



# Agricultural Property Relief



# Agricultural Property Relief (APR) is a relief from Inheritance Tax (IHT) on the transfer of 'agricultural property'.



The relief is available at either 100% or 50% against the agricultural value of the property, depending on the type of property being transferred.

## Rate of relief    Types of Business Property

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<b>100%</b>	Property where the owner has the right to vacant possession or can obtain vacant possession within 24 months, for example land actively farmed by the owner or land farmed subject to a grazing licence
	Property let on a tenancy that began on or after 1 September 1995
<b>50%</b>	Land that is let on a tenancy that commenced prior to 1 September 1995 where the owner became beneficially entitled to the land before 10 March 1981.
	Land that is let on a tenancy that commenced prior to 1 September 1995 where the owner became beneficially entitled to the land after 10 March 1981.
	Land let under an agreement which does not allow the owner vacant possession within 24 months

## Holding period

To qualify for APR, the land must have been

- owned and actively farmed for 2 years prior to the transfer or date of death, or
- if the land is let to someone else to farm, then it must be held for 7 years prior to the transfer or date of death.

## Definition of agricultural property

The IHT legislation defines agricultural property as follows:

Agricultural property that qualifies for APR is land or pasture that is used to grow crops or to rear animals intensively. This would include

- The growing of crops
- Stud farms for breeding and rearing horses and grazing
- Trees that are planted and harvested at least every ten years
- Land not currently being farmed under the Habitat Scheme (former set-aside land)
- Land not currently being farmed under the crop rotation scheme
- The value of milk quota associated with the land
- Some agricultural shares and securities
- Farm buildings, farm cottages and farmhouses (see below)

As farmers have diversified their business the definition of agricultural property is being tested more than ever. Examples of activities which do not fall within the definition of agricultural property would be

- wind farms
- commercial woodland
- commercial letting of cottages and barns (to non-farm employees)
- entertainment events
- the provision of farm contracting services.

It should be pointed out that some of these may qualify for BPR rather than APR if structured in the right way. [See BPR Quickguide](#)

## **Agricultural land owned by companies**

Agricultural land held in a limited company can still qualify for APR provided that the individual has control over the company and that part of the value of the shares can be attributed to the agricultural value of the agricultural property held by the company.

## **Farmhouse**

For the farmhouse to qualify it must be occupied for the purposes of agriculture. If the owner actively farms the land and lives in the farmhouse himself then the farmhouse should qualify subject to the character

appropriate test. If the owner does not actively farm but lets the farmland to active farmers but retains the farmhouse for his private accommodation, the farmhouse will then not qualify for APR on the grounds that it is not occupied for the purposes of agriculture. If the farmhouse was also let to the active farmers who farmed the land surrounding the house then the house will qualify, again subject to the character appropriate test.

The character appropriate test has no formal requirements. A large amount of case law has built up suggesting the below are some of the factors which should be considered, this list is not exhaustive and each case will require different considerations.

Is the house appropriate in the context for the size and area of land being farmed?

- How long has the farmhouse been linked to the farmland?
- Is it a house with land or land with a house?
- Can the farm support the farmhouse?

## **Other agricultural buildings**

Should qualify if they are being used for an agricultural purpose, are of the character appropriate to the farm as a whole and are not left empty. For example a garage which stores plant and machinery used on the farm would qualify as would farm cottages occupied by farm workers.

## **Agricultural value vs market value**

The agricultural value of the property may be lower than the market value of the property as it excludes any value attributable to its potential for an alternative use i.e. property development. For actively farmed property it is likely that Business Property Relief (BPR) would be available to relieve the excess value – ([see BPR quick guide](#))

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