Knight Frank

Budget – Autumn 2024 Comment

Press release

**James Farrell, Head of Rural Consultancy, Knight Frank**

The biggest tax raising budget in generations has confirmed our worst fears. Boxed in by her election pledges – to not increase income tax, VAT nor National Insurance contributions for working people – the Chancellor, with little room for manoeuvre, has announced changes that threaten the very fabric of the countryside and the communities that, for generations, have been the custodians of the land that we all rely on for our day-to-day existence. The publication of ‘Land for the Many’ in 2019 set out to “put land at the heart of political debate”. That has certainly been achieved today.

The ‘curved ball’ that was leaked on Friday of last week is Rachel Reeves’ decision to change the fiscal rules to allow the borrowing of billions to develop the nation’s infrastructure. However, in identifying ways to ‘fill the blackhole’ we all knew that income from taxation was going to be firmly in the frame. Employers will bear the real burden through the increase in National Insurance contributions which will raise £25bn pa. The consequential impact of this change on ’working people’ will be debated for months to come but the secondary impacts could be significant.

I, like many, was incredibly concerned about how farming and the wider rural sector would fare when Ms Reeves took to the podium earlier this afternoon.  Having heard Steve Reed state at last December’s CLA Rural Business conference that farmers and landowners had nothing to fear around APR from an incoming Labour government, and then hearing him at the Great Yorkshire Show say that he was keen to listen and learn about a sector that he openly admitted to knowing little about, I remained hopeful that the leaks of the past few weeks would prove to be inaccurate. Sadly, this has not been the case, and one can only now wonder what else lies in store for a sector of the economy that every aspect of society relies upon, but also one which Mr Reed and Ms Reeves seem intent on dismantling. All this seems in stark contrast to Mr Reed’s statement in August that the government would “restore stability and confidence in the sector introducing a new deal for farmers.” If this is the new deal it doesn't look very appealing.

From April 2026, the first £1 million of the value of agricultural properties will be exempt from Inheritance Tax (IHT), but above that threshold, the combined relief available from APR and BPR will drop to 50% of the standard 40% rate of IHT. This means that inheritance tax of 20% will effectively apply on the full value of farms and rural estates above £1 million.

Firstly, on the changes to APR and BPR , removing the relief from assets exceeding the first £1 million and opening landowners and farmers to the full impact of inheritance tax, shows how detached and unsupportive this Government is towards the importance of land for three core imperatives for the UK - smart food production geared to increased food security and better public health, improving the nation’s carbon position through environmentally conscious land management and increasing the nation’s biodiversity through land managers’ interventions. These are all critical to our nation’s resilience in the face of significant global challenges. Pulling the rug from farmers and removing APR and BPR is the worst-case scenario and can only result in long standing family businesses, that have been encouraged to diversify, failing. This is not just significant for owner-occupiers, it has ramifications for tenant farmers too. The £1m threshold is pretty meaningless given the level of capital employed in farms and other small businesses across the country. Farms and estates will have to sell land, or property, to pay the inheritance tax, threatening all of these critical intents and adding further challenge to many already beleaguered rural communities

Secondly, the increase in the minimum wage from April 2025, as well as employers’ national insurance contributions will add another unwelcome pressure for rural SMEs and family businesses, especially those employing people for retail, hospitality and horticulture, particularly around harvesting.

With the change to BPR, it is not just farmers and landowners who will be affected, it is all small and medium sized businesses across the country that will bear the brunt of this budget.

There will be a need for a rapid and concerted effort from the leaders in the rural and farming sectors to hold the Government to account on ensuring that the gulf between urban and rural support doesn’t become even wider. Key to this will be helping the government understand the true implications of these changes prior to their introduction in April 2026, developing policy to support the natural capital market to give investors the confidence to finance nature, and to ensure delivery of a rural budget that enables UK land managers to deliver on all of the interwoven asks from their land – food, climate, biodiversity, as well as their underacknowledged social and community contributions. These deliverables have become non-negotiable, and we seem to be a long way from a government that recognises the part it needs to play.

**/Ends**

**Editor’s Notes:**

Knight Frank LLP is the leading independent global property consultancy, serving as our clients’ partners in property for more than 125 years. Headquartered in London, Knight Frank has 27,000+ people operating from 740+ offices across 50 territories. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Firm, please visit knightfrank.com