

Agriculture Insight

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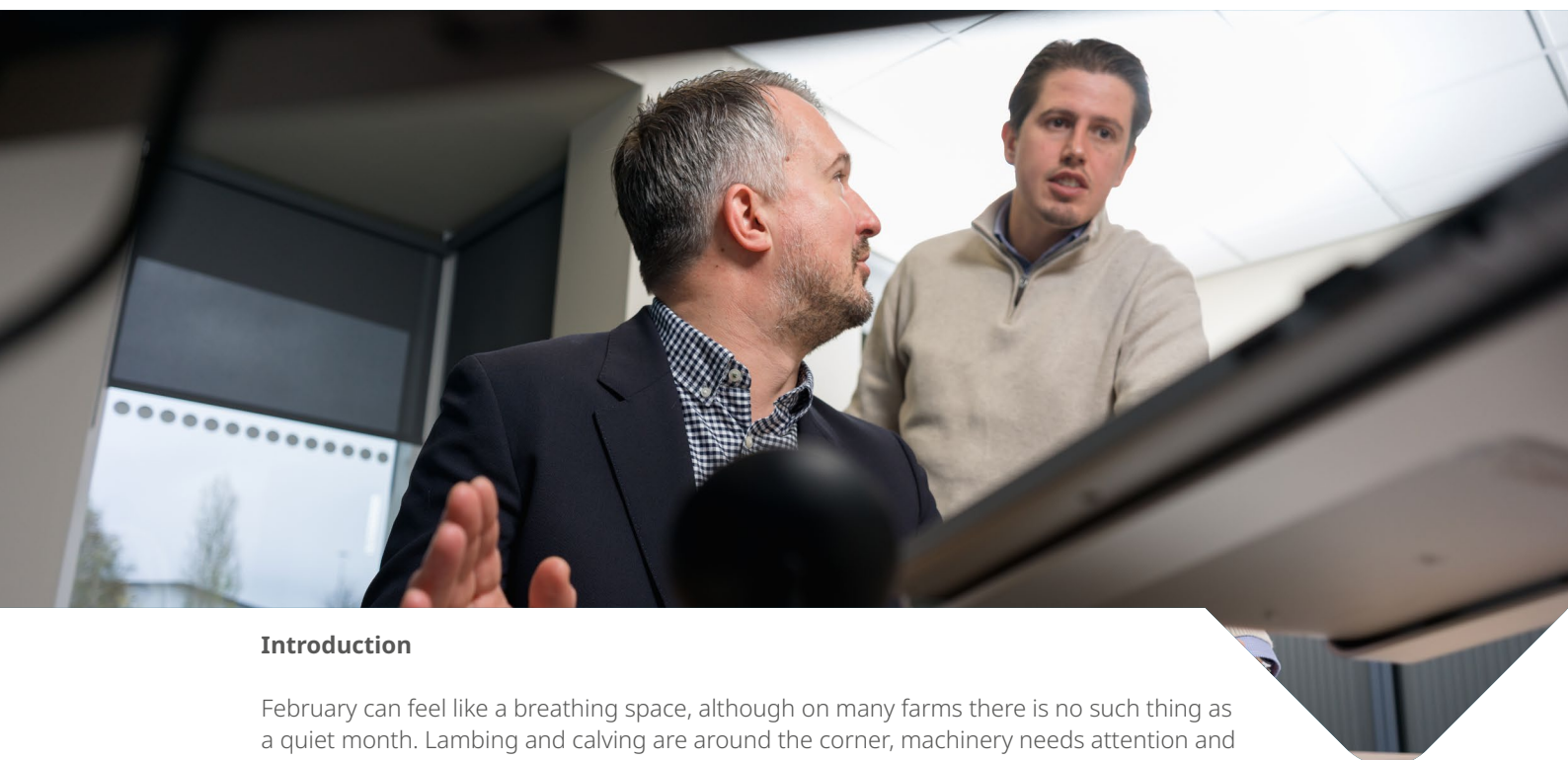
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Dan Wood Partner



Introduction

February can feel like a breathing space, although on many farms there is no such thing as a quiet month. Lambing and calving are around the corner, machinery needs attention and input costs never stand still. It is often the last real opportunity to step back before the pace of the year gathers momentum. It is also a sensible time to review the financial side of the business.

