

Advisory services to rural and urban landed estates

At Dixon Wilson we have a long-established history of assisting landed estates across the United Kingdom. Our relationships with some landed estates stretch back over 50 years and have spanned multiple generations.

From the smallest seed

Landed estates can vary in size from a modest property with a smallholding to a large stately home together with the surrounding farms, let properties, woodlands and other rural entities. Many of our clients' estates also extend to urban areas and are not confined to the countryside.

Regardless of size, all clients are often faced with similar issues and whether it is the increasingly harsh taxation regime, commercial pressures on farming or the need to maximise the return on assets, landowners need the right advice, given constructively and pro-actively.

House and contents

Usually the most valuable asset in a rural estate is the family home. This is increasingly exposed to capital taxes either on death or on transfer during the owner's lifetime.

We advise on the protection of the house and contents by means of strategies such as:

- Using the house within a business or opening it to the public in order to attract up to 100% relief from inheritance tax;
- Claiming conditional exemption on chattels which qualify as being 'pre-eminent';
- Maximising the benefit of the capital gains tax exemption for principal private residences.

Ownership structures

The method by which rural assets are owned is fundamental to the preservation of wealth, keeping an estate intact, and minimising the impact of taxation, particularly capital gains tax and inheritance tax.

Ownership structures will depend typically on your own unique circumstances and whether you are UK or non-UK domiciled, but our key objective is to create a solution that is flexible yet efficient.

Structures will include partnerships, companies, sole traders and trusts, and we can help select the most appropriate option for your circumstances.

These might include:

- Advising on and setting up ownership structures for new acquisitions;
- Reviewing and commenting on existing ownership structures;
- Assisting with annual filing requirements associated with your structure, such as the preparation of accounts and tax returns;
- Assessing the effect of personal use of the estate on the overall tax burden;
- Advising on maximising reliefs from inheritance tax and determining the most efficient method of passing wealth down to the next generation;
- Working with the next generation to guide and educate them so as to preserve the estate in the longer term.



Farming

The majority of landed estates will include some form of farming operation, ranging from a few fields let for grazing to a larger scale commercial operation.

Regardless of size, landowners need to be alert to:

- The rules in relation to income tax trading loss relief and the 'hobby farming' rules;
- The potential use of redundant farm land and buildings and the VAT and direct taxation consequences which arise;
- The need to diversify operations;
- The impact of grants on taxation and cash flow;
- The availability of Agricultural Property Relief and Business Property Relief from inheritance tax.

One common feature we see in the majority of estates, and certainly an area where there is often significant value, is the farmhouse. We advise you on the availability of reliefs from inheritance tax on the value of the farmhouse in circumstances where the property is used as part of the farming operations, and guide you on any steps that may be taken to strengthen your position.



Land and property diversification

In recent years, the percentage of an estate's income derived from traditional farming has been in decline. This has led to landowners looking at other options to generate income from their estate, from the conversion of unused buildings into residential or commercial properties, to other more exotic activities.

We work closely with your other advisers such as land agents and lawyers:

- to identify opportunities for diversification;
- to develop a tax efficient structure;
- to minimise irrecoverable VAT on costs, particularly on property renovations;
- to satisfy historic commitments to retired employees in tied properties;
- to secure and structure financing;
- to maximise available tax benefits, including capital allowances.

The need for longer term planning for development land and the exploitation of mineral rights is a common feature of the advice we provide to many of our clients. Similarly, we increasingly see estates converting properties into holiday homes and we are experienced in advising clients on the potentially attractive tax regime that applies to furnished holiday lettings.

Renewable energy is also an area that has been popular with our clients and one that requires careful planning to ensure that new installations are structured so as to maximise grants, recovery of VAT and capital allowances.

Sports and woodlands

Many landowners operate shooting and fishing activities on their estate, both privately and commercially. The way in which these activities are structured will affect on the income tax and VAT treatment. There can also be PAYE obligations associated with casual wages paid to beaters and other helpers.

From basic firewood collection to more involved operations such as Christmas trees and timber yards, landowners need to be aware of the specific tax rules that apply to woodland operations, including the various grants available.

We assist clients in adopting the most efficient structures for all of their sporting and woodland activities, tailored to their individual circumstances.



One estate

At Dixon Wilson we have significant experience of assisting landowners in running their estates and we regularly attend management or trustees' meetings along with other advisers.

Case law over the years has encouraged landowners to run their estates as one business in order to minimise their exposure to inheritance tax when passing on the estate to the next generation.

An integral part of these cases has been scrutiny as to how the estates were operated from an accounting and taxation perspective. We therefore feel we are well placed to provide clear, proactive advice on how to help minimise your tax burdens across your estate.