

a brief guide to forestry taxation

Income Tax

Income realised through the sale of timber is exempt from income tax. No income tax relief is available against capital purchase or annual expenditure costs. Payments received under forestry grant schemes are tax free, with the exception of payments made in compensation for agricultural income foregone and revenue from other sources such as rents which are taxable.

Inheritance Tax

Following two years of ownership, commercial woodlands in individual ownership will normally attract 100% IHT Business Property Relief, thus removing them completely from any charge to IHT. If death occurs within the first two years of ownership, the IHT liability can ordinarily be paid over ten years in interest free instalments.



Capital Gains Tax

There is no CGT liability on the gain in the value of commercial tree crops. Any gain realised on the disposal of woodland is split between:-

- gain attributable to trees – on which no CGT is payable
- gain attributable to the land – on which CGT is levied

Where funds realised on the sale of a qualifying business asset are re-invested in a new qualifying business asset up to twelve months before or three years after the sale then any chargeable gain from that sale can in principle be deferred until such time as the second asset is sold.

Forestry is considered as an eligible trade for which this roll-over relief can be applied so gains from business assets can be rolled-over by the purchase of forestry land (but not standing timber), thereby postponing any CGT liability.

In order to obtain full roll-over relief the value of the new business asset must exceed the sale value of the old asset, however, the cost of the new asset can be increased by subsequent capital expenditure on roading, drainage etc thereby helping address any initial shortfall in values.

Corporation Tax

Where companies own woodland which is independent of their trading operations, there is no liability to corporation tax in respect of income realised through the sale of growing timber or payments received under forestry grant schemes as outlined above.

Value Added Tax

Expenditure on forestry operations will normally attract charges for VAT so it is generally advantageous to register for VAT purposes. The present threshold for compulsory VAT registration is where taxable supplies exceed £82,000 (2015/16) however, voluntary registration is also permitted.

Despite the long term nature of forestry, which often involves long periods of expenditure without receipts, HM Revenue & Customs will normally accept voluntary registration on the basis that there is a firm intention to produce taxable supplies at a future date.

Scottish Land and Buildings Transaction Tax

The bandings applicable to commercial property purchases including forestry are as follows:

PRICE	RATE
For the first £150,000 of the purchase price	0%
For the part of the price between £150,001 and £350,000	3.0%
For any excess over £350,000	4.5%



Further information regarding the company's services and forestry investment opportunities can be obtained by contacting:-

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NOTE: The information provided above is intended as a general summary of current tax legislation. Investors should take independent tax advice from an appropriately qualified professional advisor on the full tax implications and consequences as they relate to their individual circumstances.



This guide has been verified by Stephen Herring, Tax Partner, Real Estate & Construction and Nick Hostler, Tax Senior Manager, Real Estate & Construction, BDO LLP, London

