

# SUCCESSION PLANNING

**FINDING SOLUTIONS, DEVELOPING A STRATEGY**

**CLA ROADSHOW**

The CLA logo features the letters 'CLA' in a bold, white, sans-serif font. A yellow swoosh underline is positioned beneath the 'A'. The logo is set against a teal rectangular background.

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The irwinmitchell logo consists of the letters 'IM' in a bold, blue, sans-serif font, followed by a blue swoosh underline. To the right of this is the word 'irwinmitchell' in a blue, lowercase, sans-serif font.

**IM** irwinmitchell



- **Why?**
- **How?**
- **When?**



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# Why?

- Pass a business or the family's assets from generation to generation in a positive and effective way
- Take into consideration all the elements affecting these important decisions





# How?

## Key steps

- Identify what assets you have, who owns them and how are they being used
- What is the big picture – the long-term direction of your business?
- What are your and your family members' personal goals and aspirations?
- Do you have a successor to take on the business/assets?
- What structures or documents do you need to put in place?
- Use professional advisers to support your plans and objectives



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# When

- A process not a one-off event
- Start as early as possible as is possible to maximise options
- Do you want to pass on ownership and control of assets and businesses at different times?
- Lifetime transfers or on death?
- Keep under review to reflect changing circumstances



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## Case Study 1

## Small Diversified Farm



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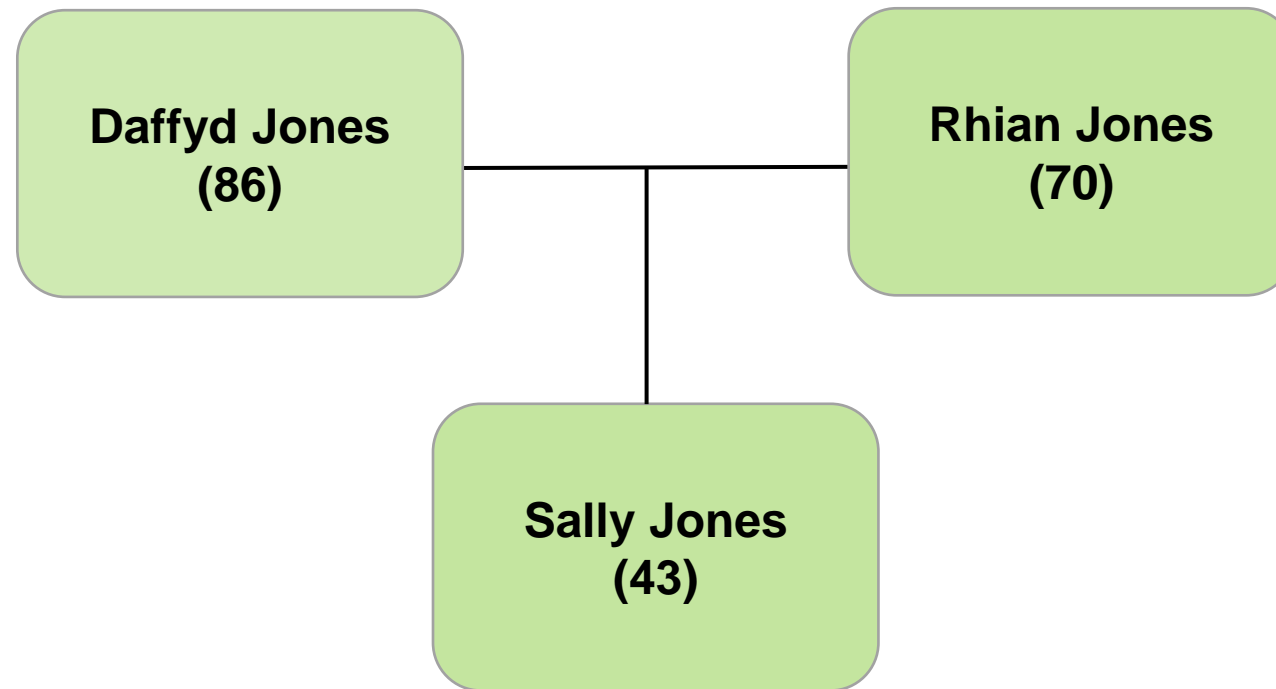
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# Case Study 1

## Family





# Case Study 1

## Assets

- Inherited 120 acre farm, including 10 acres woodland (£800k)
- Farmhouse, self-built on farm, home to family (£350k)
- Farm buildings converted to holiday cottages (£900k)
- 3 outbuildings (£100k) used as storage/workshops, 2 with potential to convert
- Daffyd has a pension (£80k) and ISA (£25k); Rhian has an ISA (£25k)







# Case Study 1

## Issues

- Daffyd and Rhian are in partnership.
- Neighbours have grazing licences on the land; Daffyd and Rhian no longer have livestock of their own
- Rhian runs a separate holiday lettings business using cottages converted from farm buildings; the income from this exceeds the income from farming.
- They jointly made gifts to discretionary trusts of £230,000 in 2020 and £95,000 in 2027.
- Their daughter Sally works on the farm and is expecting to inherit it from them.





