



## Case study

### Rural and agriculture sector

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# Secrets from whisky & chocolate saves £6,200 from farmer's tax bill.

A six hundred hectare arable farm run by two partners did not expect any changes in their tax position, but were delighted to discover that a court case involving Mars UK Ltd (Mars) and William Grant & Sons Distillers Ltd (Grant's) meant they could save £6,200.

#### THE STORY BEHIND THE SAVINGS

In this particular case, our client was delighted to discover that two recent court cases lost by HM Revenue & Customs (HMRC) created a big opportunity for them.

In these court cases, chocolate giant, Mars, and whisky producers, Grant's, were able to argue that they were over-stating taxable profits because depreciation was being added back twice – once in the tax calculation and another time in the closing stock. As a result of winning the cases, both firms saved huge sums of money.

The interesting element of these cases for the rural and agriculture sector is that farmers can take advantage of this same strategy, as it has now been accepted by HMRC. In the case of our client, we advised the farming partnership to take advantage of this ruling and their taxable profit figures were adjusted accordingly.

#### THE FARM SAVED £6,200

Farms are particularly well suited to this adjustment as their annual production is often carried forward to another tax year, either as livestock, stock in the barn or crops in the field. As a consequence,

paying attention to this area can save you substantial sums of money.

In this example, the partnership paying tax at 40% was able to save £3,100 in tax and National Insurance, with a reduction in payments on account for the following year at the same level. This amounted to an immediately improved cash flow worth £6,200.

It was a very welcome bonus in a time of increased taxes and tough trading conditions.

#### IS YOUR FARM PAYING TOO MUCH TAX?

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

#### THE NEXT STEP

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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