In this edition of the newsletter we discuss the following:

- Making Tax Digital for Farmers: One-Year Reprieve
- Farm Accounts: Are you Making the most of your Management Information
- VAT on Farming: Common Mistakes Farmers make and how to Avoid them
- Farming Partnerships Why the Structure Matters for Tax and Control
- Government Announce Inheritance Tax Changes to APR and BPR

We hope you enjoy the contents of this newsletter and as ever if you have any questions please do not hesitate to get in touch.

Dan Wood
Partner



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Making Tax Digital for Farmers: One-Year Reprieve

You've wrapped up harvest and drilling, you're sorting the paperwork, and then you hear HMRC wants quarterly digital reports. Sound familiar?

Thankfully, there's good news. Following pressure from farming groups and professional bodies, HMRC has agreed to give farmers more time before new digital tax reporting rules kick in. It's a practical and welcome pause, but it's not the end of the story.

Do I need to start digital reporting now?

Not just yet. Under HMRC's Making Tax Digital for Income Tax Self Assessment (MTD for ITSA), sole traders and landlords were due to start keeping digital records and submitting quarterly tax updates from April 2026.

But after lobbying from the NFU and others, HMRC has offered a concession for many farming businesses including:

Farmers who reasonably expect to use profit averaging for tax purposes, can now defer entry into the scheme until April 2027.

That gives an extra year of breathing room for many farmers, particularly those with fluctuating income who rely on averaging to smooth their tax bills.

Quick check: will you be affected?

You may qualify for deferral until 2027 if:

- You run a **sole trader** farming business
- You earn over **£30,000** in gross income
- You use **profit averaging** for tax purposes

Further guidance is set to be published by HMRC in due course about when the deferment will apply automatically.

Why does this delay matter for my farm?

For many farmers, quarterly digital reporting is a big shift from the traditional once-a-year tax return, and most farm businesses already juggle seasonal cash flow, unpredictable weather, and ever-changing subsidy rules.

This extra time gives you the space to:

- Understand what's required under the new rules
- Choose software that fits your business
- Integrate digital records into your farm accounts gradually
- Avoid unnecessary stress at the busiest times of the year

It also creates a useful window to review the structure of your business. If your accounts are still run manually or your partnership agreement is out of date, this is a good time to put things on a clearer footing.

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Making Tax Digital for Farmers: One-Year Reprieve (Continued)

What should I do while there's still time?

This isn't something to panic over, but it's not something to ignore either.

"This delay is good news. It gives farming families time to set up systems that work for them, without the shock of an abrupt compliance deadline. However, preparing now while things are quiet means you avoid a late rush next spring."

Dan Wood, Agriculture Partner at Hawsons

There's no one-size-fits-all answer here. Every farm is different, and your digital tax plan needs to reflect how your business runs, not just what HMRC wants on paper.

Let's make sure your farm is ready with no surprises

If you're unsure whether the new rules apply to you, or you'd like practical advice on how to prepare, we're here to help.

We've worked with farming families across Yorkshire, Lincolnshire and the East Midlands for generations. We know the value of keeping things simple, protecting control, and making sure the farm runs smoothly for the next generation.



Farm Accounts: Are you Making the most of your Management Information

Still only checking your books at year-end?

When we speak to farming clients, there's a pattern we see time and again.

Most farms still only look at their accounts once a year, usually around tax time. Bookkeeping is something that gets done late at night, if at all. Farm budgeting tends to be more of a mental note than a proper plan. That's entirely understandable. There's livestock to check, invoices to chase, machinery to keep running, and most of the admin gets pushed back to winter.

But here's the thing we always ask:

- What if your numbers could do more than just keep you out of trouble with HMRC?
- What if they could help you decide whether it's time to buy that new feeder wagon, or hold off? Or whether your lamb enterprise is still pulling its weight?

You know the farm – let the figures back you up

Farm accounting isn't just about tax. At least, it doesn't have to be. Your figures can help you make better decisions all year round, if you can see them clearly and in time.

It doesn't have to mean more work. In fact, once it's set up properly, it can save you hours. You're already making big decisions every week, should I re-seed that pasture?

