

# Farm succession planning – taking a team approach

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## Summary

- The decision to step back and transfer the farm is a significant lifecycle decision for both the farm family and the farm business.
- Clarity around expectations of family members is an important first step.
- Specialist advice is required at every stage in the process.
- A co-ordinated team focused approach can be used to streamline the process.

## Introduction

Dealing with the issue of the transfer of the farm is one that every farm family will eventually have to address. This will often involve decisions around the changeover of management responsibilities as well as the transfer of both farm assets and other assets. It is vital that good advice is sought and acted on in relation to these various issues to ensure that the changeover happens as smoothly as possible. The main sources of guidance are professional advisors that farmers and their families can call on such as their accountant, solicitor and agricultural advisor.

## First steps

The first key step to start the process of a farm transfer, and a vital step to ensure you get the result you want, is to sit down as a family and decide what a successful farm transfer will look like when it is completed. Issues such as who will assume overall management responsibility for the farm after the transfer, and how will the farm and non-farm assets be apportioned as part of the transfer process should be discussed by all family members affected. An important issue for the retiring generation is how they intend to meet their income needs following their step back from the farming business. If general agreement can be reached in relation to some of these bigger elements of the transfer process then this will greatly assist in getting focused and relevant advice from the various professions later.

## Engaging with professional advisors

Early engagement with your agricultural advisor for guidance can be helpful to scope out key issues. Most advisors will be aware of many previous farm transfers and can provide useful advice as to what has worked well and what could cause problems. The advisor also has valuable experience regarding the income-earning potential of a farm business, which can be useful if there is another person coming in to the business with a requirement to earn a living from the farm or with expansion plans. Advisors have excellent knowledge of farm schemes, issues around the transfer of EU entitlements as well as potential tax and scheme benefits available from having a young trained farmer involved in the business. A meeting with the advisor prior to meeting the other professionals can be useful in setting out the main items on which advice needs to be sought from tax, legal and other experts.

## Specialist advice in key areas

Tax is an area that is often of most concern as people are wary of triggering an unexpected tax bill for either themselves or their next of kin as a result of any transfer. Taxes such as Capital Gains Tax, Capital Acquisitions Tax, Stamp Duty and even Income Tax and VAT could potentially be triggered by a farm business transfer. Matters associated with the

years of ownership and years of use of assets for farming purposes, the value of agricultural assets held by the parties to transfer as well as the ages of the parties involved could affect the final tax position. Many of the transfer tax issues can be managed satisfactorily once proper tax planning is completed in advance of any transfer. With many farms now operating using a company trading structure, specialist advice is vital to facilitate a smooth farm company succession transfer. Advance planning and reconstruction of the company structure may be required to ensure that the company can continue trading in the hands of the successors without significant tax leakage. The accountant/ tax advisor is the obvious port of call for guidance in relation to these complex tax questions.

From a legal perspective, solicitors have a vital role in checking ownership title as well as advising on changes to any proposed farm business ownership structure whether that is as individuals, partners or, as is becoming increasingly common, as company directors. There may also be input required in the process from an auctioneer and also the farms bank manager if there is significant debt at the time of the transfer.

### Farm succession team

An approach, which can work well, is to bring all the individual professionals together to meet the family at a dedicated meeting to discuss the likely implications of the transfer and explore all possible options for achieving the family's desired outcome. The ultimate aim is to get the preferred transfer completed with the minimum of fuss, while ensuring that the potential tax, legal and farm scheme issues are dealt with satisfactorily. The agricultural advisor can assist the family in drawing up an outline of what the transition of the management of the farm and the transfer of assets would look like when completed. The family are then in a better position to arrange a Farm Succession Team meeting with all of their professional advisors in one focused meeting (Figure 1).



**Figure 1.** Example of professional advisors required for a farm succession team meeting

During the meeting the advisor can take on the role of meeting facilitator, main note-taker and provide guidance on the agri-scheme aspects. The individual circumstances of each family member can be examined from a tax, legal and farm scheme perspective to ensure that the transition can be completed to the maximum advantage of the family members. A clear plan of action can then be created with follow-on appointments set up with the solicitor, accountant and agricultural advisor in sequence over the following months to complete the transfer.