# Case Study 1

## Key points

- Nil Rate Bands
- Lifetime gifts
- Availability of the IHT reliefs (APR and BPR)
- VAT





# Case Study 1

## Key points

- Options for using land: Share farming, FBTs?
- FHLs
- The Balfour test – merge businesses?
- Making more lifetime gifts?



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## Case Study 2

**Dairy farm:  
One child farming, one  
child elsewhere**



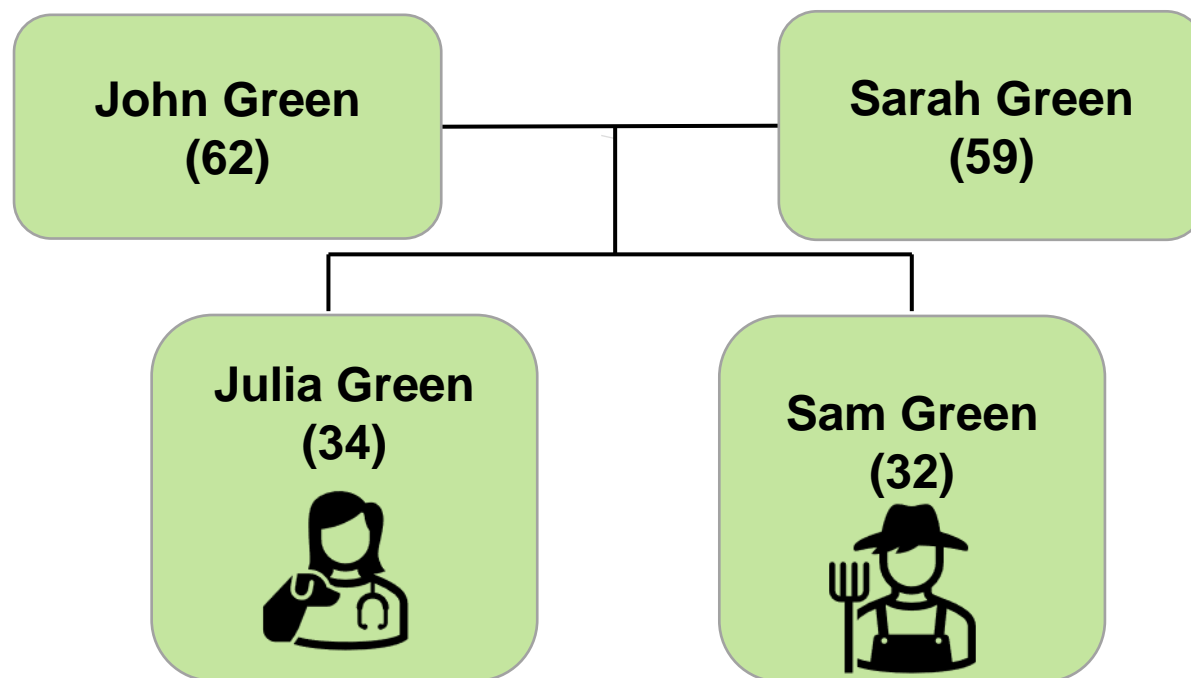
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# Case Study 2

## Family





# Case Study 2

## Assets

- 120 acres, grazed by own dairy cattle, with milking sheds, farm buildings etc (£1,100,000 agricultural value - owned by partnership)
- Separate 20 acres inherited by Sarah from uncle, let out for growing daffodils (£210,000 agricultural value – owned by Sarah)
- Some small areas of woodland (e.g. copses, shelter belts) around the land
- £500,000 cash in partnership account from sale of land for development two years ago





# Case Study 2

## Issues

- Partnership between John and Sarah only – Sam works on farm.
- Conversion of stone barn into a home on the farm for Sam to occupy
- Sam is thinking about getting married – what if marriage breaks down?
- Option agreement on 5 acres of land for sale at £500,000
- Julia is a vet and does not want to be part of the business





# Case Study 2

## Key points

- APR on let land
- APR on woodland
- Farmhouse and Sam's home – APR? Options?
- Development value – IHT relief?
- Fairness between children
- Provision for Julia







