Business Clinic

Whether it's a legal, tax, insurance, management or land issue, *Farmers Weekly*'s experts can help

What grants are available for my vineyard plans?

Q My husband and I have bought some land in West Sussex and plan to plant a vineyard. We are 34 and 35, are there any grants available to help us get started?

Chris Turner
Partner
Carter Jonas

A The increasing popularity and performance of British wine, on both the national and international stage, has made many landowners look to viticulture as a potential income stream. However, whether you're an established enterprise or a new entrant in the market, having the right type of land to support growing vines is really just the beginning.

As with any new venture, a robust business plan will be key – not easy in the current climate. More widely, the ongoing uncertainty surrounding the structure of future payment schemes is an obvious concern.

INGRAM IMAGE

Hampshire to Kent is now a hub of viticulture

Aside from BPS, recently there have been two main grant options which are relevant. First is the Rural Development Programme for England Growth Programme, aimed at promoting projects which create jobs and growth in the rural economy.

The scheme is closed to new applications at present, but the Rural Payments Agency has suggested that it is set to open for new applications at some point next year.

The efficiency grant specifically could be a viable option for you if you are planning to process the wine yourself; it is designed to improve methods in food production and add value to agri-food. This would be an ideal pairing with any new vineyard enterprise.

Second grant option

The other option would be Leader funding. Leader is a French acronym, from *Liaison Entre Actions de Développement de l'Économie Rurale*. The funding is available to local businesses, communities, farmers, foresters and land managers for projects that create jobs, help businesses to grow, and benefit the rural economy.

In your area, applications for Leader funding are closed, though given that the overall scheme is set to end next year, a final round of applications may open in the coming months.

Applications are made to your Local Action Group (LAG). In England, a total of £138m became available under the scheme in 2015. There is no application deadline as such, but the scheme will close in 2020.

An LAG is made up of people from the local community and local public and private sector. They meet every six months to review submissions and decide who will receive funding.

It is a competitive process. Success depends on supporting priorities set by an individual area, (Central Sussex Group in your case) as well as one or more of the six national Leader requirements.

These are to support micro and small businesses and farm diversification; boost rural tourism; increase farm productivity; increase forestry productivity; provide rural services; and provide cultural and heritage activities

More locally, the LAG is interested in supporting job creation and the local rural economy, and developing rural business. The potential applicant makes an expression of interest and then proceeds with the main application.

The maximum amount you can apply for is £75,000, or £100,000 for food and drink processing projects. Grants will usually be limited to a maximum of 40% of the project's eligible costs.

A higher support rate may be available for applications by not-for-profit organisations to support projects that are not intended to generate an economic gain.

A new vineyard should meet many of these requirements. Wine tourism is likely to increase over the next decade, which will bring many opportunities to the South East, with other parts of England already a popular destination for staycations.

Tertiary benefits

Like Bordeaux, Tuscany or Cape Town, Hampshire to Kent is now a hub for viticulture and wine tourism is set to play a role in the region's success – bringing with it many tertiary benefits.

