

Advice as delinked payments expected in coming months



► The 2023 BPS claim was the final one for farmers as area-based payments are phased out
Gareth Fuller / PA

ENGLISH trading goes out with a bang and whilst we knew Scotland, Wales and Northern Ireland were continuing trading entitlements for a further two years, no-one expected BPS delinkage reference amounts would be tradeable in 2024. Register your interest now.

Delinkage in England: Trading of Reference Amount

- 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.

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.

Until recently the means by which to claim this payment figure, were set in stone with no way to increase the delinkage payments. The payment was to be based on the reference period of each individual busi-

Land agent and surveyor expert Hugh Townsend provides a summary of the latest updates on Basic Payment Scheme (BPS) delinkage and entitlement trading for 2023



ness' average claim during the 2020, 2021 and 2022 claim years. However, on May 4 an update to guidance was released on how delinkage payments would be handled in cases of inheritance or where a business had merged or split from a business which had previously claimed.

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.

A 'transfer window' in early 2024 will allow for the transfer of the reference amount from one business to another. Whilst we await further information on how this will be implemented or the exact qualifying criteria, it will create a market for any farmer to sell this reference data in return for an upfront payment rather than waiting for their

bi-annual payments up to 2027.

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.

Delinked payments are expected to be paid in August and December, although at this point we only know the figure for 2024, which will be 50% of the total reference amount with further increasing reductions each year until the final payment in 2027. This represents somewhat of a gamble as the 2025-2027 payments will not be known until a new parliament. The General Election is fixed for early 2025 unless unusually called early.

We would 'guesstimate' that delinkage payments would be worth an upfront equivalent of £1.46 for every £1 of baseline reference claim transferred. 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 under the £30,000 Payment Band after includ-

ing the transfer of the reference amount.

In practice the worth to a purchaser is difficult to quantify due to the payment band reductions affecting the amount receivable.

A vendor, one would assume, would expect less than this in order to make it worthwhile for a purchaser to buy, but it would still need to be more than 50p to the £1 of the baseline reference claim as that would be what the vendor would receive in 2024 anyway. The exception being if they had not claimed at all in 2023 whereby they would not qualify for any delinkage payment and might accept less. Of course ultimately though the price paid will depend on demand and supply.

The purchaser, receiving the reference amount will still need to have put in a claim in 2023.

The vendor can sell in any lot sizes if their own total reference amount is less than £30,000.

If the vendor's own reference amount is greater than £30,000, they can only sell all of it in one lot to one purchaser or nothing at all. However, if there happens to have been land transferred (by gift, sale or inheritance, on letting out or sur-

render under an FBT or AHA) out of the vendor's business prior to May 16, 2023 but after May 15, 2020 (otherwise there would be no reference amount to transfer) to another business, that other business can purchase part of the vendor's reference amount. There could be multiple purchasers if multiple lots of land were transferred. We do not yet know if the transferred reference amounts will have to correspond proportionally to the areas of land that were transferred.

Otherwise, apart from the above exemption and maybe also further proof being required or limitations applied, at this point it seems open to any business (if the purchaser claimed in 2023) to sell or buy reference amounts, a significant opportunity to those who did not make a claim in 2023.

Delinkage 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, annual "delinked" payments will be made automatically and regardless of any area of land a business owns or occupies.

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