

# Right to delinked payments can be traded in 2024

Suzie Horne 25 May 2023



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A late rule change means that businesses which did not make an English Basic Payment Scheme (BPS) claim in 2023 may now benefit from delinkage by selling their reference amount, which is based on claims made in 2020 to 2022.

Updated guidance from the Rural Payments Agency (RPA) recently set out how delinked payments will be handled in cases of inheritance or where a business structure has changed, for example through merging with or splitting from a business which had previously claimed.

However, these are just examples and now any business eligible for a delinked payment may effectively sell the right to that payment to a qualifying business, which is one that must have made a 2023 claim.

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## 2023 claim requirement

It has been stressed by the RPA that to receive delinked payments from 2024, a business must have made a BPS claim in 2023, as well as having a reference amount.



However, those who did not make a 2023 claim can sell their reference amount, entitling another party to receive the delinked payments from that reference amount.

“While there are still some unknowns, the ability to sell a reference amount will appeal to some farmers as they will be able to cash in their delinked payments in advance, discounted to reflect opinion on the likely cost of money and the still unconfirmed rates the next parliament will set for 2025, 2026 and 2027,” says Hugh Townsend of TCS Brokerage, who has already received enquiries to trade these assets.

“Up to this last-minute intervention, with only six working days before the deadline on 15 May, it was expected that if a business were to cease to exist, or did not claim in 2023, the delinkage payment would be lost.

“This will now no longer be the case as there will be a transfer window in early 2024.

“This will create a market for any farmer to sell this reference data/amount in return for an upfront payment rather than waiting for their bi-annual payments up to 2027.

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“This might suit someone who can make more use of that cash now as opposed to waiting for it to be drip-fed over the next few years.

“Potential buyers may be able to invest in something that will give them a better return than the building society or other conventional savings product.”

## Risk for buyers

The value of reference amounts will depend on supply and demand. Only the 2024 delinked payment rate is known – this will be 50% of the reference amount.

The buyer of reference amounts will take a risk on the future value of payments when set by the new parliament, expected in 2025.

“We guesstimate that delinkage payments should be worth an upfront equivalent of £1.46 for every £1 of baseline reference amount transferred,” says Mr Townsend.

“This assumes an interest rate of 4% on average until 2027. It is based on the total payment in the reference period for the purchaser’s business being less than £30,000 after including the transfer of the reference amount.”

The firm says, however, it can be assumed that a vendor might expect less than this to make it worthwhile for a purchaser.

In some cases, it would still need to be more than 50p in the £1 of the baseline reference claim as that would be what the vendor who has claimed in 2023 would receive in 2024 anyway.

The vendor can sell in any lot size if their own reference amount is less than £30,000. If it is larger than £30,000 they can only sell all of it in a single lot to one purchaser.

However, if land has been transferred (by gift, sale or inheritance, on letting out or surrender under a farm business or Agricultural Holdings Act tenancy) out of the vendor’s business before 16 May 2023 but after 15 May 2020 to another business, that other business can purchase part of the vendor’s reference amount.

There could be multiple purchasers/transferees if multiple lots of land were transferred to multiple businesses.

## Delinking reference amount transfers

- Delinkage reference amounts (based on claims from 2020 to 2022) may be transferred between two businesses in 2024
- Sellers do not have to have made a 2023 BPS claim
- Buyers must have made a 2023 BPS claim
- Delinked payments will be taxed as income – it is not yet known how the sale of reference amounts will be taxed
- Delinked payments will be made in August and December each year until 2027
- All or part of the reference baseline claim may be transferred, and to multiple businesses.

## Delinking means no more BPS claims

The 2023 BPS claim was the final one for farmers in England. Provided a business has a reference amount, based on claims made in 2020 to 2022, and made a 2023 BPS claim, annual “delinked” payments will be made automatically and regardless of any area of land a business owns or occupies.

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