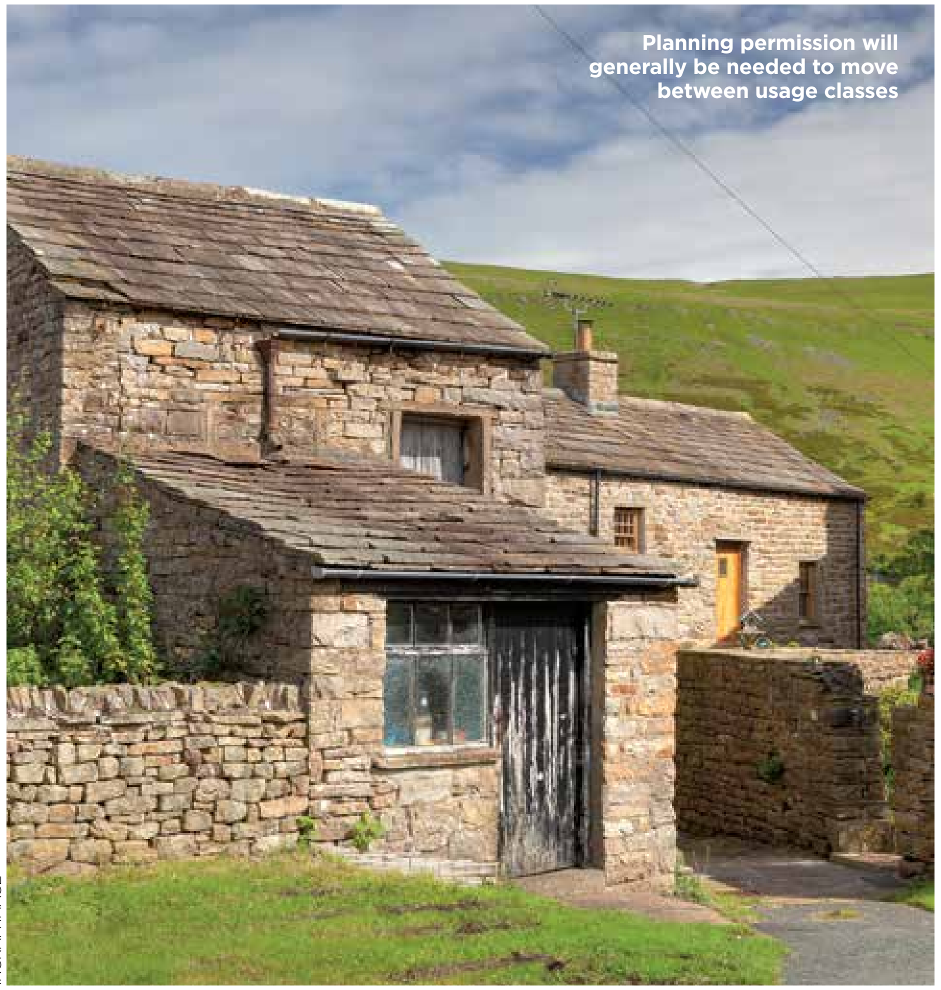
My advice is to keep up to date with all new announcements regarding Leader funding in your area, as well as the Agriculture Bill. This is likely to provide more support for diversification in some way, though the acronyms may change!

ONLINE

Find more expert advice online. Past Business Clinic Q&As cover a wide range of farming, legal, tax and insurance issues at **fwi.co.uk/business-clinic**

Does change from tourism need planning permission?

Q Do I need planning permission for a change of use from tourist accommodation to a single dwelling? The building is detached with its own entrance and the planning use seems to be C1. There are no conditions on the planning.



Fred Quartermain
Solicitor
Thrings

Planning permission will generally be needed to move between usage classes

INGRAM IMAGE

A The Town and Country Planning Act 1990 says that planning permission is only needed if the work being carried out meets the statutory definition of "development" which is set out in section 55 of the 1990 Act.

The definition of "development" includes building operations such as structural alterations, construction, rebuilding, most demolition and, importantly for the question asked, any material changes of use of land and buildings.

Whether a "change of use" of land is material is a question of fact and degree to be assessed in each case. However, there is some assistance in legislation when making this assessment, specifically in the Town and Country Planning (Use Classes) Order 1987 (as amended). This document puts various uses of land and buildings into categories known as use classes.

The question indicates that the tourist accommodation is C1. This use class includes hotels, boarding and guest houses where no significant element of care is provided.

It does not cover use as a single dwellinghouse, which would fall under a C3 use class.

While planning permission is not needed when the existing and the proposed uses fall within the same use class, a change between use classes will be a "material" change and so it is generally the case that you will need planning permission to move between one use class and another.

As a consequence, a planning application will be needed to facilitate the proposed change. This application will be assessed against any development plan policies that are material to the proposal and the decision taken must be in accordance with those policies.

Many local authorities do have policies that seek to protect tourism by restricting the loss of C1 uses unless evidence can be provided that the use is obsolete or unviable. Early discussions with the relevant local authority, including pre-application advice, may be advisable to understand the scope of the relevant policies and assist in overcoming any objections.

It is worth knowing that there are exceptions allowing some changes between uses; these are found in the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended). This legislation specifies which material changes will be permitted. Unfortunately this does not cover any change from C1 to C3 use.

DO YOU HAVE A QUESTION FOR THE PANEL?

Outline the issue in no more than 350 words and *Farmers Weekly* will put your question to a member of the panel. Please give as much information as possible.

