# Inheritance tax reforms threaten UK farmers’ sustainability efforts amid rising pollution



The recent changes to inheritance tax in the UK have sparked significant controversy, particularly among the farming community, which is already grappling with numerous challenges. Alan Lovell, the chairman of the Environment Agency, has characterized these tax reforms as detrimental to farmers’ efforts to reduce environmental impact. During a presentation at the Rivers’ Forum 2025, Lovell revealed alarming statistics: serious pollution incidents from agriculture reached a record high last year, with 77 reported cases, a 54% increase from the previous year. This increase correlates with the Environment Agency's enhanced inspection regime, which has risen sharply since 2020.

The financial pressures exacerbated by the new inheritance tax regime, which imposes a 20% tax on agricultural properties valued over £1 million, are contributing to the difficult landscape farmers face. Scheduled to take effect in April 2026, this tax affects family farms and has incited significant backlash, prompting large-scale protests involving hundreds of tractors blockading central London. Farmers argue that the changes will undermine family-owned operations, potentially forcing them to sell land to meet tax obligations. As Rachel Hallows, vice president of the National Farmers’ Union, noted, the right support can enable farmers to invest in sustainable practices, yet the imposition of this tax obstructs such investment.

The backdrop to these protests includes various challenges that farmers are navigating, notably the impact of climate change, Brexit-induced economic volatility, and worsening weather patterns. The recent introduction of national insurance increases and minimum wage adjustments further compounds these issues. Critics of the inheritance tax reform, including high-profile figures from the agricultural sector, argue that it primarily targets wealthy landowners while negatively impacting small working farms, which are essential to food security in the UK. Environment Minister Steve Reed has defended the government's stance, insisting that the vast majority of farms will remain unaffected by the change.

The inheritance tax reforms pose not only a financial threat but also a moral dilemma for farmers committed to sustainability. Richard Broadbent, a former advisor at Natural England, highlighted how the tax creates a 'chilling effect' on nature recovery schemes that depend on long-term agreements, often spanning decades. Farmers are expected to balance economic viability with environmental stewardship at a time when support mechanisms for sustainable practices, such as the Sustainable Farming Incentive, are under review and have recently ceased accepting new applicants until a reformed scheme is available early next year.

As the agriculture sector seeks to align itself with environmental goals, the impending inheritance tax poses a formidable barrier to progress. The Country Land and Business Association has voiced concerns that this tax will affect not only the economic viability of farms but also the broader objectives of sustainable land management and food security. With growing unrest and escalating protests on the horizon, the government faces mounting pressure to reconsider its approach to taxation in the agricultural sector, especially as farmers strive to be key players in improving the environmental landscape.

In summary, while the government maintains that the changes to inheritance tax are a necessary measure to support public services, the farming community is increasingly vocal about the impending threats to their livelihoods and the long-term sustainability of food production in the UK. The intersection of environmental goals and economic pressures could define the future of British agriculture.

## Reference Map:

* Paragraph 1 – [[1]](https://www.irishnews.com/news/uk/inheritance-tax-changes-bad-for-farmers-focus-on-environment-watchdog-head-IOFJ4B37YNJA3AYJBDE67EVXMY/), [[2]](https://www.reuters.com/world/uk/tractors-block-central-london-streets-farmers-protest-tax-change-2024-12-11/)
* Paragraph 2 – [[1]](https://www.irishnews.com/news/uk/inheritance-tax-changes-bad-for-farmers-focus-on-environment-watchdog-head-IOFJ4B37YNJA3AYJBDE67EVXMY/), [[3]](https://apnews.com/article/dc3fd3640acb1628cd85d43b8413fad0)
* Paragraph 3 – [[4]](https://www.ft.com/content/e013bfdf-848a-4891-8d4f-1e4aff04985a), [[5]](https://news.sky.com/story/farmers-inheritance-tax-creates-chilling-effect-on-nature-recovery-scheme-ex-government-legal-adviser-says-13306679)
* Paragraph 4 – [[6]](https://www.womblebonddickinson.com/uk/insights/articles-and-briefings/environmental-land-use-implications-inheritance-tax)
* Paragraph 5 – [[7]](https://www.reuters.com/world/uk/british-farmers-protest-against-tractor-tax-london-2024-11-19/)

