



Agricultural Holdings (Scotland) Act 2003

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PART 4

COMPENSATION UNDER AGRICULTURAL TENANCIES

CHAPTER 1

COMPENSATION FOR IMPROVEMENTS

1991 Act tenancies

43 Agreements as to compensation for improvements

(1) After section 33 (improvements) of the 1991 Act there is inserted—

“33A Agreements as to compensation for improvements

Where the tenant has carried out an improvement—

- (a) specified in Part II or III of Schedule 5 to this Act; and
- (b) by executing work which the landlord was required, at the time the lease was entered into and by virtue of section 5(2)(a) of this Act, to execute in order to fulfil his obligations under the lease,

any term of the lease or of an agreement between the landlord and tenant made before the coming into force of this section which purports to provide that the amount of compensation payable to the tenant for the improvement is less than the amount of compensation to which the tenant is entitled under this Part of this Act for the improvement (or that no compensation is payable) shall not apply in relation to such part or proportion of the improvement as the landlord would have been so required to carry out in order to fulfil those obligations.”.

(2) The following provisions of that Act (which relate to agreements as to compensation for improvements) are repealed—

- (a) in section 34, paragraph (b) of subsection (4);
- (b) in section 37, subsection (2); and

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(c) in section 38, subsection (5).

(3) In section 38 (notice required of certain improvements) of that Act, after subsection (2) there is inserted—

“(2A) Subsection (1) above shall not apply in the case of an improvement mentioned in subsection (1)(c) above if the improvement was carried out by executing work which the landlord was required, at the time the lease was entered into and by virtue of section 5(2)(a) of this Act, to execute in order to fulfil his obligations under the lease.”.

44 Amount of compensation where grant made to tenant

In section 36 (amount of compensation) of the 1991 Act, in subsection (3), for the words from “improvement” in the first place where it appears to the end there is substituted “improvement—

- (a) there shall be taken into account any benefit which the landlord has agreed in writing to give the tenant in consideration of the tenant carrying out the improvement; and
- (b) where a grant has been or will be made to the tenant in respect of the improvement, subject to the conditions of the grant—
 - (i) if either the landlord or tenant has not made or will not make a contribution towards the cost of the improvement, or neither of them has made or will make such a contribution, the grant shall not be taken into account;
 - (ii) in any other case, there shall be taken into account such proportion of the grant as equals the proportion of the contribution by the tenant towards the cost of the improvement as a proportion of the total of his contribution added to that of the landlord.”.

Short limited duration tenancies and limited duration tenancies

45 Right to compensation for improvements

- (1) Subject to sections 48 and 49, a tenant of a short limited duration tenancy or a limited duration tenancy is entitled, on quitting the land on termination of the tenancy, to compensation from the landlord in respect of any improvement to which this subsection applies carried out by the tenant.
- (2) Subsection (1) applies to the improvements specified in Schedule 5 to the 1991 Act (that Schedule applying for the purposes of that subsection as it does for the purposes of that Act).
- (3) Where an improvement is the improvement specified in paragraph 32 (laying down of temporary pasture) of that Schedule, the tenant is entitled to compensation under subsection (1) even if—
 - (a) that improvement; or
 - (b) the leaving of temporary pasture at the termination of the tenancy,
 was in contravention of a term of the lease or any agreement made by the tenant as to the method of cropping the arable lands.

- (4) Where a tenant has remained in occupation of the land during two or more tenancies, the tenant is not deprived of any right to compensation under subsection (1) by reason only that the improvements were not carried out during the tenancy on the termination of which the tenant quits the land.

46 Payment of compensation by incoming tenant

Subsections (2) to (5) of section 35 (payment of compensation by incoming tenant) of the 1991 Act (as read with Schedule 5 to that Act) apply to compensation which is payable or has been paid to an outgoing tenant of a short limited duration tenancy or a limited duration tenancy by the landlord under section 45(1) of this Act as they do to compensation to which that section of that Act applies, but as if—

- (a) in subsection (4), paragraph (a) were omitted;
- (b) in subsections (4) and (5), the references to an agricultural holding and the holding were references to the land; and
- (c) in subsection (5), the words “a new” were read as “an”.