# Case Study 2

## Key points

- Availability of BPR and excepted assets
- Partnership agreement/assets – Sam to join?
- Partnership accounts – reflect capital
- Tenancy agreements
- Wills
- Use of trusts to protect assets
- Proprietary estoppel



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## Case Study 3

### Arable farm with no successors



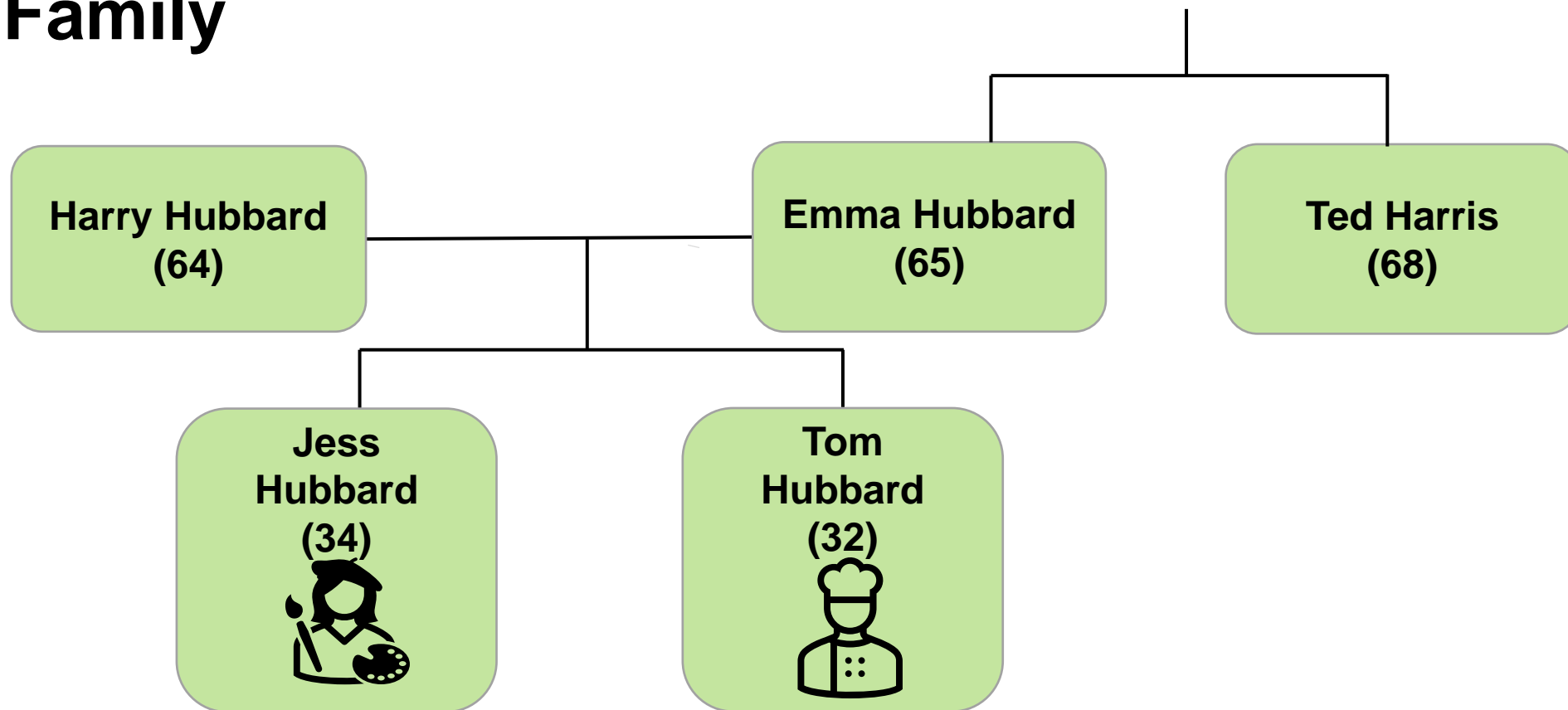
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# Case Study 3

## Family





# Case Study 3

## Assets

- 275 acres growing cereal crops (£2.4 million – owned by Emma and Ted)
- They also rent in neighbouring farmland for an additional 220 acres
- Harry and Emma live in the main farmhouse (£600,000)
- Ted lives in a cottage on the farm (£300,000)







# Case Study 3

## Issues

- Harry, Emma and Ted in farming partnership
- Harry and Emma's children work in London and are not interested in the farm
- Ted has no children
- They are considering entering into environmental schemes
- Ted would like to retire but Harry and Emma would prefer to keep things going for the time being





# Case Study 3

## Key points

- What to do with no successor? Selling or retaining?
- Sell - CGT issues
- Sell – What to do with cash? Lifetime gifts?
- Sell - IHT and cash estate?
- Retirement of a partner/landowner – impact on IHT and Ted's cottage