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## Bibliography

1. <https://www.irishnews.com/news/uk/inheritance-tax-changes-bad-for-farmers-focus-on-environment-watchdog-head-IOFJ4B37YNJA3AYJBDE67EVXMY/> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/tractors-block-central-london-streets-farmers-protest-tax-change-2024-12-11/> - On December 11, 2024, hundreds of tractors blocked streets in central London as farmers protested the government's decision to end an inheritance tax exemption for agricultural families. The new policy, set to begin in 2026, imposes a 20% tax on farm values exceeding one million pounds, with combined allowances for married couples up to three million pounds. Farmers argue that this change, dubbed the 'tractor tax,' will harm family farms and reduce food production. Despite significant protests, the government has stated it will not reverse the decision. Environment Minister Steve Reed emphasized efforts to support farmers and rural economic growth.
3. <https://apnews.com/article/dc3fd3640acb1628cd85d43b8413fad0> - Thousands of British farmers gathered in London to protest a recent tax hike that they believe will harm family farms. The government’s decision to remove a tax exemption on agricultural property from inheritance tax will result in a 20% tax on farms valued over £1 million when passed to the next generation starting April 2026. Led by Olly Harrison and supported by high-profile figures like Jeremy Clarkson, the protest underscored the fears that the new tax measure would threaten British food security and the viability of family farms. Critics argue that the tax primarily targets wealthy landowners who have inflated land prices, while the National Farmers' Union contends many working farms will suffer financially. The Labour government maintains that the majority of farms will not be affected and that the tax is necessary to support public services. The farming community, already burdened by Brexit, climate change, and economic volatility, views this tax as a final blow, leading to increased unrest.
4. <https://www.ft.com/content/e013bfdf-848a-4891-8d4f-1e4aff04985a> - Sir James Dyson, the billionaire inventor known for his high-tech vacuum cleaners, may face approximately £122 million in death duties due to changes in Britain's inheritance tax for farms. Dyson, a critic of these changes, has developed one of the UK's largest farming businesses, Dyson Farming, owning over 36,000 acres across various counties. The business has invested significantly in upgrading farms and recorded £5.2 million in profits in 2023. Chancellor Rachel Reeves' Budget proposal aims to impose inheritance tax at a rate of 20% on agricultural estates beyond a £1 million cap starting April 2026. Dyson, who owns his farmland through a Singapore-incorporated company, argues this tax change will harm entrepreneurship and UK food security. The changes have also prompted concerns among farmers about the survival of small rural businesses and food security. Dyson's estate, valued at £612 million in net assets, will be affected by the new tax rules, potentially subjecting his businesses to 20% inheritance tax on most of their value.
5. <https://news.sky.com/story/farmers-inheritance-tax-creates-chilling-effect-on-nature-recovery-scheme-ex-government-legal-adviser-says-13306679> - The government wants farmers to play a major part in protecting the environment but a leading environmental lawyer has said inheritance tax puts that at risk. Richard Broadbent, a former lawyer at government adviser Natural England, said the government had created a 'chilling effect' on nature recovery schemes by making farmers pay inheritance tax while also expecting them to give over land to create and improve natural habitats. Chancellor Rachel Reeves announced at the October budget farmers will have to pay 20% inheritance tax on farms worth more than £1m from April 2026. All farms were previously exempt. Agreements are made for at least 30 years and could be decades longer, as it can take that long to establish nature recovery schemes. The Country Land and Business Association (CLA), which represents 26,000 landowners and rural business owners, said the government was 'taxing the future of farming, food security, and the environment itself'.
6. <https://www.womblebonddickinson.com/uk/insights/articles-and-briefings/environmental-land-use-implications-inheritance-tax> - It's all change for the UK agricultural sector, following the post-Brexit removal of valuable grants and subsidies upon which many farming businesses relied. There is a new focus on environmentally beneficial uses of land, with government plans to offer financial incentives for schemes including re-wilding, carbon sequestration, restoration of peatlands, and the protection of wildlife habitats, rivers and streams. Many farms will grasp this opportunity to boost their finances. But farmers will be well advised to think about the broader effects of changing the ways in which their land is used. Land that has traditionally benefited from 100% agricultural property relief (APR) from inheritance tax (IHT) may lose that relief as a consequence of the change of use. The worst case scenario is that the full value of that land is subject to 40% tax on the death of the landowner. If the land is held in trust, the trustees may go from managing inheritance tax free assets to facing inheritance tax bills every ten years with resulting cashflow issues.
7. <https://www.reuters.com/world/uk/british-farmers-protest-against-tractor-tax-london-2024-11-19/> - British farmers are planning to protest in London against the end of an inheritance tax exemption, often referred to as the 'tractor tax.' This tax change, announced by Finance Minister Rachel Reeves, will impact farms valued over 1 million pounds starting in 2026, making it difficult for family-owned farms to pass on to future generations without selling land to cover tax bills. Farmers argue that this will threaten food production. The protest could draw around 20,000 participants, including notable figures like Jeremy Clarkson. The government claims the reform will only affect about 500 farms annually and plans to spread the tax payments over ten years at a lower rate. Prime Minister Keir Starmer, attending the G20 summit in Brazil, acknowledged the concerns but emphasized that his administration will provide significant support to the farming sector. Farmers also face challenges from lower-priced imports and climate change, driving further unrest. Organizers warn that protests may escalate if demands are not met.