**CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS**

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**NATIONAL WRITTEN EXAMINATION**

**PAPER II**

**10 NOVEMBER 2016**

**10.45am – 12.45pm**

**Time Allowed – 2 Hours**

**Instructions to Candidates:**

1. Complete the Green Examination Information Sheet by stating your examination candidate number (not your name) together with the area in which you are practising and the local Association of which you are a member. Attach the green sheet to the top of your answer pad and ring the numbers of the **three** questions that you have answered.
2. Write your candidate number, the number of the question and the page number in the top right-hand corner of each page.
3. Write on one side of the paper only, leaving the margin on the left- hand side.
4. Start each answer on a separate sheet and place your answers in numerical order.
5. Time has been allowed for you to read through the Question Paper **and plan** your answers.
6. You should attempt to answer **three** out of the six questions, ringing their numbers on the green sheet. Where relevant state whether you are answering for England, Wales or Scotland.
7. All questions carry equal marks: 20 each.
8. Questions are framed so as to minimise the need to make assumptions but state clearly any that you do make and the reasons for them.
9. Where appropriate, you will be expected to state the relevant Act, Statutory Instrument or case upon which you have based your answers.
10. You may use imperial or metric measurements in your answers. Please indicate which units you are using.
11. The presentation and clarity of your answers is important.

**Question 1**

John Dolittle, aged 58, is the sole owner of Home Farm. It includes a substantial gentleman’s residence, a farm manager’s house and four cottages. The 400 ha of land includes

* 100 ha of permanent grassland around the main house which have been let on a grazing agreement for the last 10 years
* 40 ha of woodland in hand over which John has run a private shoot
* the remainder is arable and has been farmed on a contract farming arrangement with a neighbouring farmer since Autumn 2010.

John Dolittle lives in the main house. His mother-in-law lives in the farm manager’s house rent free. Three of the cottages are let on Assured Shorthold Tenancies (SATs in Scotland) and one is occupied by a gardener rent free.

Your agency department has valued the properties as follows:

Main residence £900,000. Valued when inherited £300,000

Farm manager’s house £500,000. Valued when inherited at £150,000

4 cottages £250,000 each. Valued when inherited at £50,000 each

100 ha pasture land £1,200,000. Valued when inherited at £500,000

260 ha arable land £5,750,000. Purchased for £1.5 million 20 years ago

40 ha woodland £350,000. Valued when inherited at £50,000

He has no other significant assets, but he does have mortgages of £2.5 million secured on the farmland alone.

John Dolittle wants to sell it all next spring and retire completely as he has had a recent health scare. He wants to know from you:

(a) What his Capital Gains Tax liability is likely to be if he sells at the above figures.

**15 marks**

(b) How might lotting of the property affect the tax that might be payable by a purchaser.

**2 marks**

(c) Briefly, what, if any, are the potential implications for his Inheritance Tax liability were he to die now. **3 marks**

**Question 2**

You have just visited a client regarding potential sale of a property which comprises a four-bedroomed house with large garden, a cottage occupied by the full-time gardener, modern farm buildings and 540 acres of good arable land which is split into two blocks by the road running through the village. The houses are served by a private water supply and have septic tanks.

1. What are the key points to cover in your letter when you write to try and secure the sale instruction for your firm. Use **bullet points** for your answer. **7 marks**

Assuming you are subsequently instructed to market the property:

1. What rules and regulations are you required to follow during the sales process?

**3 marks**

1. What information will you need to gather about the property to compile the particulars?

**8 marks**

1. A prospective purchaser whose main house is in central London and wanting to buy a place in the country has enquired about the tax he would have to pay on purchasing the property. He has asked you to provide a brief summary to answer his query as his accountant is on holiday. **2 marks**

**Question 3**

An occasional client of yours, an owner-occupier farmer, has rung to fix a meeting at your office. Following some planning representations submitted by you to the Local Authority some time ago (as part of its ‘Call for Sites’ exercise), a 4 ha grass field of his adjoining an affluent market town has unexpectedly been allocated for residential development in the now adopted Local Plan.

1. Prepare **notes** for your meeting on the different options open to your client and the processes involved, together with the pros and cons of each, to take the site forward from its allocation status, to a point where it could be offered for sale on the open market to developers. **14 marks**
2. To aid the decision making process, for each option **summarise** and offer estimates of the costs which your client would be likely to incur, and similarly and any receipts he would receive.

**6 marks**

**Question 4**

Your client, Mr Grayling, is the owner of Commons Farm, which he farms in partnership with his brother-in-law Mr Flynn. There is no formal arrangement in place for the partnership’s occupation of the land.

Commons Farm extends to 410 ha in a ring fence with the farmhouse and buildings central to the holding and a farm cottage about 300m to the north, accessed by a good farm track. There is a bridleway which crosses the farm N-S about 170m to the west of the farmstead.

The farming system is 300 dairy cows managed on a grass-based (New Zealand) system with combinable crops comprising wheat, rape and spring barley. There are adequate buildings for the dairy system and on-floor grain storage for 700te.

Proposals are announced for a new dual-carriageway which crosses the farm from west to east 220m to the north of the farmstead where it is at grade, averaging 47m wide. On the east side, it is in a cutting to a maximum 9m deep, to the west on an embankment to a maximum of 16m high. The total land take is 22 ha with 58 ha severed by the new road.

The scheme is to be delivered through compulsory powers.

You are advising Mr Grayling and, separately, the farm partnership.

1. Outline the statutory basis for acquisition and the process. **8 marks**
2. What steps can you take to influence the scheme and its design to mitigate the effects on the property?

**8 marks**

1. What actions would you take to optimise and substantiate a compensation claim on behalf of the business?

**4 marks**

**Question 5**

Your client Harry Morton is 70 years old, and has been a tenant of his dairy farm since March 1960. After 50 years of farming, with no interested or qualifying successor and coupled with the depressed milk price, he has decided to retire and surrender his tenancy to his Landlord. Harry’s daughter Mary, is helping him with his exit from farming and move to a bungalow he owns locally. Mr Morton has also given notice to his milk buyer to end his supply contract.

You are meeting at the farm next week to advise Harry Morton on his proposed retirement and surrender.

The holding is a small (61 ha) but well equipped dairy farm, benefitting from periodic investment by the tenant (not all having consent from his landlord). Several of the buildings are specialist dairy buildings which are now ageing and in a mixed state of repair.

Write **notes** for your meeting to cover the key matters to bring to Harry and Mary’s attention to include:

1. Advice as to approach to the landlord **4 marks**
2. Tenant’s fixtures compensation **4 marks**
3. Tenant’s improvements compensation **6 marks**
4. Any potential claims by the landlord against your client **4 marks**
5. How best to document the surrender **2 marks**

**Question 6**

Your owner-occupier client has a surplus portal frame building with a separate and direct access onto the public highway. He has been approached by an operator seeking to rent it to use for a self-storage business.

1. As a valuer, can you draw up the agreement for this arrangement? Give reasons **2 marks**
2. What would be your client’s position for Income Tax with respect to rent received, payment of rates, payment or receipt of VAT, CGT on a future disposal and Inheritance Tax on death?

**3 marks**

1. What is the position on security of tenure? **3 marks**
2. Prepare fully detailed Heads of Terms **12 marks**