# Farm survival: managing disposals and development

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Farming families face mounting financial pressure from proposed inheritance tax changes, making early, coordinated planning essential to protect assets.

## Key Points

### What is the issue?

Government plans have caused alarm across the farming community, with many farmers considering selling land or quitting altogether.

### What does it mean for me?

These changes could reshape the viability of family farms. Without careful planning, farmers risk losing tax reliefs, facing unexpected liabilities, and undermining both business continuity and family wealth.

**What can I take away?**

The role of the spouse in farm survival through the transferable £1 million allowance and surviving spouse relief for inheritance tax will become more critical. Farmers are urged to seek early, integrated tax and legal advice, clarify ownership and plan asset disposals strategically.

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The government’s planned changes to restricted inheritance tax relief have sparked major concern across the farming community, according to a recent survey by the Country Land and Business Association (CLA). Of the 500 farmers and landowners polled, nearly 80% said they are worried that their business will not survive the next ten years, while over 60% have considered selling their farms and leaving the industry altogether.

In addition, 69% of respondents said they will have to sell land or take out loans to keep their businesses afloat, with nearly half predicting they will have to sell at least a quarter of their farm. These figures highlight deep financial anxiety within the sector and underline the urgent need for careful tax and succession planning.

The Autumn 2025 Budget offers some respite througha transferable £1 million allowance for 100% BPR and APR. Ensuring farm survival will require greater involvement (and ownership) by the spouse — and the full details are still to come.

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## The liquidity challenge

Farmers and landowners may need to begin identifying assets that could be sold to raise liquidity, ideally with support from a professional property adviser. Future capital gains tax must be calculated on all proposed sales. Assessing the best time to sell farm property will also be essential, given the current weakness of the property market. Where possible, attention should focus on high-value assets that can be sold with minimal disruption to the core business.

The CLA’s research also found that 89% of farmers have paused or delayed investment since the October 2024 Budget, with 27% having held back from commitments requiring an investment of over £150,000.

Responding to the Treasury’s claim in its July 2025 impact assessment that the inheritance tax cap will not have ‘any significant macroeconomic impacts’, CLA president Victoria Vyvyan argued: ‘Our polling shows they will force hard choices on farms that have sustained communities for generations – selling their land, laying people off, shelving plans for the future.’ Viewed alongside the survey results, these comments paint a stark picture of an industry facing both economic pressure and emotional strain.

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## Development opportunities

Amid growing concerns over restricted inheritance tax relief and broader uncertainty around the commercial viability of farming, many UK farmers and landowners are increasingly exploring development opportunities for their agricultural land. Whether through residential or commercial property development, or by partnering in renewable energy projects such as solar, wind or anaerobic digestion, the potential financial rewards are significant. Such projects can offer vital liquidity and diversification to traditional farming income.

However, these opportunities also come with substantial risks if not managed correctly. Without targeted tax planning, thorough legal due diligence and realistic commercial expectations, the process can quickly lead to costly delays and tax inefficiencies at a difficult time. With the Department for Environment, Food and Rural Affairs (Defra) estimating that around 90% of all farm enterprises in England are family-run, development projects are rarely just business decisions – they are family decisions. Generational succession, uncertain land ownership and emotional investment add layers of complexity to fundraising activity.

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## Clarity of ownership

For farmers and landowners who are considering selling or developing land, the first and most fundamental step is confirming ownership. While this may seem obvious, establishing clear title is often far from straightforward within farming partnerships. Land that has been passed down through multiple generations can come with complicated title issues, especially where there is incomplete probate or where informal agreements were never properly documented. Conducting detailed due diligence at the outset is essential – it can prevent significant delays, disputes and

frustration later in the process.

Long-term farm tenancies or licences can also bring delays in the process. These arrangements often need to be terminated or renegotiated before any sale or development can proceed. In many farming communities, tenancy agreements may exist only as verbal understandings between friends or neighbours, which can make formal resolution difficult.