Is it time to renew the sprayer? Should I lock in that feed price? Up-to-date accounts help guide those calls with real evidence.

What will I actually get from looking at the numbers more often?

Here's what happens when farmers start using regular farm accounts and management information to their advantage:

- **Cash flow clarity:** See what's coming in and going out so you're not caught off guard before the harvest
- **Spot trouble early:** Whether it's low weights in the store lambs or diesel spend going up, it won't creep up on you
- **Make decisions with confidence:** Know when to invest in machinery or hold back
- **Plan for tax:** No more scrambling when the accountant rings in January
- **Less stress:** You can get on with farming, knowing your financials are sorted

This kind of clarity helps you run the farm on your terms, not just in response to problems.

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Farm Accounts: Are you Making the most of your Management Information (Continued)

A real farm example: The power of seeing it in black and white

One of my clients runs an arable farm with diversified operations, based in Yorkshire.

For years, they relied on year-end accounts, putting together the records in a scramble to meet the January self-assessment filing deadline.

MTD for VAT was a turning point for them, they adopted Xero to keep their records. At first, they carried on with the same approach, pulling together much of their records at year end rather than throughout the year.

As operations became more complex, with more income streams, we started looking at things more regularly, working with them to keep on top of their bookkeeping and dealing with the more complex transactions. We then worked at separating out the income streams and related costs.

This gave them the confidence to see which parts of the business were making money and make informed decisions when it came to capital expenditure, expanding the profitable enterprises, whilst remaining true to their underlying farming principles.

Bookkeeping that works with the farm, not against it

No one wants more admin. But with the right tools, farm bookkeeping doesn't have to feel like a second job. Even doing it monthly or quarterly makes a difference, especially if it saves time at the year-end and helps you plan ahead.

A lot of our clients now just snap a picture of receipts on their phones or use simple tools that link directly to the bank feed. Nothing technical. Just easier.

Can cloud accounting really save you time?

Yes, and more importantly it can reduce your stress and worry.

Cloud accounting simply means using software that lives online. It updates automatically, links to your bank, and keeps your figures tidy and up to date. It's perfect for farmers who are short on time but want better visibility.

Software like Xero, QuickBooks, or Farmplan Business Cloud can give you and your accountant a shared view of the business in real time. We can help you choose one that suits how you work, whether that's checking figures from the farmhouse or sorting paperwork after morning milking.

No need for a degree in spreadsheets. Just a system that works.



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Check out these pictures from our recent events and employee achievements!

Here are some of our highlights from the past couple of months at Hawsons which include events and employee achievements.

Northampton office celebrates 40 Years

We are excited to announce that our Northampton office is celebrating their 40 Year milestone in 2026.

David Owens, Managing Partner in Northampton comments: "As Northampton continues to evolve, so do we. Our team is growing, our clients are ambitious, and we're proud to remain a pillar of this local business community. Our success has always been built on people – our team, our clients, and the local community we're part of. That's what drives us, and that's what will keep driving us for the next 40 years."

New Year's Drinks

Our Sheffield office hosted their New Year's Drinks on 8th January at The Mowbray. We would like to thank all of the clients and contacts that attended.

Jeanette Roney promoted to Business Services Manager

As of January 2026, Jeanette has been promoted to Business Services Manager.

Thank you for being an integral part of the Hawsons Doncaster team, wishing you every success as you step into your new role.

Doncaster office celebrates 35 Years

In November, we welcomed clients and colleagues to our newly refurbished Doncaster office to celebrate a special milestone: 35 years of Hawsons in Doncaster.

It was great to catchup with so many familiar faces and to reflect on how far we have come.

Core Values Award winners

In January, Ashley Lewis, Charlotte Owen and Milie Robinson won our Core Values Awards, recognising their commitment to the firm.



VAT on Farming: Common Mistakes Farmers make and how to Avoid them

You've worked hard to build something lasting. Don't let VAT mistakes catch you out.

It all starts with a small decision...

You've just put up a new grain store. The builders have finished, you've got the invoice in your hand, and you're wondering if you can reclaim the VAT in full.

