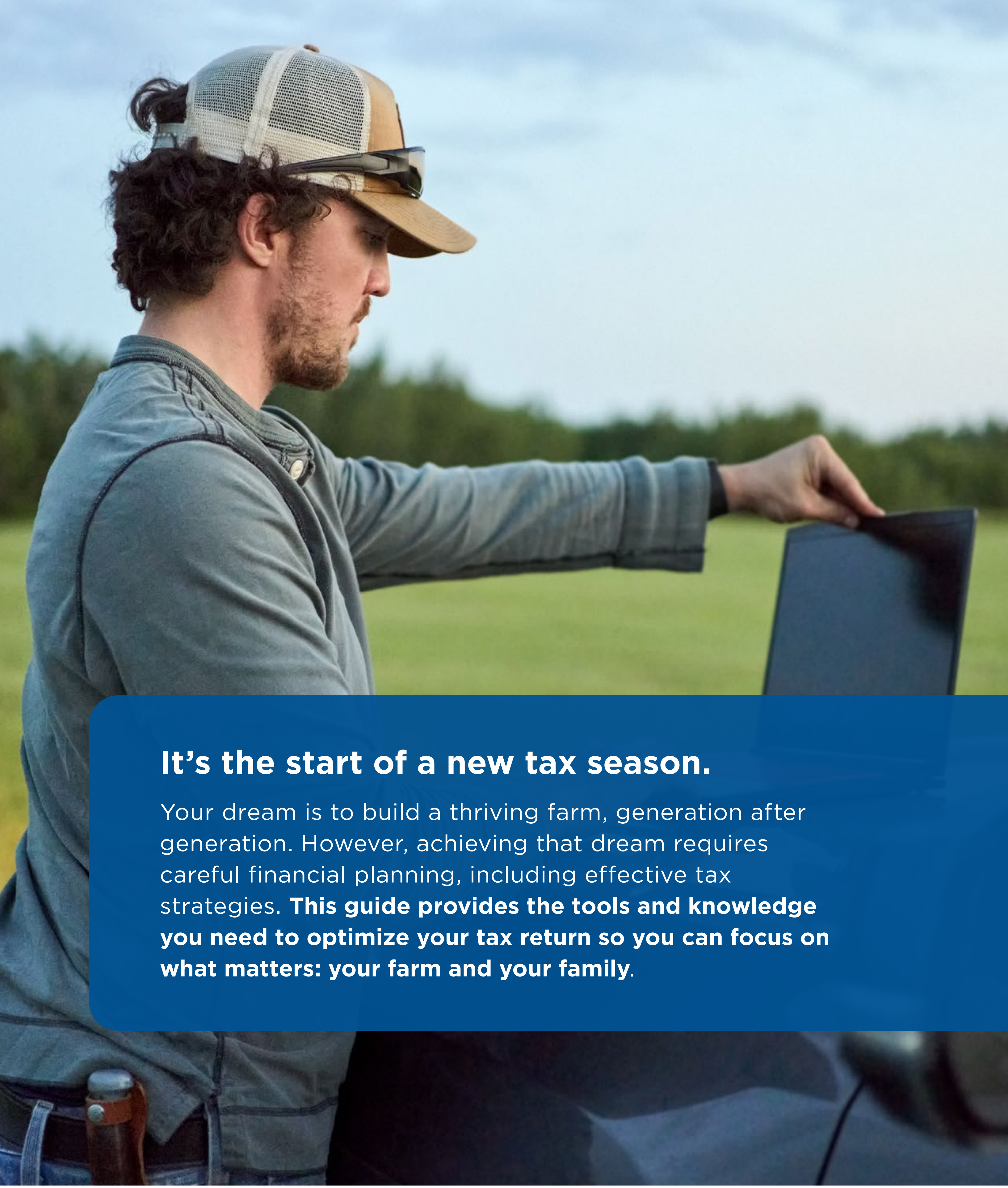
Tax Preparation:
A Toolkit For Farmers and Agricultural Producers

2024 TAX YEAR



It’s the start of a new tax season.

Your dream is to build a thriving farm, generation after generation. However, achieving that dream requires careful financial planning, including effective tax strategies. **This guide provides the tools and knowledge you need to optimize your tax return so you can focus on what matters: your farm and your family**.

About FBC

For over 70 years, we have helped hard-working Canadian farmers and agricultural producers save time and money by connecting them to a people-powered network of tax, bookkeeping, payroll and financial planning experts.

We deliver industry-specific support for your business that helps maximize your tax savings, simplify your books and manage your payroll. Our paralegal team can incorporate your farm and file your minute books and annual returns. Our financial and estate planning team can help you manage your wealth and plan your transition to retirement.

Disclaimer: This material is provided for educational and informational purposes only. Always consult a specialist like FBC regarding your specific tax and accounting situation.