# Case Study 3

## Key points

- Retain - Applying the IHT reliefs
- APR and farmhouse
- Environmental schemes and IHT reliefs
- Share farming
- Terminating the tenancy



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## Case Study 4

**Sheep farm with stables**  
**One child farming, one**  
**wants to run diversification**

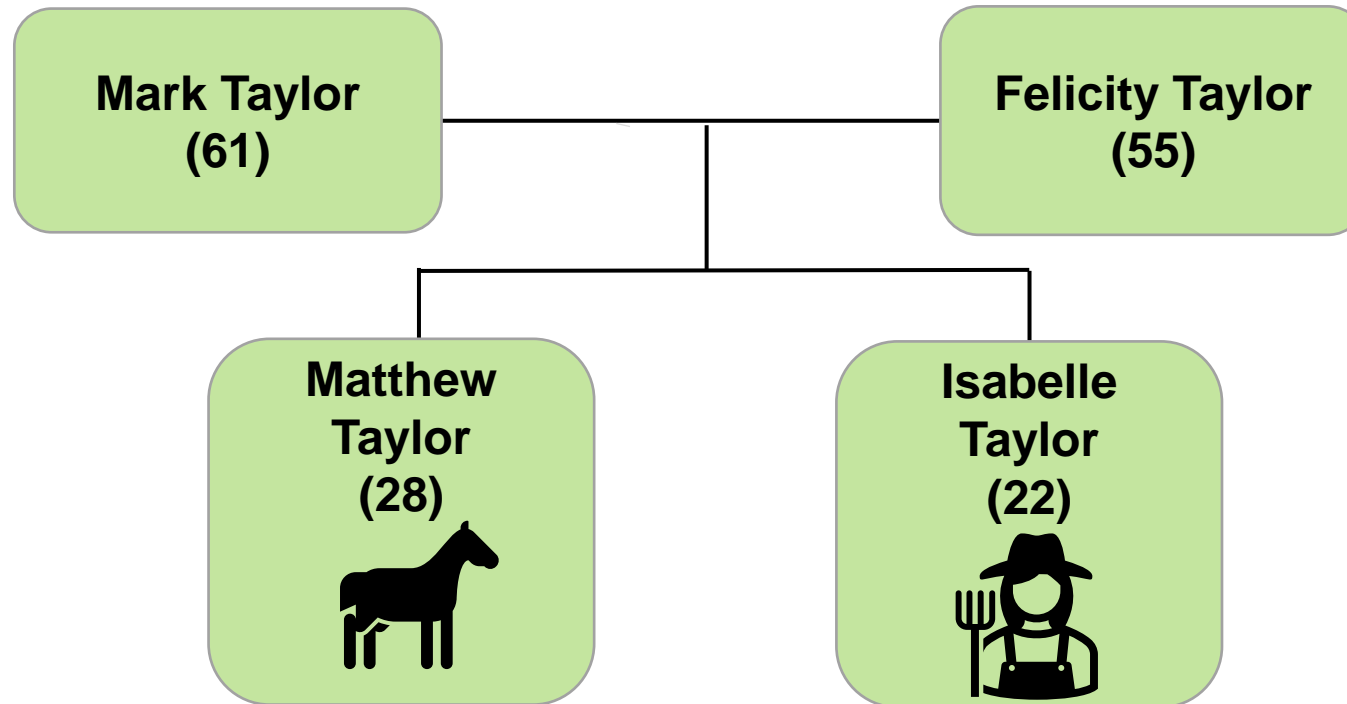


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# Case Study

## Family







# Case Study 4

## Assets

- 120 acres, grazing own sheep and horses (£925,000)
- Stable block for a DIY livery (£200,000)
- Farmhouse (£600,000)
- Farm buildings (£200,000)
- Ancient woodland (£100,000)





# Case Study 4

## Issues

- Mark and Felicity are in partnership
- Isabelle works on the farm
- Matthew wants to set up glamping site and riding school, and manage ancient woodland for holiday





# Case Study 4

## Key points

- APR and horses
- BPR and livery
- Balfour test for BPR
- Glamping/FHL and BPR





# Case Study 4

## Key points

- Bringing in a new partner to farming partnership
- Equestrian business and BPR
- Separation of assets/businesses before diversification?
- When to pass on assets – lifetime or Will?





# CLA Handbooks

Available:

- Online at [www.cla.org.uk/advice](http://www.cla.org.uk/advice)
- By telephone: 020 7460 7969  
Monday to Friday 9am to 5pm  
  
(Please have your membership and credit card details to hand)



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## Questions?



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