A few weeks later, you let out one of your barns for short-term storage. It all seems straightforward until a question from HMRC comes through the letterbox.

Hawsons Partner, Dan Wood says: "VAT is part of most farming businesses, but it doesn't always play fair with real life. The rules can feel like a moving target, especially when the farm is evolving. Honest mistakes can lead to unexpected bills, clawbacks, or penalties."

"That's why I've put together this guide. These are the farming VAT mistakes we see most often and the steps you can take to avoid them."

You might be in the partial exemption trap without realising

If you've got income from letting land or buildings,

holiday lets, solar panels or small-scale retail, that part of the business may be VAT-exempt. This limits how much input VAT you can reclaim.

Once your business has both exempt and taxable income, you must only reclaim the business-use portion of VAT. It's easy to miss this shift if your business is partially exempt.

Quick tip: If you've started any new income streams this year, double check whether they're exempt. A small change can tip the balance when it comes to VAT.

Letting land? It's not as simple as it looks

Letting a field for grazing or storage is usually exempt from VAT, but that's not always good news. It can restrict how much VAT farmers can reclaim on costs that support the wider farm.

If you supply services alongside the letting (e.g. handling livestock or maintaining fencing), the VAT treatment may change.

Sometimes, opting to tax land or buildings can help. But it has to be done properly and declared to HMRC in writing.

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VAT on Farming: Common Mistakes Farmers make and how to Avoid them (Continued)

Land rental VAT guide:

- Grazing land, no services = Exempt
- Storage space, long-term let = Exempt
- Land with services (e.g. equipment, staff) = Often taxable
- Holiday lets or camping pitches = Taxable – standard rated
- Property opted to tax (correctly) = Taxable

Quick tip: Don't rely on what "used to be fine". If you're changing how you use your land or buildings, check the VAT position before letting.

Make sure you're using the correct VAT rate

Different farming supplies fall under different VAT rates. And if you're not careful, you can get caught claiming or charging the wrong one.

- Feed, seed, and fertiliser: often zero-rated
- Electricity for domestic use: 5 percent
- Contracting services (e.g. spraying or baling): standard rated at 20 percent
- Machinery and fencing: standard rated at 20 percent

Quick tip: Always check the purpose and use of an item. A fence around grazing land is treated differently from a fence around a campsite.

The de minimis limit catches more farms than you'd expect

If you've got exempt income, you can only reclaim all your VAT if you stay under the de minimis limit. That means:

Exempt input VAT must be less than £625 per month, and it must be less than 50% of total input VAT

If you go over that, you'll need to restrict how much VAT you claim.

Quick tip: If your accountant doesn't ask about your exempt income each year, bring it up. The rules are easy to miss and expensive to fix.

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VAT on Farming: Common Mistakes Farmers make and how to Avoid them (Continued)

Big purchases can bring big VAT problems if not handled properly

Buying a new tractor, putting up a building, or investing in renewables? These high-value projects often trigger HMRC attention.

You'll need:

- A full, valid VAT invoice
- Proof of business use
- Consistent records showing how the asset supports your trade

If it's partly used privately for example, a vehicle the family also uses, the VAT claim must be reduced accordingly.

Quick tip: Don't wait until the invoice arrives. Talk to your accountant before the order is placed to make sure the VAT position is clear.

Farm and family often overlap – but VAT expects a clear divide

It's common for heating oil, electricity, internet, or mobile phone bills to serve both the farmhouse and the farm. But VAT farmers can claim back must be based

only on business use.

HMRC expects a fair, reasoned split and you need to stick to it year on year.

Quick tip: Review shared costs annually. A 60/40 split is fine, as long as it's consistent and based on actual use.

Hire purchase? Don't just trust the paperwork

VAT on hire purchase agreements can be confusing. Sometimes the VAT is due up front, sometimes across instalments and it all depends on how the contract is structured.

We've seen farms claim VAT too early or too late because they relied on supplier paperwork alone.

Quick tip: Before signing the finance agreement, ask whether VAT is due in full at the start. If in doubt, let your accountant review it.

Part-exchanges need careful handling

Swapping your old John Deere for a newer model? That part-exchange still counts for VAT purposes. The value of the item you traded in must be included in your VAT return.