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Do I Have to File a Tax Return Even If I Haven't Made Any Money?

If you haven't made any income (or are showing a loss), you may think there's no reason to file a tax return. But by not filing your return, you risk your eligibility for certain tax benefits and running afoul of the CRA.

For example, the amount you receive for credits like GST/HST or benefits like the Canada Child Benefit are all determined by the net income you fill out on your tax return. Filing a return also creates contribution room in your Registered Retirement Savings Plan (RRSP) and your Tax-Free Savings Account (TFSA).

Finally, you will avoid accumulating interest charges and penalties with the Canada Revenue Agency (CRA), increasing your stress level and financial burden in the long run.

TIP:

If your farm suffered a loss, you could deduct that loss from the income you've earned for the year. This will lower your overall taxable income and the amount of personal income tax you must pay.

What Happens If I Don’t File a Tax Return?

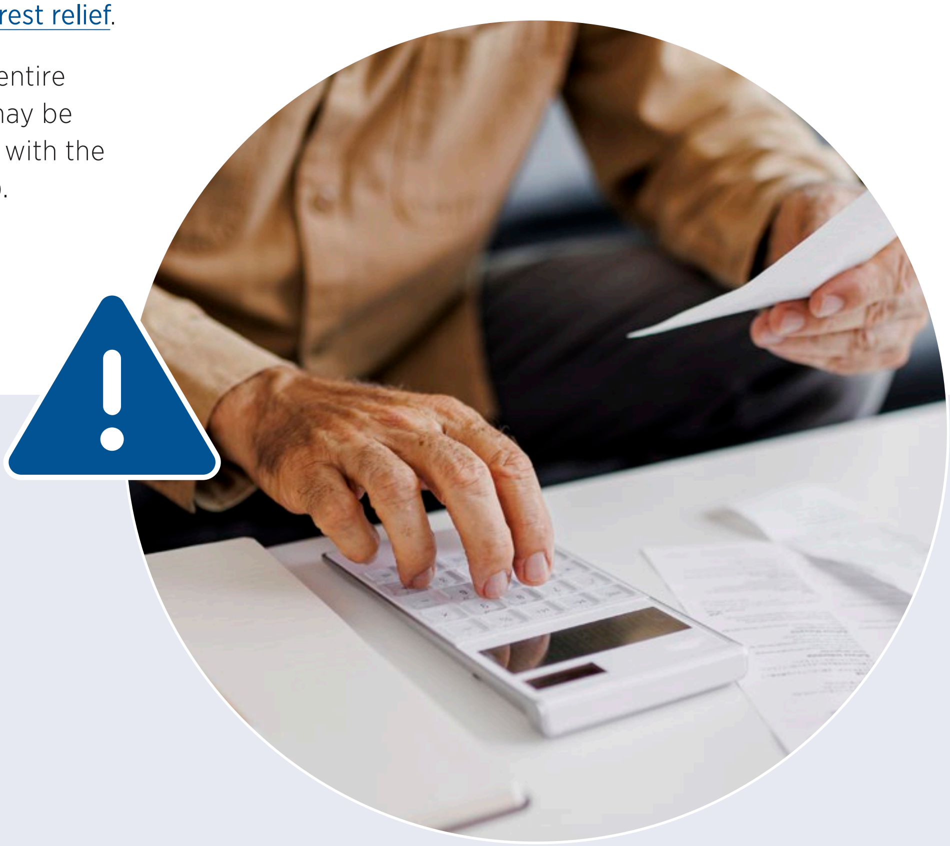
If you owe money to the CRA and file your taxes late, you’ll have to pay a penalty of 5% of the balance owed plus 1% for each month you are late, to a maximum of 12 months. If you are late multiple years, the penalty can increase to 10% plus 2% for each month your return is late, to a maximum of 20 months.

These percentages sound small, but they begin to add up. Let’s look at an example. Janet decided to wait to file her taxes until the following year (12 months later). She originally owed $8,000, but with penalties, she ended up owing $9,360.

Original balance owing	$ 8,000.00
5% penalty for late filing	$ 400.00
1% per month late x 12 months	$ 960.00
TOTAL OWING FOR FILING 12 MONTHS LATE	**$ 9,360.00**

Late filing penalties may still apply even if you are eligible to get penalty or interest relief.

If you cannot afford to pay the entire amount you owe at once, you may be able to arrange a payment plan with the Canada Revenue Agency (CRA).



Filing and Payment Deadlines for the 2024 Tax Year

You should be aware of several important 2024 income tax return deadlines, especially since these dates will vary depending on how your farm operation is structured. It's also important to pay on time. Postponing filings or payments will only delay problems for a few months, not eliminate them, and you'll potentially accrue more penalties.

