

For professional advisers only and
not to be relied upon by individuals

The following flowchart provides an indication of whether assets can potentially benefit from agricultural property relief (APR) for inheritance tax purposes.

This document is for guidance only. Law and HM Revenue & Customs practice may change at any time. This flowchart is based upon our understanding of both, as at 1st August 2005. Whilst every care has been taken to ensure the accuracy of this information, Friends Provident cannot accept any responsibility.



Agricultural Property Relief (APR)

Reduces the agricultural value of agricultural property which has been owned and occupied for agricultural purposes for a minimum period in the UK, Channel Islands and Isle of Man

Agricultural property is agricultural land or pasture, farm buildings and ancillary woodlands as well as farmhouses and cottages

A farmhouse is not agricultural property if its ownership is separated from that of the farm. A large home situated on a small area of farmland will be treated similarly

Agricultural purposes refers to the growing of crops, dairy farming, intensive rearing of livestock, fish farming, stud farming, "short rotation coppice" and farmland dedicated to wildlife habitats. Land set aside by EU cap will usually qualify for APR

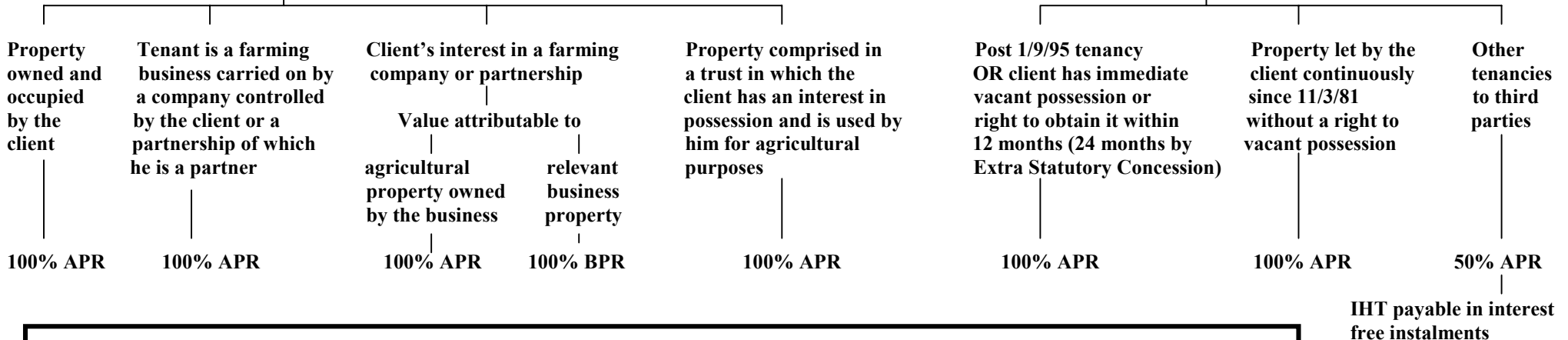
Agricultural assets such as farm machinery, livestock and milk quotas are generally eligible for 100% Business Property Relief (BPR). Other farming "activities" (e.g. sporting and fishing rights, "pick your own", bed and breakfast, holiday homes, theme parks, golf courses) are subject to BPR criteria. Any development or mineral value of agricultural property may also qualify for BPR. Other uses of land such as horticulture, fruit growing and seed growing may be eligible for BPR.

- The property must have been owned and occupied by the client himself for agricultural purposes throughout the last 2 years
- or
- The property must have been owned by the client for the past 7 years and occupied by him or someone else for agricultural purposes throughout this period
- The agricultural property must not be subject to a binding contract for sale (e.g. a buy and sell agreement)

- Special rules apply to**
- holding companies
 - property inherited from a deceased spouse
 - replacement property
 - gifted property
 - property subject to a secured loan
 - property held under an A&M or discretionary trust

2 year occupation rule

7 year ownership rule



Note: This summary is based on Friends Provident's understanding of current legislation and Inland Revenue practice and acts solely as a guide to the eligibility of agricultural property to APR. Exact entitlement to this relief can only be determined by the client's professional advisers.