47 Amount of compensation

- (1) The amount of compensation payable to a tenant under section 45(1) is such sum as fairly represents the value of the improvement to an incoming tenant.
- (2) In ascertaining the amount of compensation so payable—
- (a) account is to be taken of any benefit which the landlord has agreed in writing to give the tenant in consideration of the tenant carrying out the improvement; and
 - (b) where a grant has been or will be made to the tenant in respect of the improvement, subject to the conditions of the grant—
 - (i) if either the landlord or tenant has not made or will not make a contribution towards the cost of the improvement, or neither of them has made or will make such a contribution, the grant is not to be taken into account;
 - (ii) in any other case, there is to be taken into account such proportion of the grant as equals the proportion of any contribution made by the tenant towards the cost of the improvement as a proportion of the total of the tenant’s contribution added to that of the landlord.
- (3) In ascertaining the amount of any compensation payable by virtue of subsection (3) of section 45, account is to be taken of any injury to or deterioration of the land due to the contravention of the lease or agreement mentioned in that subsection (except insofar as the landlord has recovered damages in respect of the injury or deterioration).

48 Consent required for compensation in certain cases

Compensation under section 45(1) is not payable for an improvement specified in Part I of Schedule 5 to the 1991 Act unless, before the improvement was carried out, the landlord consented to it in writing (whether unconditionally or upon terms agreed on between the parties).

49 Notice required for certain improvements

- (1) Compensation under section 45(1) is not payable for an improvement specified in Part II of Schedule 5 to the 1991 Act unless the tenant gave notice in writing to the landlord specifying the tenant's intention to carry out the improvement and the manner in which it was proposed to carry it out.
- (2) In section 39 (approval of Land Court in certain cases) of the 1991 Act (as read with Schedule 5 to that Act), subsections (1) to (4) apply in relation to compensation under section 45(1) as they do in relation to compensation under Part IV of that Act but as if, in subsection (1) of that section—
 - (a) the words “a new” were omitted;
 - (b) the words “one month” read “60 days”; and
 - (c) the reference to notice under section 38(3) of that Act were a reference to the notice mentioned in subsection (1) of this section.

CHAPTER 2

COMPENSATION FOR DISTURBANCE AND DIVERSIFICATION ETC.

1991 Act tenancies

50 Compensation for disturbance and for damage by game

- (1) In section 43 (compensation for disturbance) of the 1991 Act, paragraph (c) of subsection (4) is repealed.
- (2) In section 52 (compensation for damage by game) of that Act, in paragraph (b) of subsection (2) for the words from “one” to the end there is substituted “6 months of the giving of notice under paragraph (a) above”.

51 Compensation arising as a result of diversification etc.

- (1) After section 45 (compensation to landlord for deterioration etc.) of the 1991 Act there is inserted—

“45A Compensation arising as a result of diversification and cropping of trees

- (1) Subject to subsection (2) below, the landlord of an agricultural holding shall be entitled to recover from the tenant, on his quitting the holding on termination of the tenancy, compensation where the landlord shows that the value of the holding has been reduced during the tenancy by the use, on or after the coming into force of this section, of the holding for a purpose which is not an agricultural purpose; and the amount of compensation payable shall be an amount equal to the reduction in the value of the holding.
- (2) Where there are trees on the holding which were planted—
 - (a) by the tenant on or after the coming into force of this section; and
 - (b) for future cropping,

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the landlord or tenant shall be entitled to recover from the other, on the tenant quitting the holding on the termination of the tenancy, compensation calculated in accordance with subsections (3) and (4) below.

