

The Hanson Case: IHT Tax ruling favours the taxpayer, says Saffery Champness

Written by Ian Hayes

Sunday, 26 February 2012 16:56 - Last Updated Sunday, 26 February 2012 17:00



Mike Harrison - Saffery Champness

Whilst the recent ruling by a First Tier Tax Tribunal, in the Hanson case, appears to be something of an oddity as it is at odds with previous rulings, it is nonetheless in the taxpayer's favour and there is no cause for complaint, says Saffery Champness the top-20 firm of Chartered Accountants. Mike Harrison, a partner of the Land Estates & Rural Business Group of Saffery Champness, explains: "The main issue was the connection between the agricultural land, most of which was not owned by the deceased (a Mr Hanson), and the farmhouse, on which Inheritance Tax (IHT) relief was being claimed.

"The First Tier Tax Tribunal had to consider whether or not there must be both common occupation and ownership of the farmhouse and land, or whether common occupation of the properties was sufficient. The farmhouse was, at the time of Mr Hanson's death, owned by a trust of which he was the life tenant. However, the property was occupied by his son who farmed 128-acres of land he owned, together with some 28 acres owned with his father and some additional rented land".

Mike Harrison comments that the Tribunal stated: "It seems to us that the purpose of the relief is to reduce the tax burden on agricultural property, including farmhouses, which have been occupied for the required period(s) for the purposes of agriculture. This statutory purpose does not seem to us (the Tribunal) to require that such a farmhouse must be part of a larger agricultural estate whose value is being charged to IHT at the same time and by reference to the same transfer."

Mike Harrison says: "Accordingly, the Tribunal decided there was only a requirement for the farmhouse to be occupied with farmland and it was unnecessary for the farmhouse and agricultural land to be in the same ownership.