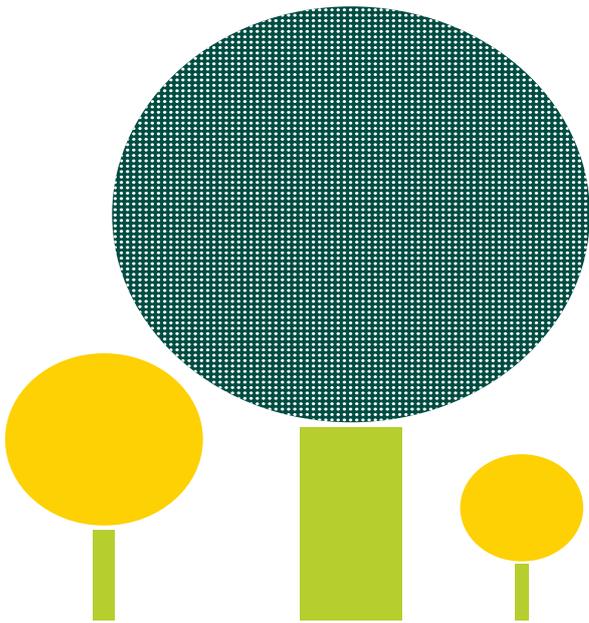


Case study

Rural and agriculture sector



Farming partnership grows profits and finds way to slash 30% off tax bill.

A large and successful farming partnership client has worked hard to increase profitability over the past two to three years.

Thanks to their focus on profits, they were pushed well into the 40% tax bracket. When the new 50% personal tax bracket was introduced, and forecasts show continued profits at this level and above, they decided it was time to act.

HOW TO CUT TAX WHEN YOU ALREADY USE EVERY TRICK IN THE BOOK

With such a profitable farm, it was clear they needed to implement a strategy that would keep earnings away from that harsh 50% tax level. The challenge, however, was that this client had already taken advantage of all the normal tax strategies; including using farmer averaging, timing capital purchases to minimise tax, and optimising pension contributions.

Since all of the conventional strategies were exhausted, we proposed a structural change that introduced a limited company into their farming partnership. The idea was that the company would be able to take advantage of the small companies tax rate of 21% on the first £300,000 of profit.

TAX SAVING OF 30% SLASHES TAX BILLS AND CREATES FREE CASH FOR RE-INVESTMENT

Thanks to the small companies tax rate of 21%, the profit that the farming partnership

would have declared at the 50% tax rate can now be covered (up to £300,000) by the limited company. Together with a 1% saving in National Insurance, the farm was therefore able to save a huge 30% in tax.

A significant side benefit from this tax saving is that the client has extra cash each year to invest back into the farming business, giving them a substantial long-term boost.

THE NEXT STEP

Farming businesses are unique and require specialist understanding of the tax rules for both business and farming.

For further information or to arrange a meeting to discuss your specific requirements, please contact one of our specialists:

<http://rural-and-agriculture.uhy-uk.com>

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