



# The Agriculture Bill Proposals

## How Will They Affect You?

We know the Basic Payment Scheme BPS will remain unchanged for 2019. It will also remain for 2020, although by then will be a domestic scheme, not under CAP rules, which would allow simplification as promised. In England this could mark the end of the Crop Diversification rule\*. Defra is proposing to then have a seven-year ‘agricultural transition’ period from 2021 to 2027.

Below we summarise the current proposals in England but if a new administration comes in, or even a new Farm Minister, with alternative ideas, then policy could be quite different.

From 2021, direct payments for all farmers in England will be reduced. However, those who receive the highest payments will see bigger reductions initially. The table below sets out the reductions for 2021

### Reduction in English BPS Payments in 2021

Payment Bands	Up to £30,000	£30,000 to £50,000	£50,000 to £150,000	£150,000 or above
Reduction (%)	5%	10%	20%	25%

*Notes: The bands work like Income Tax, i.e. a £40,000 BPS payment would see the first £30,000 reduced by 5% and the remaining £10,000 would be cut by 10%.*

From 2022 to 2027, direct payments will continue to be phased out with 2027 being the last year of the scheme in England. The money saved will be put towards piloting new schemes including the Environmental Land Management Scheme (ELMS) (see below). The level of deductions in this period are unknown.

One particular change to the current system is the proposal that payments during the transition period are ‘delinked’ from the ‘requirement to occupy land’ at all. No details are available yet, but there may be the opportunity to receive a lump-sum or guaranteed future stream of income. Such delinked payments could be used by some as a retirement fund, or for investment in the farming businesses.

A new Environmental Land Management Scheme (ELMS) will be introduced. This will be a significant departure from what has gone before, it will be based on the principle that land managers will be paid for ‘public goods’. The intention is for the scheme to be fully operational from 2025, with the current Countryside Stewardship scheme remaining open in the interim. During the early years of the agricultural transition, it looks like there will also be funding for investments which boost farm productivity.

The proposal in Scotland is for minimal change until 2024, except for the introduction of capping for a few businesses receiving the highest payments. In Wales plans are to replace

current CAP support with two new schemes; Economic Resilience and Public Goods schemes.

These are the proposals from the Agriculture Bill which was laid before Parliament in September and the accompanying Statements. The Bill still has to make its way through the Parliamentary process and could be amended during its passage. Originally the legislation should have been completed early in the New Year, but as it is one of the less important pieces of legislation going through the Houses currently, the timetable is expected to slip.

Smith & Williamson comment: Farm businesses need to have an understanding of how the changes will impact on their cash flow and profits. Detailed budget and cash flow forecasts can help a business to plan for any peaks or troughs in funding and assist with decision making. This is very important in the context of the timing and nature of any expenditure to ensure that the benefits of the new ELMS are maximised. The tax rules on losses, hobby farming and farmers averaging should also be factored into cash flow and timing decisions to ensure the most tax efficient outcomes are achieved.

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