Personal and Self-Employment Income Tax Deadline

A self-employed Canadian's standard personal income tax filing date is April 30. If you report self-employment income, you and your spouse or common-law partner have until June 16, 2025, to file your returns. Your T1 income tax package will include your personal tax form and your T2125 - Statement of Business or Professional Activities.

Although the CRA gives you extra time to file, you must pay it by the personal tax deadline to avoid interest and penalties if you owe any money.

What If I'm Paying Tax in Instalments?

Most individuals who have to pay tax instalments are required to pay quarterly on:

- **March 16**
- **June 16**
- **September 15**
- **December 15**

By making these quarterly payments to the CRA, you pay your taxes throughout the year instead of a lump sum by the April 30 filing deadline.

However, if your primary source of income is self-employment income from farming or fishing, you only have one instalment payment due date per year. You will receive an instalment reminder in November and must make your payments in the current year by December 31.

See more about paying tax in instalments on page 9.

Incorporated Business Tax Deadline

Tax returns for incorporated businesses are due six months after the corporation's fiscal year-end.

If you, like many incorporated farms, made the calendar year-end (December 31) your fiscal year-end, your tax deadline will be June 30 of the year following.

If your business is incorporated and has a balance that it still needs to pay, you have until two months after the end of your fiscal tax year to pay it off (two months after year-end).

There are some exceptions to this rule. Canadian-controlled private corporations (CCPCs) with annual business income less than $500,000 may have up to three months rather than two if they meet the eligibility criteria.

Generally, corporations must pay their taxes in monthly or quarterly instalments. There are some exceptions to this rule, which include (but are not limited to) the following:

- If your business is recently incorporated, you should not be required to make instalment payments until you have started your second fiscal year
- Your tax balance due is less than $3,000
- You are in a short tax year (less than one month or, in the case of a small CCPC, less than one quarter)

Instalment payments are due on the last day of every month of your tax year or every quarter if you are an eligible small CCPC.

TRYSHA WALKER, EDMONTON

John is the best accountant we've ever come across. We are always impressed with the work he does for us. **He goes above and beyond** the standard to make sure we have the best-case scenario to suit our needs at any given time. We appreciate everything he has helped us with including guiding us on how to properly use QuickBooks to make both our lives easier and faster. We never feel rushed in our meetings, he really takes his time to make sure we understand what's going on and what we should be doing.

We are very glad we found FBC and recommend them to everyone we can.

Underused Housing Tax Deadline

The Underused Housing Tax (UHT) is a federal tax in Canada that came into effect on January 1, 2022. It is an annual 1% tax on the ownership of vacant or underused residential properties in Canada. The UHT primarily targets foreign, non-resident owners, but it can also apply to certain Canadian owners, including some corporations, trustees, and partners.

For the 2024 tax year, UHT returns and payments are due by April 30, 2025. This tax applies to residential properties such as houses, condominiums, and buildings with up to three dwelling units. The tax is calculated based on the property's taxable value, generally greater than the assessed value for property tax purposes or the most recent sale price.

It's important to note that even if an owner qualifies for an exemption and doesn't owe any tax, they may still be required to file a form UHT-2900. Failure to file can result in significant penalties, with a minimum of $5,000 for individuals and $10,000 for corporations. The UHT is separate from provincial and municipal vacancy taxes that may also be in effect in some regions of Canada.

GST/HST Deadlines

GST/HST registrants in Canada must follow different deadlines for filing and paying taxes, depending on how often they report. There are special rules for self-employed individuals and those making instalment payments:

- **Monthly Filers:** File and pay one month after the end of the reporting period
- **Quarterly Filers:** File and pay one month after the end of the reporting period
- **Annual Filers:** File and pay three months after the fiscal year-end. However, for self-employed individuals with a December 31 fiscal year-end, your payment deadline is April 30, 2025, and filing your deadline is June 16, 2025
- **Instalment Payments:** Instalment payments are due within one month after the end of each of your fiscal quarters

Tax Instalment Payments

If your income needs more tax withheld, or you are self-employed, have rental or investment income, certain pension payments, or have income from more than one job, you may have been asked to pay tax instalments.

Do I Have to Make Tax Instalment Payments?

If your net tax owing was more than $3,000 ($1,800 for Quebec) for 2024 and in either 2023 or 2022, you must pay instalments in 2025. Instead of paying taxes in one lump sum on April 30 of the following year, instalments are paid during the same year as the income is earned.

Instead of paying one lump sum of taxes on April 30 of the following year, you pay tax instalments in the same year you earn the income. Installments for farmers/fishers are paid in one instalment payment on December 31. The instalment amount is equal to 66% of the amount calculated by using CRA's calculations chart for installment payments for 2024.

