

# LandFamilyBusiness

SPRING 2019

## STABILISING AND FUTURE PROOFING THE BUSINESS

The details below are required to carry out a thorough review of a family farming business. Many of these are obvious, but can easily be forgotten on a busy family farm.

### LAND

- Who owns the land, buildings and houses? This is one of our first questions we ask when carrying out a succession or tax planning exercise. In many cases the ownership is unknown.
- Check whether all land and property is owned as Tenants in Common or as Joint Tenants.
- Are land, buildings and houses held within the partnership or held outside by individuals? Are any owned by a limited company?
- Make a list of all houses, cottages and buildings let to third parties with their associated values. Discuss these with your accountant and ask whether you have the most efficient inheritance tax structure.
- Make sure all property is registered.
- Is there a tenancy between individual owners and the partnership or family company?
- If there is a Partnership Agreement, it is important to check what it says about land ownership and values. When a partner dies or retires it is usual for any land in his or her ownership to be revalued – in some agreements this is not the case.
- Make sure if possible, there is a successor to any AHA tenancies.
- With potential development land, check the land ownership to enable Capital Gains Tax planning, especially when looking at who will own eventual proceeds.

### FAMILY

- Are the family communicating effectively? Regular round table meetings need to be held.
- Make sure that succession within the business has been openly discussed with the next generation.
- Lifetime planning can provide clarity by modelling the financial needs of individuals or couples who may be considering retirement. This also helps with identifying goals, quantifying personal cashflow and timing of succession.
- Make sure all wills are up to date. Circumstances in families change and it is important to review wills regularly. In particular, ensure that the terminology in the will is consistent with the headings relating to property in the annual accounts and the Partnership Agreement. There have been several cases where the administration of a vaguely worded will has resulted in a family disagreement.

- Ensure that all the older generation have Lasting Power of Attorney provisions in place.
- Make sure the next generation is aware of the content of wills, in particular, siblings and their spouses within the business.
- Has an annual family meeting chaired by an independent person been held to make sure all lines of communication are open?
- Consider drawing up a family constitution – this only needs to be around 2 sides of A4 but should include all family members whether in the business or not.
- Discuss any training requirements.

### BUSINESS

- Discuss the financial year end of the partnership with your accountant. A 30 April year end may not be conventional but may provide more time for tax planning before the following 5 April.
- Make sure that there is a recent Partnership Agreement – modern Partnership Agreements allow more flexibility; ensure that it dovetails with the will.
- Regularly review the shareholdings and directorships of family limited companies – consider appointing future successors of the business as directors, so they gain experience without owning any assets.
- Ensure that the partnership accounts detail clearly the ownership of land and properties – ideally these should be individually listed in a Land Capital Account. This is a schedule that forms part of the annual accounts.
- Ensure that the bookkeeping system is ready for Making Tax Digital (MTD).
- Check the potential liability of any diversification activities on the farm and should this element of the business be held within a limited company?
- Consider whether a joint venture with neighbouring farmers to share machinery and labour would benefit the business by decreasing costs.
- Discuss with your accountant whether a Self Invested Personal Pension (SIPP) or a Small Self Administered Scheme (SSAS) would be beneficial for the business structure. Many businesses use the funds to build grain stores or invest in off farm commercial property.

The above should help you approach the many aspects needed to ensure that a viable business is left for the next generation. Use the checklist overleaf to methodically assess, stabilise and future proof your business. To discuss please contact Gary Markham on 07970 794495 email [gary.markham@landfamilybusiness.co.uk](mailto:gary.markham@landfamilybusiness.co.uk).



# WORKING CHECKLIST

TASK	ACTIONED
<b>LAND</b>	
• Check the ownership of land and properties.	
• Ownership as Tenants in Common or Joint Ownership.	
• Is land and property held within the partnership or not?	
• List of all properties that are let to third parties to accountant.	
• Is all land and properties registered?	
• Check if there are any family tenancies.	
• Check what the Partnership Agreement says about land valuation.	
• Is there a successor in place for any AHA tenancies?	
<b>FAMILY</b>	
• Do you have regular family meetings?	
• Make sure succession has been discussed.	
• Consider lifetime planning modelling for the older generation.	
• Are wills up to date and check terminology.	
• Older generation Lasting Power of Attorney in place.	
• All family aware of contents of wills.	
• Family AGM to include the wider family.	
• Do you need a family constitution?	
• Are there any training requirements?	
<b>BUSINESS</b>	
• Financial year end – discuss with accountant.	
• Recent Partnership Agreement.	
• Review shareholdings and directorships of companies.	
• Do partnership accounts clearly show land ownership?	
• Bookkeeping system MTD compliant.	
• Should diversification activities be within a limited company?	
• Check the possibility of a machinery and labour joint venture.	
• Is the business using pension schemes effectively?	

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Tax Planning | Family Agreements | Family AGM | Succession | Accounts | Wealth | Generations  
Diversification | Property | Mediation

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