Send your enquiry to Business Clinic, *Farmers Weekly*, RBI, Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS and include a telephone number. You can also email your question to **fwibusinessclinic@rbi.co.uk**

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Will renting out land affect capital gains tax?

Q If someone sells land that is part of his farming business, and reinvests in more land and buildings within three years, I understand he can roll over the capital gains. I have read in previous Business Clinic Q&As that he needs to continue trading on his new land/buildings. If he ceased to trade after a few years, would the capital gains tax (CGT) become payable, or is there a length of time after which he could decide to, for instance, let out the fields to someone else?

Rollover relief rules say replacement land must be brought into use immediately

TIM SCRIVENER

Ian Smale
Partner
Baldwins

A Where land is sold and has been used in someone's farming business and the net sale proceeds (after deducting selling costs etc) are reinvested in full in replacement land and buildings, the capital gain can be rolled over into the base cost of the replacement assets. This defers the gain with no CGT payable on the disposal of the original land, but the replacement land and buildings must be brought into use in the business.

Care should be taken if the land sold has not been used in the farming trade throughout the period of ownership (excluding any period before 31 March 1982) as relief would then be restricted on a time apportioned basis.

Also, if the net sale proceeds were only partially reinvested in replacement land or other qualifying business assets, the gain that can be rolled over would be restricted accordingly.

Other qualifying assets for rollover relief purposes could include a furnished holiday letting property or a guesthouse. For sole traders and partnerships, the replacement assets do not have to be used in the same trade.

Reinvestment of the proceeds must take place in the 12 months before or in the 36 months after the disposal of the old asset. This time limit can be extended at HMRC's discretion where there are extenuating circumstances, but this should not be relied upon.

The rollover relief rules require the replacement assets, in this case land and buildings, to be brought into use for the purpose of the trade immediately on acquisition.

However, there is no minimum period in which it must be used for the business and if the farmer ceased trading and let out the fields a few years after acquiring the new land, this would not trigger a capital gains tax liability.

Any deferred gain would come back into charge on any subsequent disposal of the replacement assets, subject to further rollover relief claims etc. Where the replacement assets are held until death the deferred gain would not come back into charge.

If the trade were to cease shortly after the purchase of the replacement assets this could give HMRC cause to question the validity of the rollover claim and possibly deny relief.

How can I insure against crop risk?

Q Last harvest, my cereals yields suffered due to the extensive drought. Following the heavy rain in early June, I am concerned my yield is again going to be affected by the weather. What can I do to insure my crops and protect myself from a potential loss of income?

TIM SCRIVENER

Hannah Hubbard
Account executive
Farmers & Mercantile

A Volatility in our weather and seasons is not just an issue that affects farms in the UK. Last year's four-month summer heatwave was recorded as one of the hottest and longest on record since 1948 across Europe.

The picture for harvest 2019 doesn't look much better, with large parts of Eastern Europe caught between two pressure currents causing temperatures of 45°C and fields of barley lying flat across the UK.

Defra estimates that 80% of UK farms are profitable only because of their Basic Payment Scheme payments. With these due to be reduced by 40% over coming years, farms need to start looking for other methods to stabilise their income.

For the past eight years, farms around the world have insured their crops with what is known as a parametric insurance product.

This modern approach uses a parameter, such as the weather, which is then correlated to the client's damages or financial losses.

Rather than a historical approach of insuring an item for a cover – a shed for storm cover, for instance – parametric insurance is fairly new to the UK, especially in agriculture.

Crop shortfall insurance is a parametric insurance product that protects oilseed rape, winter wheat, winter barley and spring barley from losses in yield caused by drought, wind, frost, hail, rain, flood, and excessive heat.

It takes the average yield from the previous eight years for a region and would pay out on up to 25% of your total sum insured when weather causes a variation from this average.

Using a simple algorithm, the product uses cropping area, along with anticipated yield and forecasted price, and then compares this with independent data submitted by Defra. The product then automatically pays out in October to December should your farming area suffer a loss against the area average.

Crop shortfall insurance products also cover losses from plant diseases and pests.

Separately, hail cover is available on most combinable crops through a traditional policy, as are crops in store, such as potatoes and grain, which can be covered for storm damage, flood, fire and lightning.

Yield and price volatility make it important to regularly review the sums insured. ■