

## **CAP Reform : Are You Prepared ?**

So Europe has got their thinking CAP on again!

Many, if not all of you, will be aware that the Common Agricultural Policy is being reviewed. The outcome is of huge importance to the sector but the results are far from certain. Many will recall the relative shambles, misinformation and endless premature seminars that preceded the implementation of the current scheme.

The problem with this reform is that, just like previous reforms, there are lots of very different forms the reformed CAP could take.

We can, however, give you some breaking news. CAP reform, regardless of outcome, will change the way we view our contract farming arrangements. The problem is driven by two words 'active farmer'.

Without delving into the detail, the Commission has indicated that only 'active farmers' may be able to access CAP support payments.

The hope is that this requirement will never be enacted but the 'active farmer' horse has bolted and, whilst our various industry bodies and politicians are trying to put him back in the stable, the horse is busily eating Her Majesty's Revenue & Customs' sugar cubes!

As we know, HMRC will pay attention to anything that might be worth something to it and this could be worth a significant amount. One of the reasons HMRC is interested in our horse is there are those industry bodies that believe a 'Gentleman Farmer' who has his land farmed by a contractor under most contract farming arrangements should not be treated like a farmer because he is not an 'active farmer'. These bodies are not shy about saying this in the press and, to be fair, in some cases they are justified, it would be nice though if they kept their concerns out of the press.

The reality is there are lots of sham arrangements purely contrived to return the landowner a quasi rent. However, for many who enter into such agreements this is not the intention. Yes, the landowner wants the contractor to take risks and reap rewards but this incentivisation does not make the agreement a 'sham'. The problem is, however genuine the intentions, agreements are often out of date and not administered correctly. We also believe that our general thinking on what is commercial has moved on but the basic nature of many agreements hasn't. The more active land agents have picked up these same concerns and we are aware that they will be contacting clients separately on this matter.

We have no doubt that the recent CAP reform publicity and debates has firmly placed this on the Revenue's radar. It is merrily eyeing up our horse with the active farmer on it to see what it can get for him at market!

We urge all of you that have contract farming arrangements in place or who contract farm land to ensure that your agreements achieve what you want them to. The reality is many won't and are being poorly administered. If tax is secondary this is probably not a problem, subject of course to whether the Commission brings in an active farmer requirement. If tax is paramount then you need to get your ducks in a row and do it now.

We hope 'active farmer' is a red herring when it comes to CAP reform but when it comes to tax it is already highlighting problems.

Don't end up having to go CAP in hand to the taxman.

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Please contact your usual Chavereys contact if you have any specific questions on the above.

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