Land use consultation and ecosystems service markets update

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The ATT has responded to a recent consultation on land use to highlight the importance of considering the tax consequences of any proposed policy changes.

The ATT has responded to the Department for Environment, Food and Rural Affairs' (DEFRA) consultation on a land use framework. Forming part of the government's Plan for Change, the consultation is looking at how the government can better understand land use in England to design a framework to support housebuilding, infrastructure and clean power, while protecting farmland and the environment.

As a tax body, the purpose of our response was to highlight the importance of considering the tax implications of any policy changes connected to land and property. Tax is a key driver in decision making for landowners, and land use changes resulting in negative or uncertain tax consequences could discourage landowners from engaging with schemes that the government considers desirable. Our members tell us that some of their clients have been put off from engaging in

natural capital projects involving biodiversity net gain (BNG) or carbon credits due to uncertainty in the tax treatment of related income and expenses.

Our response explained the importance of reliefs such as agricultural property relief (APR) to farmers and landowners, and showed how APR has been amended over the years to support government initiatives. Following issues with a lack of clarity on the VAT treatment of BNG credits, we also asked for DEFRA and HMRC to communicate with each other at an early stage and provide a consistent message on tax issues.

The full ATT response is available here: www.att.org.uk/ref479.

Taxation of Ecosystem Service Markets Working Group update

The ATT has attended several meetings of the Taxation of Ecosystem Service Markets Working Group this year, which has started work again after the election last year delayed matters. The group was set up to support HMRC in producing guidance on the tax implications for landowners involved in BNG. We hope then to move onto areas of uncertainty within woodland and peatland carbon credits. Examples of scenarios which members are seeing in these areas where the tax or accounting treatment is unclear would be welcome.

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