- (3) For the purposes of subsection (2) above, at the termination of the tenancy—
 - (a) the trees shall be valued on the basis of their worth to a willing purchaser for future cropping; and
 - (b) there shall be evaluated any loss of rent to the landlord which would be incurred by his retaining the trees until the likely date of cropping added to the cost to him of returning the land to agricultural use after cropping.
- (4) If the value reached under paragraph (a) of subsection (3) above is—
 - (a) greater than that reached under paragraph (b) of that subsection, the tenant shall be entitled to the difference between the values as compensation;
 - (b) less than that reached under paragraph (b) of that subsection, the landlord shall be entitled to the difference between the values as compensation.
- (5) Where the value of an agricultural holding has been increased during the tenancy by such use of the land or part of the land, or such change to the land, for a purpose that is not an agricultural purpose—
 - (a) as occurred on or after the coming into force of this section; and
 - (b) as had been permitted under section 40 or 41 of the Agricultural Holdings (Scotland) Act 2003 (asp 11),the tenant shall, subject to subsections (6) and (7) below, be entitled, on quitting the holding on termination of the tenancy, to recover from the landlord such compensation as fairly represents the value of the use, change or carrying out of the activities to an incoming tenant.
- (6) In ascertaining the amount of compensation payable under subsection (5) above—
 - (a) there shall be taken into account any benefit which the landlord has agreed in writing to give the tenant in consideration of the matters referred to in that subsection; and
 - (b) where a grant has been or will be made to the tenant in respect of those matters, subject to the conditions of the grant—
 - (i) if either the landlord or tenant has not made or will not make a contribution towards the cost of the improvement, or neither of them has made or will make such a contribution, the grant shall not be taken into account;
 - (ii) in any other case, there shall be taken into account such proportion of the grant as equals the proportion of the contribution by the tenant towards the cost of the improvement as a proportion of the total of his contribution added to that of the landlord.
- (7) No compensation is payable under subsection (5) above if, owing to—
 - (a) any of the matters referred to in that subsection, the land is unsuitable for use for agriculture by an incoming tenant; or

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- (b) any use of fixed equipment in connection with any of those matters, the landlord would, at the commencement of an incoming tenant's tenancy, be unable to fulfil his obligations under the lease as to fixed equipment,
in so far as those matters or, as the case may be, that use is attributable to those facts.
- (8) Where the tenant has remained in occupation of the holding during two or more tenancies, he shall not be deprived of his right to compensation under this section by reason only that the use of the land or change to the land did not occur during the tenancy on the termination of which he quits the holding.”
- (2) In section 47 (provisions supplementary to sections 45 and 46) of that Act, in subsection (1), for the words “under section 45” there is substituted “by the landlord under section 45 or 45A”.

Short limited duration tenancies and limited duration tenancies

52 Compensation for disturbance

- (1) Where—
 - (a) any land is resumed under section 17; or
 - (b) a short limited duration tenancy or a limited duration tenancy terminates by notice under subsection (3) of that section,
compensation for disturbance is payable by the landlord to the tenant.
- (2) Subsections (3) to (6) of section 43 (compensation for disturbance) of the 1991 Act apply in relation to compensation payable under subsection (1) above as they do in relation to compensation payable under that section, but as if—
 - (a) in those subsections, the references to the holding were references to the land;
 - (b) in subsection (6)—
 - (i) the reference to the tenant of an agricultural holding were a reference to the tenant of the short limited duration tenancy or limited duration tenancy; and
 - (ii) the reference to a notice to quit given by the landlord were a reference to the termination of the tenancy; and
 - (c) where the resumption under section 17 is of part of the land—
 - (i) the references to the land in those subsections of section 43 of that Act by virtue of paragraph (a) of this subsection were references to that part; and
 - (ii) the references to the rent in subsection (4)(a) and (b) of that section were references to the rent proportionate to the part.
- (3) Where the tenancy terminates as mentioned in subsection (1)(b) and—
 - (a) the part of the land affected by the notice under subsection (2) of section 17, together with any part of the land resumed following a previous such notice is—
 - (i) less than a quarter of the original area of the land comprised in the lease constituting the tenancy; or
 - (ii) of a rental value less than a quarter of the rental value of that area of land; and

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- (b) the remainder of the land is reasonably capable of being farmed separately, compensation is payable under subsection (1) only in respect of the part of the land to which the notice relates.
- (4) In a case mentioned in subsection (2)(c), in determining the amount of compensation payable, account is to be taken of any benefit or relief allowed to the tenant under the lease in respect of the part resumed.
- (5) Where compensation is payable under subsection (1)(a), in addition to that compensation, compensation is payable by the landlord to the tenant of an amount equal to the additional benefit (if any) which would have accrued to the tenant if the land (instead of being resumed on the date of resumption) had been resumed on the expiry of the period of 12 months from the end of the year of tenancy current at the date 2 months before the date of resumption.