Quick tip: Make sure you get a full breakdown on the invoice. If the part-exchange isn't recorded properly, you could end up under-declaring VAT.



VAT on Farming: Common Mistakes Farmers make and how to Avoid them (Continued)

Selling kit or passing it to family? VAT may still apply

Selling second-hand machinery or transferring farm assets to the next generation can trigger VAT liabilities, even if no money changes hands.

These are sensitive areas. You're trying to do the right thing by the family, and it's vital to get the VAT side sorted quietly and cleanly.

Quick tip: Talk to us before transferring any assets. Done correctly, it can be VAT neutral. Done casually, it can cost more than it needs to.

Changed your structure? Make sure VAT keeps up

If you've moved from a sole trader to a partnership, or set up a limited company, your VAT registration may need changing.

We've seen cases where the VAT return was filed under the wrong entity which can cause delays, penalties, and even double taxation.

Quick tip: Don't assume anything rolls forward automatically. Always notify HMRC if the legal structure of the business changes.

Before your next VAT return, ask yourself:

- Have we claimed VAT on anything partly used at home?
- Has our income mix changed this year?
- Have we made any high-value purchases recently?
- Is our paperwork ready if HMRC were to ask questions?

If any of these give you pause, we're always happy to take a look. A quick review now could stop a much bigger problem later.



Farming Partnerships Why the Structure Matters for Tax and Control

A farm partnership is a common structure for family-run farms in the UK. A farming partnership agreement sets out who owns the land, how profits are shared and what happens when circumstances change.

If the agreement is unclear or hasn't been touched in years, it can lead to unexpected tax bills, family disputes or a loss of control over the business.

If you're running a family farm, your focus is probably on the day-to-day. Livestock, crops, cash flow and weather forecasts usually take priority. Paperwork often waits until winter.

But if you've not looked at how your farming partnership is structured, it's worth taking a moment.

We've always done it that way works fine until something changes. That's when cracks appear.

Hawsons Partner, Dan Wood says:

"I've worked with many farming families and one thing I see time and again is a quiet assumption that it will all be fine. The truth is, without a clear and up-to-date farm partnership agreement, problems can arise. Often, these underlying issues don't raise their head until there is a problem or a change such as a transaction taking place."

So, let's talk about why structure matters and how a few simple checks now could save you and your family from real problems later.

Is your farm partnership structure up to date?

A lot of farming partnerships run on trust. Everyone knows their role. You know who's grafting, who's managing the money and who's likely to take over one day.

But trust alone isn't enough when it comes to tax, succession or legal ownership.

Some agreements were written thirty years ago and haven't been looked at since. Others were never put in writing at all. That's more common than you'd think.

If that sounds familiar, you're not alone. But it does mean your farm could be exposed if something changes unexpectedly.

If it's not written down, it's not protected. That's what HMRC will go by, not what you meant.

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Farming Partnerships Why the Structure Matters for Tax and Control (Continued)

What happens if farm ownership isn't clearly documented?

One of the biggest problems I see is confusion over who actually owns the legal rights to the land, the buildings, and the farmhouse.

Families often assume it's all part of the business because it always has been. But unless that's reflected in the paperwork, the legal position can be very different.

Here's a real example. A farming family assumed their farmhouse qualified for Agricultural Property Relief. It didn't. The farmhouse had never been formally included in the written partnership agreement. HMRC took a different view and the family ended up with a large, unexpected tax bill.

That sort of outcome is avoidable, but only if ownership is clear and correctly documented.

What tax reliefs could you lose without a proper farm partnership?

The structure of your farm partnership affects more than just who does what. It can make a big difference to your tax implications and position too.

Done properly, a partnership can help you qualify for Inheritance Tax and Capital Gains Tax reliefs such as Agricultural Property Relief and Business Property Relief.

But here's the key. Those reliefs depend on how your business is structured, what the paperwork says and who's officially involved.

Let's say you're planning to pass the farm to your children. If the land isn't within the partnership or the records don't match reality, HMRC could challenge the claim. That could leave your family with a bill running into six figures.

A well-structured agreement can save your family thousands. A vague one could cost them everything.

This isn't about clever tax planning. It's about getting the foundations right, so your farm is protected for the future.

