

## Reductions to Direct Payments from 2021

The government has now announced its transition plan for the phasing out of direct payments. Targeting a reduction to zero by 2028, farmers will see their payments progressively fall but will have the opportunity to access new schemes as this happens.

The table below shows the retained percentage within each payment band:

Payment Band	Scheme Year - Retained Payment						
	2020	2021	2022	2023	2024	.....	2028
Up to £30,000	100%	95%	80%	65%	50%		0%
£30,000 to £50,000	100%	90%	75%	60%	45%		0%
£50,000 to £150,000	100%	80%	65%	50%	35%		0%
Above £150,000	100%	75%	60%	45%	30%		0%

Reductions are applied to each band in a similar manner to income tax bands. This means the average reduction will be greater for larger farms as shown in the examples below:

Payment before Reductions	Scheme Year - Retained Payment						
	2020	2021	2022	2023	2024	.....	2028
£30,000 example	100%	95%	80%	65%	50%		0%
£50,000 example	100%	93%	78%	63%	48%		0%
£150,000 example	100%	84%	69%	54%	39%		0%
£250,000 example	100%	81%	66%	51%	36%		0%

The same example is shown below in payment terms:

Payment before Reductions	Scheme Year - Retained Payment						
	2020	2021	2022	2023	2024	.....	2028
£30,000 example	£30,000	£28,500	£24,000	£19,500	£15,000		£0
£50,000 example	£50,000	£46,500	£39,000	£31,500	£24,000		£0
£150,000 example	£150,000	£126,500	£104,000	£81,500	£59,000		£0
£250,000 example	£250,000	£201,500	£164,000	£126,500	£89,000		£0

If you would like to discuss the impact to your business and possible ways to mitigate some or all of the reduction in payments, please get in touch with one of our team