

# Direct Payments: Lump sum exit scheme and delinking consultation for England



Information correct as at 09:00am on 21.05.2021

- The proposal offers a lump sum of up to £100,000 to allow retirement or exit from farming in 2022 in England
- This is not extra money; it is an advance of BPS funds the farmer would have claimed up to 2027 and will have strict conditions
- Conditions include selling the land, gifting it to the next generation or surrendering a tenancy, plus restrictions on other subsidy claims e.g., Countryside Stewardship, up to 2027 for the partners or directors of that business
- For others, from 2024 payments could be delinked from land so there will be no requirement to farm to claim a percentage of the payments due up to 2027

*Please note this is a consultation, so the actual scheme due to be announced in October 2021 may differ. Advice from your accountant and solicitor on tax, land sales, tenancy succession or surrender, inheritance issues and future business structures must be sought before entering this scheme.*

## LUMP SUM CALCULATION PROPOSAL

The lump sum amount is likely to be based on 2.35 times the average of 2018, 2019 and 2020 BPS claims, to equal what will be given up from 2022 to 2027 when direct payments will stop for all farmers. However, there will be a payment cap of £100,000.

Example: If your BPS averaged £25,000 from 2018 to 2020, the lump sum could be £58,750.

If the farmer is currently claiming more than £42,500 a year the payment is likely to be capped, so in total they will receive less money. There is no option to only calculate this on part of the farmed area, it must be the whole area farmed by the business.

It is expected that a percentage reduction to the lump sum payment will be applied if the farmer has transferred out entitlements after the reference period and detailed exceptions/amendments are also likely.

## PROPOSED EXIT SCHEME MAIN DETAILS

There is no age limit for applications to the scheme, but the farmer (BPS applicant) will have to give up their land, whether owned or rented or both.

An owner-occupier may rent out their land, however this will require a formal Farm Business Tenancy of more than 5 years. They can sell the land and will be given time to do this or pass it to the next generation. The exiting farmer may be allowed to stay in farmhouse and keep a few acres – to be decided.

A tenant must surrender the tenancy, but if there are statutory succession rights, its proposed it can pass to the successor. It may be possible and permissible for them to negotiate with the landlord to continue to rent the farmhouse without the farm if this is their home.

The farmer would have to give up the rights to BPS on land where there are common rights, such as by sale or 5-year lease.

Once a lump sum is received, all the entitlements for that business are cancelled for the entire partnership or limited company, so these cannot be used or sold for any further claims.

Also, if the exiting farmer or any of the business partners or directors of their business want to enter new or make additions to land management agreements, such as Countryside Stewardship, they could have to repay the lump sum.

The scheme will only be available in 2022, but the delinking scheme proposal for 2024 may be an alternative worth considering once full details are available.

To be eligible, the farmer must have claimed BPS since 2015 or have inherited or succeeded a tenancy from someone who did.

DEFRA are discussing the tax implications with HMRC and will advise.

There are no plans to restrict how people use the money.

Defra recognises farm business structures will have changed, such as splitting and merging, as well as to share farming agreements and partnerships, after the start of the reference period. It will develop rules on how each scenario will be treated to calculate the lump sum. It will also put in measures to avoid claims from artificial changes to businesses to maximise any lump sum payments.

## **FOR THOSE TAKING ON THE LAND**

The existing entitlements will no longer be available, but it may be possible to buy or lease entitlements from people who have not taken a lump sum or use entitlements already owned.

It is proposed the new and young farmers scheme for free BPS entitlements from the national reserve will end in 2022.

The farmer taking on the land from the lump sum recipient should be able to apply for payments from new schemes, including environmental land management schemes, as they are rolled out. However, this may not be possible if they are a partner or a director in the business claiming for which a lump sum has been claimed.

## **'DELINKING' DIRECT PAYMENTS FROM 2024 to 2027**

Applicable to all farms except those exiting, as above, it is also proposed that direct payment recipients will no longer have to farm the land to receive money up to the end of direct payments in 2027.

Farmers will still need to be farming in 2023 to be eligible.

Those taking over land after a lump sum has been taken will not be able receive these payments.

The calculation for payments will be based on a progressive reduction, with a higher % applying to higher direct payment bands and reducing the payment each year until they end in 2027. This will also use a reference period as a base amount. The proposal for this calculation is still vague and complex, but will hopefully be made clearer when the final exit scheme details are announced in October to allow people to make the best choice for them when the final exit scheme details are announced in October.

Unlike the Lump Sum Exit Scheme it is proposed that taking this option will still permit application for other land management schemes.

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For further discussion or to help with any questions that you may have, please contact Consultant Support on [consultantsupport@kiteconsulting.com](mailto:consultantsupport@kiteconsulting.com) or 01902 851007 / 07542 403225