**CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS**



**NATIONAL WRITTEN EXAMINATION**

**PAPER I**

**9 NOVEMBER 2017**

**9.00am – 10.30am**

**Time Allowed – 1½ 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 two 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 **two** out of the three 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.

**Paper 1 Question 1**

This question has eight parts (A) to (H). Please answer **FIVE** of them. Each part earns an equal four points.

1. Outline how Basic Payment entitlements are used and the method and issues in transferring these entitlements between people.
2. ***For England and Wales***

Explain the key issues arising out of the Minimum Energy Efficiency Standards (MEES) for owners of residential properties.

***For Scotland***

Outline the key features of a Private Residential Tenancy.

C. Give 4 of the grounds on which a landlord can serve a notice to quit that a tenant of a secure AHA tenancy cannot refer to the Tribunal (Land Court in Scotland):

- stating under what circumstances a landlord could use each to end a tenancy.

- briefly outlining any timescales and key dates for the four chosen grounds.

D. Give two types of valuations which are exceptions to the RICS Red Book, and list the principle heading for a typical Red Book valuation report.

E. Write short notes for a client meeting where Business Rates are on the agenda, and the client has asked for a summary of the recent changes, valuation methodology and if any exemptions or reliefs are available.

F. Explain the relevance and importance of money laundering legislation, and state what checks the 2017 Regulations require that UK property businesses now have to undertake.

G. State why forestry is attractive to potential investors from a taxation point of view.

H. List the principal differences between an Independent Expert and an Arbitrator in the role of dispute resolution.

**Paper 1 Question 2**

Janet and John Smith, aged 66 and 86, are married with 3 children. They live in a large manor house with 12 bedrooms, staff annexe, stable block and indoor swimming pool, valued 2 years ago at £2m. The house is well furnished, and has two Rembrandt pictures promised to daughter Vicky, an art dealer.

The Smiths have been at Manor Farm since 1972, with all assets in John’s sole name. These include:

* 400 acres of arable land adjacent, with modern farm buildings, farmed in hand
* 150 acres of extra land bought at Smithfield 1 year ago, farmed in hand
* 6 holiday cottages
* 100 acres let on an agricultural tenancy in 1986
* 100 acres of commercial spruce woods
* a small company, “Hydrosmith”, solely operating a hydroelectric scheme producing £32,000 net per annum.

The Smiths and their accountant want to meet to discuss potential IHT liabilities, and then instruct you to do a valuation as John has just been diagnosed with cancer and given 18 months to live.

Prepare notes for the meeting covering the following:

1. Summarise the general reliefs and allowances available for IHT and give the current tax rate. [3 marks]
2. What tax cases will be particularly relevant to the Smiths [2 marks]
3. On what professional basis would your valuation be prepared. [1 marks]
4. For each of the following, what is the current IHT treatment, what is the basis of

value and what could be done to minimise tax liability now:

* The manor house
* The chattels and paintings
* The main in hand farm and buildings
* The additional land at Smithfield
* The let land
* The forestry
* The holiday cottages
* The hydroelectric scheme [14 marks]

**Paper 1 Question 3**

You act for the tenant of a 250ha holding. The farm is on a tenancy let in autumn 1983. It is fully equipped with a grain store and fixed equipment suitable for a sheep enterprise. There is a five bedroomed farmhouse and four cottages. Your client owns 50ha of permanent pasture 10 miles away.

Your client is 65, a widower, his only child, a daughter, and her husband are in partnership with him. Your client lives in the farmhouse.

The landlord gave consent to conversion of a range of buildings for use as a livery yard twenty years ago. This has contributed considerably to farm profitability in recent years.

They are now discussing a lifetime handover of the holding by succession (assignation in Scotland).

Give advice using bullet points on the following matters:

1. Advise the daughter and her husband if they could succeed to the tenancy, and what criteria would need to be satisfied to be successful should this be challenged by the landlord.

 [5 marks]

1. The formal procedure for a lifetime succession. [4 marks]
2. Comment on any issues that may cause problems for the daughter doing this. [3 marks]
3. Advising the existing tenant - what issues should be considered before

embarking on the process? [3 marks]

1. For the tenant and his family, what tax issues might they need to consider? [1 mark]
2. What other approaches could be made to secure continued family occupation? [2 marks]
3. Advise the landlord on his tax position if he agrees to the succession. [2 marks]