Tenancies can also create additional financial responsibilities that need to be settled before any real planning begins, as vacant possession is a key element for most developers. Addressing the tenancy issues too late can stall projects indefinitely.

Farm valuations have become especially important in light of the forthcoming restrictions to agricultural property relief and business property relief. Some have suggested that lower valuations or loosely defined arrangements could yield tax advantages, but the opposite is true. Without clear ownership, formal agreements and strong legal documentation, families risk undermining both the protection of their assets and their ability to benefit fully from available tax reliefs.

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## Too many investments

Agricultural income and profitability are inherently volatile, and that commercial unpredictability only complicates the succession and tax planning. HMRC typically reviews two or three years of business activity when assessing eligibility for business property relief, meaning that even small structural changes – such as entering into a solar lease – can tip the balance between qualifying as a trading business and being viewed as an investment entity.

For farmers and landowners operating close to the trading threshold, it is vital to consider the long-term impact of such changes. When land is expected to appreciate significantly in value or may be subject to inheritance tax in the future, one common planning strategy is to ‘carve out’ the investment element. This could involve transferring the leased land into a separate trust, company or even another individual’s ownership.

While the ‘carved out’ land itself would not qualify for business property relief, the value it generates is removed from the main estate, thereby reducing potential inheritance tax exposure. Most importantly, this approach helps preserve the trading

status – and therefore the business property relief eligibility – of the rest of the farming business. With careful structuring and ongoing monitoring of trading activity, this strategy can provide long-term protection for both the family's assets and the viability of the business for future generations.

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## Capital gains tax or income tax on potential development

One of the most crucial financial issues for any farmer or landowner considering a land sale or development project is whether the transaction will be subject to capital gains tax or income tax. Capital gains tax is generally more favourable but is not always guaranteed. Good tax advice is essential from the outset to avoid unexpected liabilities.

If HMRC considers that the land was acquired or prepared with a clear intent to make a profit from its development, the transaction may be taxed as income rather than capital – resulting in significantly higher rates. Most farmers and landowners will have held their land for a long time but that does not automatically secure capital gains tax treatment.

When development potential exists, structuring is key. Care must be undertaken to avoid inadvertently triggering an income tax liability – particularly under the 'transactions in land' rules. If land is acquired or transferred with a clear intention to develop and sell at a profit, HMRC may treat the gain as income, even if the sale occurs years later.

One scenario that can cause tax problems is buying land out of a company with future development in mind. Even if it is leased back and used commercially, HMRC may argue that the original intention was profit through development, thereby challenging the transaction and applying income tax on any eventual sale.

The taxation of development land is highly 'intention-based', meaning that a paper trail and early legal and tax advice are critical. Farmers and landowners must be clear from the outset about the purpose of a deal – and consider how that purpose might be interpreted years later, especially if the land's value has risen sharply.

Proper structuring, transparent record keeping and forward planning can offer meaningful protection against unexpected tax liabilities – but only if the tax implications are addressed before any agreement is signed.

Finally, when planning for the funding of future inheritance tax liabilities, it is also important to understand the health – and possible life expectancy – of those in the family who are involved in the transactions, as this can help with both timing and decision making.

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## Early integrated advice

Early, integrated tax and legal advice is vital for farmers and landowners considering sales, restructuring or development. No single element – whether VAT, business property relief or capital gains tax – exists in isolation. The success of any transaction hinges on how these elements interact and on aligning them with the family's tax planning objectives.

With the introduction of the proposed 'mansion tax', some farmers might look at downsizing their large farmhouse to make use of principal private residence relief and reduce costs. Also, the use of surviving spouse relief and the transferable £1 million allowance could significantly alter the spouse's role and ownership structure in farm succession planning.

Equally important is co-operation between all the advisers involved in all the transactions – lawyers, developers and tax advisers. Working together from the outset, they can make the process smoother and potentially more profitable. By understanding the legal structure, commercial objectives and tax consequences, professional advisers can help farmers and landowners to turn development opportunities into lasting, tax-efficient value, preserving the legacy of the family's land for future generations.

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