

AGRICULTURAL DEVELOPMENT SCHEME

PAYMENT CALCULATIONS AND BUSINESS SEPARATENESS

Payments made under the Scheme are based on the flat rate applicable to the appropriate land classification.

All businesses which are claimants to the Agriculture Development Scheme should be able to prove they are financially independent.

Basic payment

The Basic payment is based on the Classification of the Land; the process for the classification of land is described in chapter 3.

There are two classes of land:

- Land of Above the Mountain Line character – AML
- Land of Below the Mountain Line Character – BML

The payment flat rate amounts for these areas are detailed in the table below

Table 1.1 – Basic Flat rate payments 2021 onwards

Maximum flat rate area payment	
BML	AML
£64.52	£ 8.21

Supplementary Payments

1. Front loading (redistributive payments)

Front loading is a redistribution mechanism on the Flat Rate element of the payment, where an amount is taken off all BML acres and 'front loaded' onto the first acres of all applications for BML.

The following calculation will be relevant to the first acres of each claim:

- a) additional £10 per acre for the first 130 acres of BML
- b) additional £5 per acre for a further 65 acres of BML

The amount that has to be deducted from all payments to fund the front loading is calculated from the eligible applications received and can only be calculated once all the applications for any Scheme year have been processed.

Should the front loading payment exceed 15.5% of the total Flat Rate area payment it will be reduced pro rata to 15.5%.



2. Young Farmer Supplementary Payment (YFSP)

To be eligible to receive the YFSP applicants must meet the following criteria:

- a) be an active farmer; and
- b) be at least 18 years old but have not reached their 41st birthday or will not reach that birthday in the Scheme year in which the claim is made; and
- c) took control of their farm business within the 5 year period before their first application to the ADS or under the Countryside Care Scheme 2009.

Applicants qualifying for YFSP will receive a supplementary payment of 25% of the appropriate full flat rate payment for a maximum of 195 acres or £4,000 whichever is the lesser amount.

Table 1.2 - Young Farmer Supplementary Payment

BML rate £/acre	AML rate £/acre	Max payment
£16.13	£2.05	£4,000

Payment Schedule

Payments under the ADS will be paid in three instalments.

The Department will endeavour to make a payment of 50% of the applicant's estimated payment before the end of July. For new applicants and those existing applicants who may raise a concern regarding eligibility, this payment will be put on hold until such time as a) an inspection can be carried out or b) sufficient evidence is received to prove eligibility.

A further 25% will be made by the end of October.

A final balancing payment will be made around the end of April in the following calendar year.

It is therefore in your interest to ensure that correctly completed Claim Forms are returned on time as payments will be delayed whilst errors are resolved. Penalties in relation to Cross Compliance and land declaration breaches will be applied to the final payment, unless the % is >25% in which case we may apportion some to the October payment.

Separate Businesses

The need to check on "business separateness" may be required in the following circumstances:

- To ascertain who is eligible to apply to the scheme in the event of receiving applications from individuals relating to two or more apparently different businesses;
- To check whether conditions have been artificially created in order to provide the criteria necessary to obtain a payment from the Agricultural Development Scheme, with a view to gaining an advantage contrary to the objectives of the Scheme;



Separate business questionnaire

If it is necessary to determine whether or not the businesses with which you are involved are separate or not as far as the Agricultural Development Scheme is concerned, you will be required to complete a questionnaire for each of the businesses with which you are involved. Forms can be obtained from the Department or downloaded from the Agricultural Development Scheme website. If the questions are not fully answered or sufficient documentation is not provided, we will need to obtain further information from you before the process can continue.

Assessment Criteria

Assessment of the businesses will be based on four factors:

1. Legal status.
2. Economic structure/organisation.
3. Commercial arrangement.
4. Operational management.

All factors will be considered as an assessment cannot be based on any of them in isolation.

Legal status

Each business should have a distinct legal status which might be sole trader, partnership or company etc. The registration documents required for setting up a sole trader (if not using his/her surname as the name of the business), a partnership or a company will be obtained and examined. Where a sole trader or partnership using surnames as a trading name or informal partnerships, for example between husband and wife or common law partners are concerned, evidence will be required for the basis of their separate businesses. Where necessary, a legal opinion will be sought.

Economic structure/organisation

This relates to the decision making control of the business. Matters to be considered include:

- the shareholding or partnership interest or voting rights of the directors, shareholders, partners or individuals (or legal persons) of those involved in the businesses. What are the percentages held by individuals?
- who benefits from the profits or suffers from the losses relating to the businesses?
- who has the ultimate responsibility for making the longer term policy decisions that affect the profitability of each business?

The documentary evidence provided for Legal Status may assist in verifying claims relating to the above. If one person or a group of people common to the two enterprises is named in the above cases, it would suggest that the businesses are not separate. Similarly, if no one person or group dominates, then the businesses may well be considered to be separate, depending on the outcome of looking at the other factors.



Commercial management

The commercial independence of the people involved in the businesses will be examined. If commercial arrangements are found to be clearly linked or where the evidence suggests a lack of independence, the businesses are unlikely to be considered to be separate for the purposes of the Agricultural Development Scheme. The following aspects will need to be investigated:

- Who has day-to-day management responsibility for running each enterprise and what is the extent of their authority?
- Do those with day to day management responsibility have complete discretion to buy or sell as they choose?
- Are there transactions for goods and/or services between the enterprises and are these carried out at full commercial rates? Evidence of sales/contracts will be sought.
- Are inter-enterprise transactions invoiced and paid for within a normal business timescale? Evidence of orders, invoices and payments will be sought.
- Is there any evidence of cross subsidisation between the businesses?
- Do the enterprises have separate accounts, sales contracts, tax and VAT status?

Operational arrangements

Limited, seasonal co-operation between enterprises will be accepted but common management of, for example, grazing, housing or feeding would most probably indicate that the businesses were not separate. The following will be checked:

- The degree of operational separateness in relation to cropping, stocking, machinery, labour, buildings and livestock housing. Does each enterprise have separate supplies of feed, fertiliser and land for grazing, livestock records, farm plans, registration and herd marks?
- The extent of linkage in relation to the scale and type of operations.

Assessment process

The Officer dealing with your case will base a decision as to whether or not the enterprises are separate businesses, using the questionnaire and the results of investigations. You will be notified in writing of the outcome, with an explanation of what the decision means for your enterprises.