53 Compensation for other particular things

- (1) Section 44 (compensation for continuous adoption of special standard of farming) of the 1991 Act applies to short limited duration tenancies and limited duration tenancies as it does to 1991 Act tenancies, but as if—
 - (a) the references to the holding were references to the land;
 - (b) in subsection (2) of that section, the reference to a record of fixed equipment were a reference to fixed equipment specified under section 16 of this Act; the reference to the date of the record were a reference to the date on which the equipment was so specified; and the words from “or” to the end were omitted; and
 - (c) in subsection (3) of that section, the reference to Part IV of that Act were a reference to section 45(1) of this Act.
- (2) Section 45A (compensation arising as a result of diversification etc.) of that Act, as read with subsection (1) of section 47 of that Act, applies to limited duration tenancies as it does to 1991 Act tenancies, but as if the references to the holding were references to the land.
- (3) Section 52 (compensation for damage by game) of that Act applies to short limited duration tenancies and limited duration tenancies as it does to 1991 Act tenancies.

CHAPTER 3

COMPENSATION WHERE COMPULSORY ACQUISITION OF LAND

54 Compensation where compulsory acquisition of land

- (1) Subject to subsection (4), this subsection applies where, in pursuance of any enactment providing for the acquisition or taking of possession of land compulsorily, any person (the “acquiring authority”) acquires the interest of the tenant under, or takes possession of the land or any part of the land comprised in a lease constituting, a short limited duration tenancy or limited duration tenancy.
- (2) Where subsection (1) applies, compensation for disturbance is payable by the acquiring authority to the tenant of an amount equal to four times the annual rent of

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the land or, in the case of part of the land, four times the annual rent proportionate to that part.

- (3) For the purposes of subsection (2), the tenant is deemed not to be the tenant in so far as, immediately before the acquiring of the interest or the taking of possession mentioned in subsection (1), the tenant was not in possession, nor entitled to take possession, of any of the land.
- (4) Subsection (1) does not apply—
 - (a) where the acquiring authority requires the land or part of the land for the purposes of agricultural research or experiment or of demonstrating agricultural methods; or
 - (b) where the Scottish Ministers acquire the land or part of the land under section 57(1)(c) or 64 of the Agriculture (Scotland) Act 1948 (c. 45).
- (5) For the purposes of subsection (4)(a), where an acquiring authority exercises, in relation to any land, power to acquire or take possession of land compulsorily which is conferred on the authority by virtue of section 189 of the Town and Country Planning (Scotland) Act 1997 (c. 8) or section 7 of the New Towns (Scotland) Act 1968 (c. 16), the authority is deemed not to require the land for any purpose mentioned in that subsection.
- (6) Schedule 8 to the 1991 Act has effect in relation to payments under subsection (2) as it does in relation to payments under section 56 (additional payments in consequence of compulsory acquisition etc.) of that Act, but as if—
 - (a) the references to sections 54 and 56 of that Act were references to that subsection;
 - (b) the references to sections 13 and 15 of that Act were references to sections 9 and 10 of this Act respectively; and
 - (c) any reference to, or in relation to, statutory small tenants were omitted.
- (7) Any reference in this section to the acquisition of property is a reference to the vesting of the property in the person acquiring it.

CHAPTER 4

MISCELLANEOUS PROVISION AS TO COMPENSATION

55 Right to compensation for yielding vacant possession

- (1) This section applies to—
 - (a) a 1991 Act tenancy; and
 - (b) a limited duration tenancy created under section 2.
- (2) Where the landlord wishes to sell the land with vacant possession, the landlord may enter into an agreement in writing with the tenant that—
 - (a) the tenant will give notice of intention to quit and then vacate the land by such date as may be specified in the agreement; and
 - (b) the landlord, having sold the land, will pay to the tenant an amount of compensation for so doing calculated by reference to subsection (3) below.
- (3) That amount is, subject to subsection (8), half of the difference between—

