Main features

This is an old version of the page

Date published: 19 January, 2017

Date superseded: 22 February, 2017

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Background to the scheme

The Basic Payment Scheme is a result of reforms to the Common Agricultural Policy that will affect farmers and crofters from 2015. The need for reform came from three reasons:

- so as to better address the challenges of:
  - food security
  - climate change and sustainable management of natural resources
  - looking after the countryside and keeping the rural economy alive
- to help the farming sector become more competitive and to deal with the economic crisis and increasingly unstable farm-gate prices
- to make the policy fairer, greener, more efficient and more effective and more understandable

The Basic Payment Scheme replaces the Single Farm Payment Scheme (SFPS). To be eligible to apply for the scheme you must fall into one or more of the following categories:

- automatic right of allocation – for businesses who were active in 2013 and declare land in 2015
- active farmers in 2013 – you must be able to supply evidence if you did not apply for SFPS. Please note definition of this point is still being looked into
- businesses in excluded sectors – fruit and vegetable producers or deer farms can apply
- businesses sold or leased – the buyer or lessee can take over the original business' qualification for subsidy

If none of the above apply to you, you may be eligible to apply to the National Reserve.

Participation

You can participate in the scheme and receive subsidy if you:

- are an active farmer – see below for more details
- hold Basic Payment Scheme entitlements, either through an original award or having acquired them by transfer – see National Reserve for more information
- submit a claim in the form of a Single Application Form (IACS) Aid Application
- farm a minimum of three hectares of eligible land
- have one eligible hectare of land for each entitlement
- be involved in agricultural activity
- maintain your land in Good Agricultural and Environmental Condition (GAEC) and meet a number of Statutory Management Requirements covering the environment, food safety, animal and plant health and animal welfare (Cross Compliance)
- undertake agricultural practices beneficial for the climate and the environment – commonly known as "Greening". This is a compulsory part of Direct Payments and you could lose your right to payments if you fail to comply
- keep comprehensive, accurate, and up-to-date records

We may inspect your holding to verify your claim and it is a condition of receiving subsidy that you co-operate with any inspection.

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Active farming – undertaking agricultural activity

An important part of being eligible to apply for the Basic Payment Scheme, is being able to meet the requirements of being a "farmer" who undertakes an "agricultural activity". These separate but related requirements are explained below.

You must meet the legal definition of a "farmer" to participate in BPS. For this purpose, a farmer is a natural or legal person (or a group of natural or legal persons) whose holding (production units) are situated within Scotland.

You might not be classed as an active farmer if your business operates any:

- railway services
- airports
- waterworks
- real estate services
- permanent sport and recreational grounds

Even if your business operates one of these activities, you will still be classed as a farmer if you meet certain rules.

You must also exercise an agricultural activity. An agricultural activity can include the production, rearing or growing of agricultural products, including harvesting, milking, breeding animals and keeping animals for farming purposes.

If you have land which is naturally kept in a state suitable for cultivation and grazing (essentially all land in Payment Regions Two and Three) and and it represents more than half of your holding (inclusive of any seasonal land) you must also meet rules on exercising a minimum activity.

Entitlements

In order to receive support, you will need entitlements to claim from the Basic Payment Scheme.

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For example, if you took part in the Single Farm Payment Scheme (SFPS), meaning that you submitted a Single Application Form in 2013 and 2014 and were paid on your SFPS entitlements, you will eligible to receive an automatic allocation of entitlements.

To be paid on those entitlements, however, you must make an application to 'activate' them against eligible land. For your Basic Payment Scheme application to be valid, you must have at least three entitlements and activate them. That means you will need at least three hectares of eligible land to activate them.

If you are a young farmer (under 40 years of age) or new to farming (starting an agricultural activity in 2013 or later) you need to apply to the National Reserve.

This is about how we will fund your entitlements but, if successful, you will be allocated Basic Payment Scheme entitlements, the same as those receiving an automatic allocation. The activation rules also apply to your entitlements.

The number of payment entitlements allocated in 2015 will equal the number of eligible hectares determined from your Single Application Form in each of payment regions you are involved in.

For example, if we determine that you have 50 hectares in Payment Region One, you will receive 50 entitlements for that region.

