131 2212777

### High Wycombe

T: +44 (0)1494 464666

### Inverness

T: +44 (0)1463 246300

### Leeds

T: +44 (0)113 887 5538

### London

T: +44 (0)20 7841 4000

### Manchester

T: +44 (0)161 2008383

### Peterborough

T: +44 (0)1733 353300

## Overseas offices

### Cayman Islands

T: +1 345 926 4092

### Dubai

T: + 971 54 721 3888

### Dublin

T: +353 (0)1 525 5440

### Geneva

T: +41 (0)22 3190970

### Guernsey

T: +44 (0)20 1481 721374

### Zurich

T: +44 (0)43 343 9328



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