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- (a) the price for which the land is sold; and
 - (b) the estimated value of the land if it had been sold with the tenant still in occupation,
- minus half of the cost of the valuation carried out for the purposes of paragraph (b).
- (4) Where the tenant wishes to quit the land, the tenant may enter into an agreement in writing with the landlord that—
- (a) the tenant will give notice of intention to quit and then vacate the land by such date as may be specified in the agreement; and
 - (b) the landlord will pay to the tenant an amount of compensation for so doing calculated by reference to subsection (5) below.
- (5) That amount is, subject to subsection (8), half of the difference between—
- (a) the estimated value of the land if sold with vacant possession; and
 - (b) the estimated value of the land if sold with the tenant still in occupation,
- minus half of the cost of the valuations carried out for the purposes of paragraphs (a) and (b).
- (6) Any valuation for the purposes of this section is to be carried out by a valuer appointed by agreement between the landlord and the tenant or by a person nominated by them; and in this section “valuer” includes two valuers with an oversman.
- (7) A valuer appointed or nominated under subsection (6) is to act, so far as practicable, as if the valuation was subject to subsections (2) to (7) of section 34.
- (8) The amount of compensation under subsection (3) or (5) shall take account of—
- (a) where the tenancy is a limited duration tenancy, the proportion of the term of the tenancy which is unexpired; and
 - (b) in any case, any—
 - (i) investments;
 - (ii) improvements; and
 - (iii) repairs and maintenance,in the holding made by both tenant and landlord over the period of the lease.

56 No right to penal rent etc.

The landlord under a short limited duration tenancy or limited duration tenancy is not entitled to recover any sum, by way of higher rent, liquidated damages or otherwise, in consequence of any breach or non-fulfilment of a term or condition of the lease, which is in excess of the damage actually suffered by the landlord in consequence of the breach or non-fulfilment; and any provision of the lease to the contrary is of no effect.

57 Provision as to parts of land and divided land

- (1) Where any land comprised in a lease constituting a short limited duration tenancy or a limited duration tenancy is not agricultural land only because of the reason mentioned in subsection (2), the provisions of this Part as to compensation apply as if the remainder of the land were the land comprised in the lease.
- (2) The reason is that, due to the nature of the building on the land or the use to which the land is put, the land would not, if separately let when the tenancy commenced, have been capable of being the subject of the tenancy.

- (3) Where the interest of the landlord in a short limited duration tenancy or a limited duration tenancy has become vested in several parts in more than one person and the rent payable by the tenant under the lease has not been apportioned with the tenant's consent or under any enactment, the tenant is entitled to require that any compensation payable to the tenant under this Part be determined as if the land had not been divided.
- (4) For the purposes of subsection (3), the Land Court, where necessary, is to apportion the amount payable between the persons who together constitute the landlord, and any additional expenses of the determination caused by the apportionment are to be directed by the Land Court to be paid by those persons in such proportions as it determines.

58 Compensation not payable where direction as to permanent pasture

- (1) Notwithstanding any provision of this Part or any custom or agreement—
 - (a) no compensation is payable under this Part (except under paragraph (b)) to the tenant in respect of anything done in pursuance of any direction as to permanent pasture given by virtue of section 15; and
 - (b) in assessing compensation to an outgoing tenant where land has been ploughed up in pursuance of any such direction, the value per hectare of any tenant's pasture (being pasture laid down at the expense of the tenant or paid for by the tenant on entering the tenancy) comprised in the land is to be taken not to exceed the average value per hectare of the whole of the tenant's pasture comprised in the land on the termination of the tenancy.
- (2) Where an improvement specified in Part III of Schedule 5 to the 1991 Act (that Part of that Schedule having effect for the purposes of this subsection and section 15 as it does for the purposes of section 9 of that Act) is carried out for the purposes of any requirement in relation to permanent pasture provided for by virtue of section 15, the tenant is not entitled to compensation for the improvement.

59 Extent to which compensation recoverable under agreements

- (1) Where by virtue of any provision of this Part compensation is payable to a landlord or tenant of a short limited duration tenancy or a limited duration tenancy, that person—
 - (a) is entitled to such compensation notwithstanding the terms of any agreement between them; and
 - (b) is not entitled to such compensation except by virtue of that provision, but this subsection is subject to any express provision by virtue of this Part to the contrary.
- (2) Where the landlord and tenant agree in writing for such a variation of the terms of the lease as may be made by a direction by virtue of section 15, the agreement may also provide for the exclusion of compensation on the same basis as under section 58(1).
- (3) In a case for which there is no provision for compensation by virtue of this Part, a claim for compensation by a landlord or tenant of a short limited duration tenancy or a limited duration tenancy is not enforceable except under an agreement in writing.