If you have 100 hectares in Payment Region Two or Three or a combination of both, you will receive 90 entitlements for those regions. This is because we have decided to apply a reduction co-efficient of 10 per cent to eligible hectares declared in those regions.

You can find out more about payment regions below.

Regionalisation of payments

For the period after 2015, it will be possible to purchase or lease entitlements in order to receive Basic Payment Scheme payments.

These are transactions between individuals and we do not get involved beyond recording the change in ownership. If you are considering acquiring entitlements in this way, it is advisable for you to seek professional advice on the matter from a commercial broker.

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Usage rules

All Basic Payment Scheme payment entitlements, including entitlements allocated from the National Reserve, are subject to a two-year usage rule.

The rule has changed, compared to the two-year usage rule that was in place for the Single Farm Payment Scheme. From 2015, over any two-year period you must activate (use) all of your Basic Payment Scheme payment entitlements in at least one year.

Therefore it will not be possible to rotate entitlements using some in year one and the remainder in year two. If you lease your Basic Payment Scheme entitlements out, you will be relying on that farmer to ensure the two-year usage rule is met.

If leased-in Basic Payment Scheme entitlements are not activated during the rolling two-year period they will revert to the National Reserve.

For example:

In the case of a farmer who had 50 Basic Payment Scheme entitlements allocated (and activated) in 2015, who then activates 30 Basic Payment Scheme entitlements in 2016 and 50 Basic Payment Scheme entitlements in 2017, they will have activated all 50 entitlements at least once in the two-year period.

However, if they had activated only 40 entitlements in 2017, they have not activated all 50 entitlements once in the two year period and the 10 entitlements not used will be withdrawn and revert to the National Reserve.

If you have entitlements in more than one region then usage will be considered within each region allocation. Where you have entitlements within the same region which have different values then the lowest value entitlements (owned or leased-in) will revert to the National Reserve first.

You may be exempt from the two-year usage rule if you can prove that you (or your business) were subject to exceptional circumstances or a force majeure event, which prevented you from activating the entitlements for the relevant Basic Payment Scheme year.

Payment regions

The starting point for payments under the Basic Payment Scheme is the area of land farmed in 2015.

Because the agricultural potential of the land in Scotland varies, the Scottish Government has used objective criteria and factors such as the agricultural and economic characteristics of an area to identify three payment regions.

- **Payment Region One** – includes better quality agricultural land that has been used for arable cropping, temporary grass and permanent grass
- **Payment Region Two** – includes rough grazing with a Less Favoured Area (LFA) grazing category of B, C, D, or is outside the LFA
- **Payment Region Three** – including rough grazing with a Less Favoured Area (LFA) grazing category of A

Transition period for payment rates

The Scottish Government is obliged to make sure all payment entitlements in the same payment region have the same value but has opted not to move to these regional rates in one-step.

Instead, it has opted for a phased approach where claimants will move to a wholly area-based payment system by 2019, in equal size steps. This means a five-year transition period with claimants receiving 100 per cent area based payments by 2019.

Under this system, some existing beneficiaries will see their payments rise (in comparison to what they received under SFPS) whilst other will see their payments fall.

This is an inevitable result of the change, required to meet European Commission regulations of switching from payments based on an individual farmer's historic agricultural activity to payment rates according to three different land regions.

These rates will not be fixed until we have calculated the number of entitlements to be allocated, the extent of successful National Reserve applications and the total of payments to young farmers.

All of this information, together with the land declared, will stem from the Single Application Forms submitted by 15 May, 2015. Consequently, it is not possible to say in advance what these rates payment will be.

As an indication of what the payment rates might be, the Scottish Government estimates are as follows:

- Payment Region One = €145.00
- Payment Region Two = €25.00
- Payment Region Three = €7.00

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Capping

Capping is the progressive reduction of payments above a certain level with the reduction being used to supplement funding for rural development measures.

In Scotland, we will reduce the total of Direct Payments over €150,000 by five per cent. Direct Payments means Basic Payment Scheme and the sheep and beef support schemes.

Land at your disposal

For detailed guidance on what constitutes "eligible land", please see below.

