



Can the next generation see the wood for the trees?

The possibility of significant tax exemptions and synergies with the farm could make a woodland venture a credible opportunity worth considering in the farm's future plan.

As we stand today, the planting of woodlands either on a commercial basis or for the greater good of the planet does not feel like it will generate a financial return for at least many years to come. However, the possibility of significant tax exemptions and synergies with the farm could make a woodland venture a credible opportunity worth considering in the farm's overall future plan.

Fiscal policy – tax exemptions

To enjoy the generous tax reliefs set out below, there should be commercial occupation of the land for the purposes of woodland – a forestry business with a view to the realisation of profits.

Fiscal policies to encourage land owners to make such a move are:

1. The sale of wood from a forestry business with a view to profits is free of Income Tax or Corporation Tax. The land owner should keep a robust log of all associated costs to ensure deduction is not made from taxable farming income and of course be able to assess the eventual profitability from this long-term project
2. Exemption from Inheritance Tax (IHT). Business Property Relief (BPR) is available and two years of partnership or company ownership will secure 100% relief, rather than 50% if owned personally. It is important for the land owner to have a documented plan in place to be able to show the eventual profits, should any family members with title pass away during the growing period
3. Where managed as a commercial investment, the timber crop is exempt from Capital Gains Tax (CGT) but not the land. As with 1) above, it is important to keep a robust track of all associated costs

As with most fiscal generosity, there is some complication and the land owner should be confident that the tax exemptions will be enjoyed, if they form a significant part of a woodland's strategy.

Not to be confused with a forestry business, the following activities will not qualify for the tax reliefs:

1. The land is chiefly occupied for the purposes of agriculture such as the planting of trees on marginal land for soil enhancement and water content improvement
2. Short rotation coppice will not qualify for the tax reliefs. An example would be willow or poplar grown as an energy crop
3. Profits from Christmas trees will not qualify for the woodlands tax exemption and it is well known in the tax world that this activity is classed as agriculture

If the phrase 'commercial occupation' is barking up the wrong tree, then the benefits of planting trees on a small scale, perhaps on marginal land, should not be discounted as there are many other benefits which could add value to the farm.

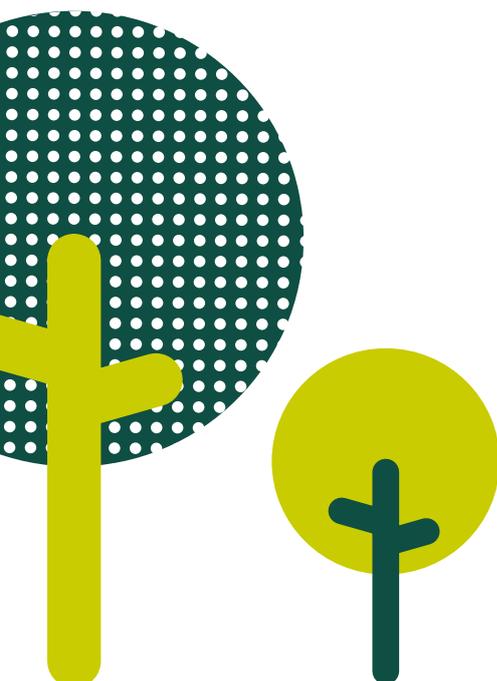
Examples are as follows:

Environmental benefits

- Landscape appearance – has a positive effect on the mind and makes working outdoors even more enjoyable
- Improvement to air quality – good for respiratory and heart health
- Wildlife – the creation of a habitat that is more welcoming and beneficial for wildlife, which may attract breeding pairs and rare species

Arable activities

- Trees can reduce soil erosion – improvements to top soil can enhance productivity
- Improvements to crop water efficiency and reductions in water loss from soil – particularly important during a drought season
- Potential to extend growing season – crop protection from frost or heat damage and speedier growth, without reductions in crop quality



Living Heaths Working Woodlands Grant Scheme

Maydencroft, Hertfordshire land managers, is delighted to have been commissioned by the Greensand Country Landscape Partnership (GCLP) to administer their Living Heaths Working Woodlands Grant Scheme.

The grant scheme aims to enable landowners to create, restore and manage important habitats within Greensand Country, to form a robust ecological network at a landscape scale.

[Click here to find out more](#)

For further information or to discuss project ideas, please contact Lottie Miles of Maydencroft Limited:

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Livestock activities

- Reduce emissions and capture ammonia from livestock housing and enterprises – ammonia emission reduction could lead to more value from manure and fertiliser, resulting in a cost saving

Diversified activities

- Game bird cover – a new dimension to the annual shoot, potentially justifying a higher ticket price
- Walks for tourists – a great additional feature with a 'glamping' strategy

Government assistance

- Countryside Stewardship Grant available up to £6,800/ha for total areas over 3ha
- Probably public goods through improved air quality and enhanced beauty for the purposes of the new Environment Land Management Scheme (ELMS) due to start this year

Further advice on the non-tax benefits of planting trees can be sourced through:

Woodland Trust

www.woodlandtrust.org.uk

Forestry Commission

www.forestry.gov.uk

The next step

Get in touch with one of our rural specialists about starting your own woodland venture:



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