

# Exemption(s) for certain conveyances of family farms or family business



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Regulation 697 with respect to the similarities difference between Family Farm Transfer & Family Business Transfer. Here we are discussing the regulation 697 which is made for " Exception of tax for certain conveyance of family farms & Family Business". Generally individual has to pay land transfer tax if he or she transfers a farmed land. According to this regulation 697- there are some exemptions in land transfer tax that belongs to the same family it means if an individual transfer farmed land to its family member (I. e. Transfer of Farm land from Father " Part A" to Son " Part B"). In this case the part " b" who is getting the land, will continue farming on that farmed land. Part " B" cannot use this land for other purposes. In this case part 'A' will ensure that the farmed land is used only for farming before transfer.

For exception of land transfer tax for conveyance of farmed land from individual (i. e. Father, Part 'A') to Family farm corporation (i. e. Son, Part 'B' (Owner of a Farm Corporation)) regulation 697 specifies the following requirements: First the transfer of land should be made between family members in which part 'B' is the owner of a farm corporation. Second requirement is that after transfer of farmed land the farm corporation will use the land for farming purpose only. No other use of the land is permitted. The first & second requirements of regulation 697 are similar to both individual to individual & individual to Family Farm Corporation. The Third requirement of regulation 697 is different in transferring the farmed land from individual to family farm corporation. In this all share holders of family farm corporation should be related to individual (Part A) who is transferring the land. Family Farm Corporation should have 95 % farming assets. During determination of farming assets the value of interest in the land being <https://assignbuster.com/exemptions-for-certain-conveyances-of-family-farms-or-family-business/>

conveyed shall be included as an asset of the corporation.

On the Other Hand regulation 697 is different for Family Business Transfer According to this regulation 697- there are some exemptions in land transfer tax that belongs to the same family it means if an individual transfer business land to its family member (I. e. Transfer of business land from Father " Part A" to Son " Part B"). In this case the part " b" who is getting the land, will continue the same business on that business land. Part " B" cannot use this land for other purposes. In this case part 'A' will ensure that this business land is used only for business only, before transfer. Secondly the business conveyed from individual to family member, should be approved by income tax department or the clearance has to be made from income tax department before transferring the business land.

To get a conveyance without paying a tax needs the approval of all the documents from the ministry of revenue's land. After getting approval no tax liability is there on the conveyance of business land. It means if we complete the proper documentation and take the approval of concern department, we need not to pay any taxes in family business transfer. So as per regulation 697 if the business land is transferred with in a family then there would not be any tax liability, but for this individual need to have proper documentation.

My commentary on whether the differences are equitable:

From my point of view the difference are equitable and fair. Because regulation 697- provides those rules which stops misuses of the facility available. There should always be difference is such cases. If same type of treatment will be given then there are a lot of chances of corruption & deviation from the rules. There should always be an intimation & approval <https://assignbuster.com/exemptions-for-certain-conveyances-of-family-farms-or-family-business/>

from the ministry of revenue's land before commencing the conveyance of the farmed land or business land.

Reference:

- 1) [www.vincentinc.net/transferreport/printerfriendly.html](http://www.vincentinc.net/transferreport/printerfriendly.html)
- 2) LTT Bulletin 2 -2004
- 3) LTT Regulation 697: Family Farm and Business Exemption
- 4) Land Transfer Tax Act