



## Active farmer readmission: accountant certificate

### Guidance and procedures

#### What this certificate is for

When they apply for the Basic Payment Scheme (BPS), some farmers need to provide evidence to the Rural Payments Agency (RPA) to show that they meet the 'active farmer' rule.

The evidence they need to send to RPA is the 'Accountant certificate to confirm active farmer status' form.

Read more information about the 'active farmer rule' at [www.gov.uk/rpa/bps2016](http://www.gov.uk/rpa/bps2016).

#### What the evidence shows

This evidence is to show that the farmer meets one of these 2 criteria (known as 'the readmission criteria'):

1. the farmer's total agricultural receipts were at least 40% of their total receipts in their most recent financial year (normally no more than 3 years before the year they are applying)
2. the value of the farmer's BPS claim (or Single Payment Scheme (SPS) claim if they didn't apply for BPS in 2015) (before any penalties or cross compliance reductions) was equivalent to at least 5% of their total non-agricultural receipts in their most recent financial year (normally no more than 3 years before the year they are applying)

Terms are defined in '[Definitions](#)'.

#### Who can fill in the certificate

The certificate must be completed by a professionally qualified accountant who is also a practising full member of either:

- a CCAB professional accountancy body (ACCA, CIPFA, ICAEW, CAI, ICAS), CIMA or overseas equivalent
- AAT or another equivalent accountancy institute or association which is a member of IFAC

The accountant may be the auditor of the claimant's accounts but must not be an employee of the claimant's business.

If the claimant's business is a limited company, the accountant must not be a director appointed in accordance with Section 167 of the Companies Act 2006.

### **How to fill in the certificate**

Accountants must complete the 'procedures' in the annexe and then complete and sign the certificate.

The accountant should use a transaction listing that reconciles to accounts either under the accruals or cash basis for the relevant accounting year. The claimant should supply these.

The accountant can choose to add a liability disclaimer on the certificate, but should not add any comments to the certificate. RPA may not accept it if they do.

The certificate is based on details in Annex C (i) in the [ICAEW framework document for accountants](#).

Accountants should return the completed certificate and procedures to the claimant.

### **Definitions**

#### **'Relevant accounting year'**

The certificate must be based on financial information from the claimant business's latest completed accounting year, normally beginning no earlier than 3 years before the year of the application. This means farmers applying for BPS in 2016 can normally only use accounts that begin after 31 December 2012.

#### **'Transaction date'**

Receipts are allocated to a financial year based on the date of the transaction. Where the accounts are compiled on a cash basis, the transaction date is the date the payment was received. Where the accounts are compiled on an accruals basis, the transaction date is

the date the transaction is first recognised in the accounts.

### **‘Receipts’**

Under the active farmer rule, ‘receipts’ are gross amounts (that is, before related costs and taxes are deducted) received for ordinary business activity.

VAT is not a receipt. Therefore, if the claimant’s business is VAT-registered, all receipts should be stated net of any VAT charged.

Receipts from the sale of capital items, such as a tractor, should not be included (unless the business also trades in buying and selling tractors).

Personal receipts that are not related to a business activity should also not be included (for example, from inheritance, pensions, private investments or the sale of personal property).

All receipts will be regarded as from non-agricultural activities unless specifically identified as obtained from the agricultural activities listed below.

### **‘Receipts from agricultural activities’**

Receipts from agricultural activities include:

1. All payments from the Single Payment Scheme (SPS), BPS (including the greening payment and any young farmer payments) or the Rural Development Programmes (whether or not the receipts are related to farming) including any national co-financing, and any other payments from the European Agricultural Guarantee Fund (EAGF).
2. Receipts from SPS, BPS or the Rural Development Programmes and any other payments from the EAGF that are received by another organisation first (such as a co-operative, producer association, or commoners’ association) and passed on to the farmer.

Receipts from a claimant’s agricultural activities on their holding only (that is, all the land they farm in the UK) – not from working on someone else’s holding. This includes producing, rearing or growing agricultural products, including harvesting, milking, breeding animals, and keeping animals for farming. (‘Agricultural products’ are listed in [Annex I to the Treaties of the European Union](#), with the exception of fishery products. Cotton is also an agricultural product.

3. Receipts from processing agricultural products from their holding, if the product remains in the ownership of the farmer and remains an agricultural product (for example, butchered meat or flour that is sold in the farm shop).

4. National aid granted for agricultural activities. For example, receipts to compensate for destruction of animals testing positive for tuberculosis.
5. Receipts to compensate for loss of production (for example, for flooding) from the Rural Development Programme.

Receipts from agricultural activities do not include the following (also known as 'non-agricultural receipts').

1. Income from operating on-farm diversification activities. For example, receipts from bed and breakfast or rents from holiday lets (even if the diversification itself was funded by rural development payments).
2. Grants for forestry (other than rural development payments).
3. Receipts from a product such as bread that is not in the list of agricultural products in the Treaties of the European Union described above (even if it was processed from a product in the list).
4. Receipts from agricultural products produced off the holding and then processed or sold on the holding.
5. Receipts from providing shooting, hunting or fishing.
6. Receipts to compensate for loss of production from a private insurer.
7. Receipts from contracting and contract farming.
8. Receipts from renting out land.

### **Documentary evidence**

The procedures include checking that a sample of receipts can be supported by documentary evidence that they are genuine business transactions.

Documentary evidence includes (but is not restricted to) invoices (bills), debit notes, credit notes and till receipts and should be the same evidence that would normally be retained to prepare accounts. It should show as a minimum the business name, date, quantities and costs of the goods or services provided. If the claimant's business is VAT-registered, the document should also indicate the amount of VAT charged and VAT registration number.

