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Dear Sammy and Michelle,

Thank you for taking the time to meet me on 28 October and for the papers you have sent on Inheritance Tax and Conacre agricultural land. I appreciate you raising the concerns of your constituents with me about the McClean case and the future treatment of Conacre land.

The outcome of the McClean case has clearly caused uncertainty among owners of agricultural land in Northern Ireland. I hope that by clarifying the position of Conacre land under the Inheritance Tax rules in this letter I can provide some reassurance.

You mentioned at our meeting that there has been speculation that the UK Government was planning to withdraw Inheritance Tax Agricultural Property Relief from Conacre land. I can assure you that this is not the case. Although the Chancellor of the Exchequer keeps all taxes under review, there are no plans to change the rules around Agricultural Property Relief and, in particular, how it relates to Conacre land.



The current rules are such that any agricultural land or pasture passed through a family to future generations will always qualify for Agricultural Property Relief provided the deceased owned the land throughout the period of seven years immediately prior to his death and throughout that period it was farmed by him or another (such as a tenant). While any periods of letting the land on Conacre by the deceased would not be regarded as farming by him, the seven year rule allows the farming use of the land by another to be included towards the total. Similarly, if the deceased had inherited the land from a spouse, he would be deemed to have been in ownership for the period the spouse owned it, and farming activity by the spouse or another during that period would also count towards the seven year threshold.

Any dwellings associated with the agricultural land or pasture qualify for Agricultural Property Relief when they are of a character appropriate to the land and are occupied by a person farming it. A dwelling occupied by a landowner who (whether in Conacre or under some other arrangement) does no or little more than let his land for farming by another does not qualify.

Agricultural Property Relief is also available where the land was farmed continually by the deceased, or through his own resources, throughout the period of two years prior to his death. In such cases the period of his ownership of the land is irrelevant; and his dwelling (provided it is of an appropriate character) would also qualify for Agricultural Property Relief. HMRC will update their guidance to ensure that this is clear.



Thank you also for sending me your proposals on Inheritance Tax Business Property Relief. I have asked my officials to examine them in detail and find a way forward.

Yours sincerely,
Stephen

Rt Hon Stephen Timms MP

