



The budget "represented a missed opportunity for the Treasury to introduce measures that might have helped farmers capitalise on the growing confidence that is currently evident in the industry," the NFU said today.

NFU President Peter Kendall said: 'Chancellor George Osborne was right to focus on growth and I was pleased to see measures that could create a more competitive business environment in the UK.

In particular, the Chancellor's ambition to increase UK exports over the next decade to '1 trillion should benefit farmers who are the backbone of a food and drink industry which constitutes our biggest manufacturing sector.

I was also interested to hear that Michael Heseltine will be conducting a review into how spending departments interact with the private sector to deliver pro-growth policies, and I look forward to more details.

'The Treasury has also mentioned a couple of imminent announcements which I await with interest ' the review of the Habitats Directive to be published this week, and the National Planning Policy Framework (NPPF) due out next week. I was pleased that the Chancellor confirmed the latter will contain a commitment to permitting sustainable development, something we welcomed when the draft policy statement was published. Both announcements could contribute to reducing the regulatory burden on farmers, freeing them up to invest and making their businesses, and the industry as a whole, more competitive.

'Nevertheless, before the Budget, I called on the Chancellor to bring forward policies that encourage and incentivise private sector investment in farm businesses, and build on the relative stability farmers have experienced since the economic crisis of 2008.

Changes to the tax treatment of farm reservoirs, for example, are crucial at a time when farmers need to prepare for scarcer water resources in some parts of the country, while a reversal of the decision to reduce the Annual Investment Allowance (AIA) on plant and machinery to '25k would encourage farmers to invest in the sort of costly machinery needed on modern, productive farms.

However, these are just a couple of the relatively small measures that seem to have been ignored by the Treasury. In particular with regard to capital allowances, the Chancellor's focus on giving Britain the lowest corporation tax rate in the G20 ignores those businesses which are not incorporated. This includes a majority of farms ' and it is they who will be discouraged from investing by the reduction in the AIA.

'I know farmers will also be unhappy with the Chancellor's decision not to stop the rise in fuel duty planned for this August, especially as rural areas tend to suffer from higher fuel prices while the price of fuel used on-farm continues to rise dramatically.

'Whatever the economic circumstances, farming must prepare itself for a period of sustainable intensification of food production, allowing us to meet the future needs of a growing population.

At the heart of this is the need for farmers to invest in their businesses, in new technology and techniques that will allow them to operate competitive and productive enterprises while minimising their environmental impact. Unfortunately, today's Budget didn't do enough to remove some of the barriers preventing farmers from meeting this challenge.'

Also commenting on the budget, Andrew Arnott, a partner of Saffery Champness Landed Estates & Rural Business, said: 'Headline measures on residential property, to curb tax avoidance,' will be introduced by raising the rate of stamp duty land tax (SDLT) to 15 per cent for transactions of properties of over '2 million that are bought into a 'corporate envelope'. The retrospective charge on properties already in that category, are indicative of the Chancellor's intention to clamp down on tax loopholes that allow tax to escape HM Treasury.

'One measure for the future that we will be monitoring carefully, and which will soon go out for consultation, is the proposed new cap on tax relief for trading losses, pensions, charitable giving and EIS schemes, where relief over '50,000 in any one tax year would be limited to 25 per cent of total income. This may have significant adverse consequences on cash flow for rural business owners, including landowners and farmers.

'There are also a number of measures with regard to tidying up VAT anomalies that will affect rural businesses and properties including the application of VAT to the provision of approved alterations to listed buildings, to holiday caravans and, where it does not apply already, to hot food and cold food consumed on the premises.

'On renewable energy, all expenditure on plant and machinery for which FITs or RHI are received will not be entitled to enhanced capital allowances, and so will get the standard rate of 18 per cent, with solar panels only eligible for 8 per cent relief.

'The Chancellor ignored pressure to cut fuel duty in the Budget and approved a 3.02 pence per litre increase that will take effect as planned on the 1st August. Fuel is a major expense for most rural businesses. It is disappointing that' nothing was done to reduce this cost.

"The announcement of a general anti avoidance rule from April 2013 is interesting, and it remains to be seen how this is drafted. The Chancellor talks about tax payers having certainty with respect to their tax affairs but such a rule will inevitably bring uncertainty.

On personal taxation, the reduction of the top tax rate for high earners and all trusts from 50 to 45 per cent was widely trailed and expected.' At the other end of the spectrum, the increase in personal allowance to '9,205 is to be welcomed and that that tax relief on pension contributions has not been touched.

Other measures of relevance to rural businesses include the reduction of Corporation Tax to 22 per cent by 2014, and to 20 per cent for smaller businesses, the extension of the Business Premises Renovation Allowance for a further five years to April 2017, and the availability of first year tax credits on environmentally beneficial plant and machinery.

Smaller rural businesses will be helped by streamlining administration of tax for small firms having an annual turnover of less than '77,000, and the planned integration of tax and NICs.