

Commercial tenancies for equestrian businesses

Many equestrian businesses are run on land rented by the business owner from a landlord. Such tenancies are likely to fall either within the legislation relating to business tenancies under the Landlord and Tenant Act 1954 or the Agricultural Tenancies Act 1995. It is extremely important for owners of equine businesses carried out on rented land to be clear as to the legislation governing their tenancy and the implications that flow from that.

Business tenancies under the Landlord and Tenant Act 1954

In many instances, equestrian businesses run on rented land will be governed by the provisions of the 1954 Act.

The 1954 Act potentially:

- provides for an outgoing tenant to be paid compensation in certain circumstances
- gives the tenant long-term security of tenure

Unless the relevant rights (under sections 24-28 of the 1954 Act) are excluded from the tenancy, on expiry of the tenancy, the tenant has statutory right to apply for a new tenancy. The landlord can only resist the tenant's application for a new tenancy on certain statutory grounds. In the event of a dispute the matter is determined by the courts (who have power to grant a new tenancy). If a landowner wishes to exclude a tenant's statutory right to apply for a new tenancy, the landowner must comply with the statutory notice procedure provided for in the legislation before granting a tenancy to a new tenant.

Farm business tenancies

The use of farm business tenancies may be considered for example where the land subject of the proposed tenancy is to be used as grazing ancillary to an equestrian business (such as a riding school) or where the land in question is diversifying out of an agricultural use. In many instances it would be preferable, particularly to a landowner, to grant an equine business tenant a tenancy contracted out of the provisions of the Landlord and Tenant Act 1954 as described above. However with increasing diversification from traditional farming activities there can be instances in which a farm business tenancy may be considered.

The essential elements of a farm business tenancy are:

- the tenancy must have commenced after August 1995
- the property to be the subject of the tenancy must be used for business
- the character of the property must be wholly or primarily agricultural – or notices must have been exchanged between landlord and tenant before the tenancy is entered into stating that it is intended to be a farm business tenancy

- farm business tenancies for fixed-terms of two years or less expire at the end of their term (without the requirement for any notices to be given)
- farm business tenancies from year to year or fixed-terms longer than two years run on until either the landlord or tenant serves a notice to terminate on the other. Notice to terminate of at least 12 months is required (and the expiry of the notice must coincide with the expiration of the relevant tenancy year; in practise this can mean that a notice of anything between 12 and 24 months is required).

The legal implications for both landlord and tenant in relation to land let for equine business purposes are many, and in some instances complex. Any landowner or equestrian business owner contemplating such arrangements would be prudent to first take professional advice on legal and tax issues.

Contact

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