If you own the land or are a tenant, the land will be ‘at your disposal’ when you declare it on your Single Application Form on the qualifying date of 15 May. Whether or not a contract farming arrangement meets the definitions will depend on the details of the working arrangement. If you are in any doubt, please contact your area office with details of your contract farming agreement.

Where grazing is shared then all claimants must reach a joint agreement on how much of the land they are entitled to declare on their claim. This can be achieved by using the number of Livestock Units that each will be grazing during the season and apportioning the area of the land accordingly.

The terms of any sub-letting and contractual agreements can have an important effect on your ability to make a claim for payment.

You will need to reach a workable agreement that takes into account your responsibility for compliance with the Basic Payment Scheme and your ability to claim entitlements.

We recommend that all parties involved in the agreement include a clear breakdown of responsibility for each of the major Cross Compliance conditions, with a default position that the claimant will be responsible.

In cases where more than one farmer carries out an agricultural activity on the same area of land, it should be made clear in any tenancy agreement who has the land ‘at their disposal’, and who is entitled to claim payment on it. Arrangements for common grazing in the crofting counties and other common land will continue as normal.

You cannot backdate agreements. You must be able to prove that you have land at your disposal not just through an agreement, but also through your practice on that land.

If we find that you have under declared or over declared land then penalties may apply. For further information on penalties, please refer to our published guidance on Single Application Form

Single Application Form

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Land eligible for this scheme

You can use only eligible land to activate entitlements for payment under Basic Payment Scheme.

Eligible land under the scheme is any agricultural area of the holding used as arable land or permanent pasture or permanent crops.

Permanent pasture is land:

- used to grow grasses or other herbaceous forage, either naturally (self-seeded) or through cultivation (sown)
- not included in the crop rotation for five years or longer
- was not taken out of production under some agri-environment scheme options

To determine whether your land is permanent pasture for the purposes of the scheme you should consider its status on 15 May each year.

This means that land will be classified as permanent pasture when declared as being in grass or herbaceous forage on six consecutive Single Application Forms (or IACS) applications.

For example, if you first declared a parcel as being in grass on 15 May, 2010 (that is, was first put down to grass some time during the period 16 May, 2009 to 15 May, 2010) and remains in grass on 15 May, 2015, then it will be classified as permanent pasture and you should declare it as such on your 2015 Single Application Form.

Where you did not declare land on a Single Application Form, the same principle applies. That is, it will be classified as permanent pasture when it has been in grass or herbaceous forage on 15 May in six consecutive years.

Land that you have re-sown with grass or other herbaceous forage during a five-year period is still counted as permanent pasture. However, land which is in long-term grass, but which you have reseeded following a catch crop such as stubble turnips in the last five years, is considered arable land.

Permanent crops are those defined as non-rotational crops (other than permanent pasture) that occupy land for five years or more and yield repeated harvests, including nurseries and short rotation coppice.

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Greening

Greening is the requirement to follow certain agricultural practices that are beneficial for the climate and the environment.

The Scottish Government will allocate 30 per cent of its budget for Direct Payments to payments linked to these practices. In order to access this funding, farmers will be required to follow a new set of three greening requirements, namely:

- crop diversification
- maintenance of permanent grassland
- establishment of Ecological Focus Areas on five per cent of arable land

Our latest information on the greening rules was published in leaflet form.

You can download a copy here

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Cross border business

The European Commission's regulations governing agricultural support require that all the land farmed in the United Kingdom be covered by one single application form.

If you farm land in more than one region of the UK (Scotland, England, Northern Ireland and Wales), your Single Application Form will be made up of two or more forms applicable to each region involved.

You must submit all relevant forms together to the administration that will be dealing with your claim.

The handling administration is decided based on the region in which most of your farmland is situated. You will receive one payment, made up of all the entitlements held from the handling administration.

Young Farmer payment

If you qualify for the Basic Payment Scheme, you may also receive the Young Farmer payment. You will receive this if you:

- submit a Single Application Form
- farm a minimum of three hectares in Scotland
- are a sole trader or head of the farm business
- less than 41 years of age on 31 December of the first year you apply for the Basic Payment Scheme

The level of Young Farmer payment for each eligible hectare is set at 25 per cent of the regional average value of Basic Payment Scheme entitlements and the maximum number of eligible hectares is set at 90 hectares.

