

AGRICULTURAL LAND

This Help Sheet gives you information to help you fill in the Land and Property Pages in your Tax Return. The box numbers mentioned below refer to those Pages.

This Help Sheet covers the additional loss relief, known as 'agricultural relief', available to you where agricultural land is included in your rental business.

AGRICULTURAL LAND: SPECIAL PROVISIONS FOR MAINTENANCE EXPENDITURE

Where your rental business includes land used for agricultural purposes you should keep a record of any expenditure on maintenance, repairs, insurance and management on agricultural land let out. (Note that interest paid is not an agricultural expense.) Normally any loss you make in your rental business can only be carried forward and set against future profits of the same rental business. However, there are special rules that allow you to set-off the amount of your rental business loss equal to the expenses, against your total income. You can set the lesser of:

- the loss, **or**
- the relevant expenditure on the agricultural land you let out, against your income from other sources of either the tax year in which the loss is incurred, or of the following tax year. Any set-off will reduce the rental business loss available to carry forward to future years.

What is agricultural land?

Agricultural land includes land, houses or other buildings in the UK occupied wholly or mainly for the purposes of husbandry. Under tax rules husbandry does not include market gardening. That apart, activities normally recognisable as farming, such as the growing of crops or the raising of farm livestock, will all fall to be included as acts of husbandry.

Note that relief is no-longer due in respect of the maintenance expenses of owner occupied farms not carried out on a commercial basis. Extra Statutory Concession B5 was withdrawn from 6 April 2001.

How to claim agricultural relief against general income

Where you have made a loss in your rental business in a tax year you should enter the total amount of that loss in box 5.41 on Page L2. By keeping a separate note of the expenditure on maintenance, repairs, insurance and management of the agricultural land you will be able to compare this total with the total rental business loss made in the year, to arrive at the maximum relief due against your general income from other sources. The amount of agricultural relief available is restricted to the smallest of the following three figures:

- your general income after any allowable rental business losses have been deducted, **or**
- the amount of the rental business loss made in the year (box 5.41), **or**
- the expenditure on repairs, maintenance, insurance or management of the agricultural land.

You should include the amount of relief available in box 5.44. If you calculate your tax, add the figure in box 5.44 to any other losses you are claiming against general income (for example, trading losses) and copy that total to box w2 in the standard Tax Calculation Guide. If you are using the Comprehensive Tax Calculation Guide include box 5.44 in box c2.3.

Example 1

Louise lets out a number of properties including two small farms in Scotland. In 2002-03 she makes a loss in her rental business of £3,000. Repairs and maintenance of the two farmhouses amounted to £2,200 and this figure was included in her expenditure for the tax year. Louise can claim the full £2,200 as agricultural relief against her general, non rental business, income of either 2002-03 or 2003-04. (If she has less than £2,200 general income in one of the tax years she can claim the unallowed agricultural expenditure against her general income for the other.)

Louise will be able to carry the remaining loss of £800 forward and set this against future profits of her rental business.

Example 2

Bob lets out a number of properties including a small farm. In 2002-03 he makes a loss of £500. Expenditure on the farm amounted to £2,000 of which £1,800 related to expenditure on maintenance, repairs, insurance and management. Bob can only claim £500 as agricultural relief against his other non-rental business income of either 2002-03 or 2003-04. He cannot claim more relief than the total loss made in his rental business. Assuming a valid claim is made, there will be no loss available to carry forward to set against future rental business profits.

If you are not sure what relief is due, ask your Inland Revenue office or tax adviser.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.