## **Amount of direct payments**

'Direct payments' means all the payments a farmer gets through BPS, including the greening and young farmer payments.

The amount of direct payments 'received' by the claimant in the relevant accounting year is the proportion of direct payments for any scheme year(s) that accrued in the relevant accounting year. This is before any penalties are deducted or cross-compliance reductions are made.

Farmers can ask RPA what the amount of their direct payments was in previous scheme years.

If the farmer did not apply for BPS or SPS and so did not get a payment, the RPA can calculate an equivalent value which the accountant can use in their calculations.

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## Annex

### Procedures to confirm active farmer status

Accountants must complete these procedures before signing the 'Accountant certificate – active farmer status'.

Stage	Action	Result	Adverse findings
1	Obtain claimant's accounts for the business's latest completed accounting year. What is the relevant accounting year?	Relevant accounting year:	
2	Obtain a transaction listing of receipts with a transaction date falling within the relevant accounting year, separately identifying non-agricultural and agricultural receipts.		
3	From the transaction listing, calculate the total value, excluding VAT, of all <u>agricultural</u> receipts with a transaction date falling within the relevant accounting year.	Value of agricultural receipts:	
4	From the transaction listing, calculate the total value, excluding VAT, of all <u>non-agricultural</u> receipts with a transaction date falling within the relevant accounting year.	Value of non-agricultural receipts:	

Next, depending on what has been agreed with the claimant, carry out either:

- stage 5 (if the claimant is applying under the exception that their total agricultural receipts were at least 40% of their total receipts in their last financial year), or
- stages 6 and 7 (if the claimant is applying under the exception that the value of the claimant's BPS or SPS claim was equivalent to at least 5% of their total non-agricultural receipts in their last financial year)

After completing either stage 5 or stages 6 and 7 go to stage 8.

Stage	Action	Result	Adverse findings
5	Calculate the value of <u>agricultural</u> receipts (from stage 3) as a percentage of total receipts (ie agricultural plus non-agricultural receipts excluding VAT).	Agricultural receipts percentage:  If this is less than 40% put an X in the next column.	
6	From the RPA's documentation, determine the total value of any direct payment(s) received by the business in the relevant accounting year, or the equivalent figure established by the RPA, as referred to in this guidance.	Total value of any direct payment(s) or the equivalent figure:	
7	Calculate the value of direct payment(s) received, or the equivalent figure, as a percentage of <u>non-agricultural</u> receipts from stage 4.	Direct payment(s) percentage:  If this is less than 5%, put an X in the next column.	
8	From the transaction listing, select a random sample of 12 <u>agricultural</u> receipts (or the total of agricultural receipts in the relevant accounting year if less than 12) including no more than two receipts from any one month in the relevant accounting year.	<i>Number in sample:</i>	
9	From the business, obtain documentary evidence (eg invoice, bill, credit note) supporting the sample of receipts selected at stage 8.		
10	For each receipt in the sample, check that the value of the receipt recorded in the schedule agrees to the documentary evidence supplied.	<i>Number that agree:</i>  <i>If any don't agree, put an X in the next column.</i>	

Stage	Action	Result	Adverse findings																										
11	For the same sample, check that the transaction date recorded on the documentary evidence falls within the relevant accounting year.	<p><i>Number that fall within relevant accounting year:</i></p> <p><i>If any aren't within the relevant accounting year, put an X in the next column.</i></p>																											
12	From the transaction listing, select a random sample of 12 <u>non-agricultural</u> receipts, or the total of non-agricultural receipts in the relevant accounting year if less than 12, including no more than 2 receipts from any 1 month in the relevant accounting year.	<p><i>Number in sample:</i></p>																											
13	From the business, obtain documentary evidence (eg invoice, bill, credit note) supporting the sample of receipts selected at stage 12.																												
14	For each receipt in the sample check that the value of the receipt recorded in the schedule agrees to the documentary evidence supplied.	<p><i>Number that agree:</i></p> <p><i>If any don't agree, put an X in the next column.</i></p>																											
15	For the same sample, check that the transaction date recorded on the documentary evidence falls within the relevant accounting year.	<p><i>Number that fall within relevant accounting year:</i></p> <p><i>If any aren't within the relevant accounting year, put an X in the next column.</i></p>																											
16	For the same sample, for each agricultural receipt, indicate which of the definitions of 'Receipts from agricultural activities' listed in this guidance (numbered 1 to 6) applies.	<table border="1"> <thead> <tr> <th><i>No. of receipt:</i></th> <th><i>No. of agricultural activity from guidance:</i></th> </tr> </thead> <tbody> <tr><td>1</td><td></td></tr> <tr><td>2</td><td></td></tr> <tr><td>3</td><td></td></tr> <tr><td>4</td><td></td></tr> <tr><td>5</td><td></td></tr> <tr><td>6</td><td></td></tr> <tr><td>7</td><td></td></tr> <tr><td>8</td><td></td></tr> <tr><td>9</td><td></td></tr> <tr><td>10</td><td></td></tr> <tr><td>11</td><td></td></tr> <tr><td>12</td><td></td></tr> </tbody> </table>	<i>No. of receipt:</i>	<i>No. of agricultural activity from guidance:</i>	1		2		3		4		5		6		7		8		9		10		11		12		
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Stage	Action	Result	Adverse findings
		<i>If any of the receipts don't meet any of the definitions in the guidance, put an X in the next column.</i>	
17	If there is an X in the column headed 'Adverse findings' in any of the stages above, put an X in the 'Adverse findings' column at this stage.		

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