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Farming Partnerships Why the Structure Matters for Tax and Control (Continued)

How can family changes affect farm partnerships?

Farming families don't stand still. Children grow up. People marry, divorce, retire or pass away. Life happens.

And when it does, your business structure needs to keep pace.

Here are some real-world scenarios I've come across:

- One son runs the farm full time. His sister works in the city. Dad wants to be fair. But what does "fair" actually mean when one child is keeping the farm going and the other isn't involved?
- A daughter joins the partnership, then gets married. A few years later, she divorces. The land was in her name. Suddenly the family business is caught up in a divorce settlement.
- The parents want to step back gradually. They don't want to let go entirely but need a way to reduce their involvement while keeping oversight and a share of the income.

These aren't extreme cases. They're common and without a clear partnership structure, they can cause serious strain both financially and emotionally.

You might not want to deal with it now, but your children will thank you later if you do.

How can a farm partnership agreement protect control of the business?

Some farmers worry that formalising things means losing control. But the opposite is true.

A good partnership agreement gives you the framework to make decisions confidently. It sets out who owns what, how decisions are made and what happens if someone wants to leave or retire.

That puts you in control. Not HMRC. Not the courts and not an outdated assumption.

It also helps avoid tension between family members. Everyone knows where they stand and what the future plan looks like.

Clarity today is better than conflict tomorrow.

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Farming Partnerships Why the Structure Matters for Tax and Control (Continued)

What should you include in a farm partnership agreement?

Even if you've already got an agreement in place, it's worth checking whether it still fits your current set-up.

Here's a quick list of things to review:

- Is the land and property formally part of the partnership?
- Are all current partners named, including any children who've joined the business?
- Do the profit shares still reflect reality?
- Have you accounted for any life events like marriage, retirement or death?

In many cases, all that's needed is a few updates. But they could make a huge difference later on.



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Government Announce Inheritance Tax Changes to APR and BPR

The Government has confirmed further changes to Agricultural Property Relief (APR) and Business Property Relief (BPR) following the November Budget. These updates will be included in the Finance Bill next month and will affect Inheritance Tax planning for farmers and business owners.

Higher APR and BPR Threshold from April 2026

From 6 April 2026, the amount of Agricultural Property Relief and Business Property Relief available at 100% relief will be £2.5 million. Any qualifying agricultural or business assets above £2.5 million will attract 50% Inheritance Tax relief.

This is a significant improvement on earlier proposals, which would have limited tax relief to £1 million per person.

The change was confirmed on 23 December 2025 following feedback from farming communities, family owned businesses, and their professional advisers.

What This Means for Farmers and Family Businesses

The revised thresholds aim to protect working farms and trading businesses, but there will still be many

farms and businesses affected.

The £2.5 million allowance will be transferable between spouses and civil partners meaning a couple can benefit from 100% relief on up to £5 million of combined business and agricultural property.

The changes also revise the trust relief allowance from £1 million to £2.5 million, creating further scope for effective estate and succession planning.

Aaron Hemmington, Tax Partner at Hawsons, said:

"This is a positive revision to the proposals for family farms and owner managed businesses. However, there are many businesses and farms with values above the revised allowance. It is therefore important that businesses and farmers review the values of their businesses and look to undertake planning where appropriate."

Planning Ahead

With Inheritance Tax rules continuing to evolve, it is important for farmers and business owners to review their estate planning early. Understanding how APR and BPR apply to your assets can make a meaningful difference to future tax liabilities.

If you would like to discuss how these changes affect your farm or business, our tax team is always happy to help.

Get in touch



Our agriculture expertise

At Hawsons our dedicated team of specialist agriculture accountants understands that farming isn't just a business; it's a way of life.

The rural and agriculture sector is a specialist sector, with unique practices and conventions. We act for a significant number of arable farms and assist farming families in many matters specific to agriculture and farming. This includes tax, will planning and succession planning.

We have been able to assist our farming clients to add value to their businesses. We have advised on the financial and tax consequences of property development, green technologies and capital allowance planning. In particular, we can assist in the area of capital taxes planning. This is a significant issue for farmers following the increase in land values and the availability of development opportunities.



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