

Business Update – Lump Sum Exit Scheme



Information correct as at 09:00am on 04.03.2022

- The Lump Sum Exit scheme window will be open from April to September 2022
- The scheme will only be available for one year, 2022.
- A lump sum payment will be available for eligible farmers

What can I get?

The scheme offers a one-off payment based on 2.35 times the average of the previous three years Basic Payment Scheme (BPS) claims, from 2019-21 ('the reference period'), but will be capped at £100,000. This means that anyone with an average BPS claim of less than £42,500/yr during the reference period will not be affected by the cap.

The Government are proposing the lump sum is treated as capital for taxation requirements meaning that it will be subject to capital gains or corporation tax.

Who is eligible?

This scheme is only for those farming in England and does not apply to the devolved nations.

Applicants must have either:

- claimed, and been eligible for BPS payments in the 2018 scheme year or in an earlier scheme year
- inherited agricultural land in England, or succeeded to an Agricultural Holdings Act 1986 tenancy, after 15 May 2018

The scheme can be accessed by both owner-occupiers whether farming yourself or via a contract farming arrangement, and for tenants with a Farm Business Tenancy (FBT) under the Agricultural Tenancies Act 1995 or an Agricultural Holdings Act 1986 tenancy.

The scheme focuses on agricultural land at your 'disposal' which means arable land (including temporary grassland and fallow land), permanent grassland or permanent crops. Land not used for non-agricultural activity on the 17 May 2021 and was therefore not eligible for BPS is not included.

What do I need to do?

Before you receive the lump sum payment, you must do all of the following:

- transfer your agricultural land in England (apart from up to 5 hectares which you can keep) or plant it with trees under a woodland creation scheme
- transfer grazing rights you have on common land
- surrender your English BPS entitlements

You need to transfer the land which was agricultural land 'at your disposal' on 17 May 2021, this land will have been eligible for BPS.

You do not need to transfer the land all at the same time or to the same person. Owner-occupiers can transfer via gift, sale or by renting the land provided it is under a FBT with a minimum of five years. Tenants can transfer their land by surrendering the tenancy to the landlord or ending the tenancy having served a Notice to Quit on your landlord, tenants can also transfer the tenancy to someone else if the tenancy permits it or via succession if the tenancy is an AHA agreement with succession rights.

Are there any limitations on who I transfer to?

Sole traders

If you trade as a sole trader you cannot transfer to a spouse or someone you are cohabiting with.

Partnership or limited company

Partnerships or limited companies can transfer the land to other partners or shareholders if the exiting partner or partners have at least a 50% profit share in the business. However, the partnership or limited company must surrender their right to BPS payments to claim the lump sum and therefore cannot claim future BPS or linked payments, they can however access other land management schemes.

What can I keep?

You do not need to transfer out:

- up to 5 hectares of that agricultural land
- agricultural land you plant with trees under a woodland creation scheme

The scheme only covers agricultural land meaning that you can keep land that was non-agricultural land on 17 May 2021 (such as woodland) and any buildings, including farmhouses. In relation to farmhouses, it is important to understand any tax implications of retaining them once the land has been transferred.

Other things to consider

The Lump Sum Exit scheme sits with the business not the individual so other farming businesses that trade separately will not be affected.

It is important to consider any other contractual land arrangements or grant schemes that have been accessed and have a contractual time period that exceeds the exit as the exiting farmer may find themselves in breach and required to make repayments. Consider how any such arrangements could be mitigated i.e., transferring of Countryside Stewardship agreements.

What is the timeframe for the scheme?

The scheme is a one-off scheme so will only be available in 2022, the scheme is due to open in April 2022 and close in September 2022.

Those wishing to utilise the scheme must transfer their land by 31 May 2024, those who have transferred land before accessing the scheme but after 17 May 2021 can still be eligible provided they meet the scheme requirements.

The Government recommend that farmers wishing to access the scheme still apply for the BPS in 2022 in case they are not eligible for the Lump Sum Exit scheme, any BPS payments made from 2022 onwards will be deducted from the lump sum if eligible.

Full scheme rules should be available by end of April.

For full details and guidance please visit the Government website [here](#).

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