The eligibility criteria, for those situations where a young farmer is involved in a partnership and who is to be considered as head of the holding, are defined as follows:

- if the business is a partnership, the young farmer(s) must individually hold a minimum of 25 per cent of the capital of the business
- if one or more young farmers is in partnership with other partners who do not qualify as young farmers, there must be a legal agreement which demonstrates that the young farmers have control of the business as regards day-to-day management, financial planning and long term business strategy
- the legal agreement must specify that partners who are not young farmers cannot exercise control of the business against the wishes of the young farmers
- where the business is a company and the controlling majority is held by more than one young farmer, there must be a legal agreement that they will vote together to ensure they cannot be out-voted by other shareholders who do not qualify as young farmers

The Young Farmer payment is only payable for a maximum of five years from the date your business was established, subject to you being no more than 40 years of age by the end of the year in which you submitted your application.

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If your businesses was set up before 2015, the payment will be made from 2015 only.

For example, a business that was set up in 2013 could receive this payment for 2015, 2016 and 2017 only.

You can apply for the Young Farmer payment on the Single Application Form, where you will be asked to provide evidence of your eligibility. Full details of how to apply for the payment will be included in the guidance notes issued with your Single Application Form

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Cross Compliance

Payment under the scheme is conditional on meeting the Cross Compliance conditions.

Under Cross Compliance, you must continue to comply with the Statutory Management Requirements in force for public health, animal and plant health, environmental protection and animal welfare.

You must also maintain your land in Good Agricultural and Environmental Condition (GAEC).

Separate, detailed guidance is available below about Cross Compliance and all farmers should study the requirements and ensure that they understand what is involved. When you sign the Single Application Form, you are making a declaration that you have read all applicable guidance, including Cross Compliance requirements.

Failure to meet Cross Compliance conditions do result in penalties being applied to claims.

Cross Compliance

Inspections

Farmers must allow us to inspect their holdings, at any reasonable time, to check that the scheme rules have been met. We are not required to provide advance notice of inspections.

If a farmer refuses to co-operate, or if an inspecting officer is obstructed or the farmer fails to give reasonable assistance, we are within our rights not pay the farmer and may commence a prosecution.

Further information on inspections can be found below.

Inspections

Appeals

At present you can ask us, within a set timescale, to review any decision to refuse, reduce, or recover subsidy using the EU Agricultural Subsidy Schemes Appeal procedure.

This procedure has two stages: an in-house review and an appeal to the Scottish Land Court.

You can find out more about our appeals process in our appeals section.

Appeals

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Payment in euros

We provide producers with the option of receiving certain payments in euros. These are, at present, those covered by the Direct Payments programme (Basic Payment Scheme and the sheep and beef support schemes).

The facility is not be available (for the time being) for other measures, such as the Less Favoured Area Support Scheme and certain agri-environment schemes.

If you wish to be paid in euros for these schemes, you must indicate by answering the relevant question on your Single Application Form. If we have paid you in euros in the preceding year (for example, SFPS in 2014) we will use the same account details for your payment.

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You must keep us informed of any changes to your bank account details. If you have requested payment in euros and then change your mind, or requested payment in sterling and then decide you would prefer euros, you must inform us before 9 June.

When registering a new bank account or telling us of a change to your bank account, please note that we operate a 10-day “quarantine” period for your own security.

This means if you change your bank account details during the payment processing period, you will experience a delay to your payment.

Publication of your payments

We will publish information on Direct Payments made to businesses. The European Commission has introduced new legislation that requires us to publish details about the payments you receive.

If you receive payments of more than €1,250 per annum we will publish your business name, locality (nearest town), postcode, and the amounts and schemes you have received payments for.

We will publish this from 31 May, 2015 and it will cover all payments made in the period 16 October, 2013 to 15 October, 2014.

Further information

For further support and information, please get in touch with your nearest area office.

Contact us

Recent changes

Section	Change
Activating entitlements changed to Usage rules	Text updated to provide a clearer explanation of the rules

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