

Grants for Giving Up Agricultural Land: Repeal of Relief

Who is likely to be affected?

Occupiers of agricultural land.

General description of the measure

The relief exempts certain grants received by individuals for giving up agricultural land from capital gains tax. No such grants have been made for a considerable number of years. The last scheme through which grants could be made came into effect in 1976 and has since lapsed. There are no plans to make new grants. The relief is no longer necessary and is being repealed.

Policy objective

The repeal supports the Government's objective to simplify the tax system and is part of a package of measures which will repeal reliefs that are no longer necessary, have not achieved their policy rationale or are distortive.

Background to the measure

Following the Office of Tax Simplification review of reliefs, the Government announced at Budget 2011 that it would repeal seven reliefs in Finance Act 2011 and confirmed its intention to abolish a further 36 reliefs in Finance Bill 2012 and beyond, subject to a period of consultation.

Consultation on the abolition of 36 tax reliefs was published on 27 May and views were requested on the Government's proposal to repeal this relief. The Government response was published on 6 December 2011. All documents are available on both the HM Treasury and HM Revenue & Customs websites.

Detailed proposal

Operative date

The relief exempting certain grants received by individuals for giving up agricultural land from capital gains tax is to be withdrawn from 6 April 2013.

Current law

Section 249 of the Taxation of Chargeable Gains Act 1992 (TCGA) exempts grants made under section 27 of the Agriculture Act 1967 from liability to capital gains tax.

Section 27 of the Agriculture Act 1967 sets out circumstances under which particular grants can be made for giving up agricultural land and the conditions for doing so.

Proposed revisions

Legislation will be introduced in Finance Bill 2012 to repeal section 249 of TCGA.

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	-	-	nil	nil	nil
	This measure is not expected to have an Exchequer impact.				
Economic impact	This change has no significant economic impacts.				
Impact on individuals and households	No qualifying grants have been made for a number of years and it is therefore expected that the repeal will have no impact on individuals and households.				
Equalities impacts	Potential impacts have been considered and no different impact has been identified on people with protected characteristics.				
Impact on business including civil society organisations	No qualifying grants have been made for a number of years and it is therefore expected that the repeal will have no impact on business.				
Operational impact (£m) (HMRC or other)	There will be a negligible operational impact for HMRC.				
Other impacts	The potential for other impacts has been considered and none have been identified.				

Monitoring and evaluation

As this change is not expected to have any impact any correspondence will be dealt with on a case by case basis. The Government will return to this issue if, in future, grants are made under section 27 of the Agriculture Act 1967.

Further advice

If you have any questions about this change, please contact Craig Griffith on 020 7147 3395 (email: craig.griffith@hmrc.gsi.gov.uk).

1 Grants for giving up agricultural land

- (1) Section 249 of TCGA 1992 (grants for giving up agricultural land) is repealed.
- (2) Accordingly, the italic heading before that section becomes "*Woodlands*".
- (3) The amendments made by this section have effect in relation to disposals made on or after 6 April 2013.

EXPLANATORY NOTE

GRANTS FOR GIVING UP AGRICULTURAL LAND

SUMMARY

1. This clause withdraws from capital gains tax the relief for grants received under section 27 of the Agriculture Act 1967 for giving up occupation of agricultural land.

DETAILS OF THE CLAUSE

2. Subsection (1) repeals section 249 of the Taxation of Chargeable Gains Act 1992 (grants for giving up occupation of agricultural land).
3. Subsection (2) amends the heading which section 249 comes under from “Agricultural Land and Woodlands” to “Woodlands”.
4. Subsection (3) provides that the repeal in subsection (1) has effect in relation to disposals made on or after 6 April 2013.

BACKGROUND NOTE

5. Grants under section 27 of the Agriculture Act 1967 were used to encourage farmers to give up uncommercial holdings of agricultural land.
6. No grants have been made under section 27 for some considerable time. The last known scheme under which payments were made came into effect in 1976 and has since lapsed. There are no plans for future grant schemes.
7. The Office of Tax Simplification was commissioned by the Chancellor to undertake a review of the reliefs and allowances available in the tax system. Following their review, the Government announced at Budget 2011 that it would repeal seven reliefs immediately and abolish a further 36 reliefs, subject to a period of consultation over the summer. The Government response to the consultation, published on 6 December 2011, confirmed the abolition of this relief.
8. If you have any questions about this change, or comments on the legislation, please contact Craig Griffith on 020 7147 3395 (email capitalgains.taxteam@hmrc.gsi.gov.uk).