



# Tax policy for farmers solar power generation

Are solar farm developments a tax issue?

In this article, Nicola Parkinson and Kathryn Brook, specialist lawyers from Walker Morris' Tax and Infrastructure & Energy teams respectively, highlight potential tax issues associated with solar farm developments.

What are the tax implications of renting land for a solar farm?

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Are solar farm lease agreements taxable?

There are major tax implications for landowners to consider before entering into solar farm lease agreements as in the worst case scenario income could be taxed at 63%.

Should solar land be taxable?

Inheritance tax (IHT) is another very important consideration. While solar land may be classed as agricultural from a planning perspective, for tax purposes it ceases to be so the moment the lease is signed.

Can a trustee pay tax on a solar farm?

While land held in a discretionary trust will be subject to ten-year anniversary IHT charges at a maximum of 6 per cent, the tax can be paid in instalments over a ten-year period and the higher income streams from the solar farm generally mean that trustees are in a position to accumulate income to use for payment of the tax.

Can I rent land for a solar farm?

Renting land for a solar farm is a commercial lease and is not an agricultural use, so Agricultural Property Relief from inheritance tax may be lost. Transferring ownership of the land to another individual or trading entity before any development starts may be worth considering, to minimise the tax implications, but seek professional advice.

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Solar farms have become a particularly attractive option in recent years as rural estates look to diversify and increase income streams (see Patrick Hammond's article here). However, turning large parts of an estate over



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to ...

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