Calculating Tax Instalments

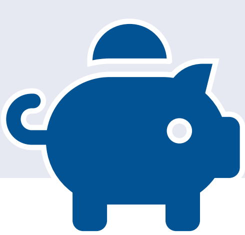
You have three options to calculate the amount of your required instalment:

1. **No Calculation Option:** This option is best if your income, deductions, and credits stay about the same year to year. The CRA determines the amount of your instalment payments based on the information from your latest assessed tax return.
2. **Prior Year Option:** This option is best if your 2024 income, deductions, and credits will be similar to your 2023 amount but significantly different from those in 2022. You determine the amount of your instalment payments based on the information from your tax return for the 2023 tax year.
3. **Current Year Option:** This option is best if your 2024 income, deductions, and credits significantly differ from those in 2023 and 2022. You determine the amount of your instalment payments based on your estimated current year (2024).

When you file your taxes, you claim the installment payments you made in the same year you earned the income.

Instalment Payment Deadline for Farmers

- **December 31**



TIP:

The CRA will look at your prior-year tax return and send instalment reminders to you based on your prior returns, usually in November.

If you have questions about instalment payments for farmers, we recommend speaking with a tax specialist to ensure you avoid Canada Revenue Agency (CRA) interest or penalties.

Tax Instalment Interest and Penalties

If you pay the CRA late or short of your payments, you will be charged interest and penalties for your required instalments.

Because instalment interest is compounded daily at the prescribed interest rate (which is calculated quarterly and can change every three months), it can differ depending on your business and tax situation.

You will be charged instalment interest if all the following apply:

- You are required to pay in instalments
- You receive an instalment reminder that shows an amount to pay
- You did not make any of your instalment payments, paid late, or paid less than you had to pay.

Here's how the CRA calculates your interest:

Interest on each instalment payment you missed	−	**Interest on each instalment you paid**	=	**Your total interest charge**
Calculated from balance due date, based on least interest owed.		*Calculated from later of payment date or January 1 to balance due date.*		*If more than $25, then this is the amount you owe.*

Instalment Penalties and How to Reduce Them

If you made late payments or didn't pay the right amount, the CRA will also charge you a penalty on top of interest. They only charge the instalment penalty if your interest charges exceed $1,000.

To calculate the penalty, the CRA charges a flat rate of $1,000 or 25% of the instalment interest you would have paid if you didn't make instalment payments, whichever amount is higher. The higher amount is subtracted from your actual instalment interest charges for 2024. Then, the difference is divided by two (2), and the result is your penalty.

The CRA will reduce or eliminate interest and penalties if you show a good act of faith, such as:

- Overpaying your next instalment payment, or
- Paying your next instalment early

Feeling Overwhelmed by Back Taxes?

It's easy to fall behind on taxes. Busy schedules, unexpected expenses, and complex tax laws can quickly lead to a daunting tax burden. But don't worry – you're not alone.

By partnering with a qualified tax provider, you can:

- **Gain Control:** Reclaim your financial future.
- **Reduce Stress:** Let experts handle the complexities.
- **Minimize Penalties**: Avoid costly consequences.

Connect with a tax specialist and take the first step towards a stress-free tax future.

Example: Calculating Instalment Penalties and Interest

For 2024, John made instalments that were less than he should have paid. As a result, his actual instalment interest charges for 2024 are $2,500.

If John had not made any instalment payments in 2024, his instalment interest charges would have been $3,200.

To calculate John's penalty, we first determine whether the flat rate of $1,000 is higher than the instalment interest calculation (25%):

INSTALMENT INTEREST CALCULATION
$3,200 (total interest with no payments) x 25% (instalment interest) = $800

Since the flat rate ($1,000) is higher than the 25% calculation ($800), we use the flat rate to calculate John's penalty:

FLAT RATE CALCULATION
$2,500 (interest charges) - $1,000 (flat rate) = $1,500

TOTAL PENALTY CALCULATION
$1,500 (difference between interest and flat rate) ÷ 2 = $750

Source: https://www.canada.ca/en/revenue-agency/services/payments/payments-cra/individual-payments/income-tax-instalments/interest-penalty-charges.html

2024 Tax Rates

In a marginal tax rate system like Canada's, taxpayer income is divided into tax brackets. These brackets determine the rate of tax applied to the taxable income that falls within that range.

Many believe that if they move up a tax bracket, they'll have to pay a higher rate on their entire income. In reality, the first dollar you earn will be taxed at the rate for the lowest tax bracket, and your last dollar earned will be taxed at the rate of the highest bracket for your total taxable income. The taxable income you earn between the lowest and highest rates will be taxed at the appropriate rate(s) for that range.

Personal Income Tax Rates

If you operate your business as a sole proprietor or are a self-employed farmer, any income you earn through your business is taxed at federal and provincial/territorial rates. For the 2024 tax year, personal income is taxed as follows:

FEDERAL INCOME TAX RATES

FEDERAL INCOME TAX RATES FOR 2024	
15%	on the portion of taxable income that is $55,867 or less, **plus**
20.5%	on the portion of taxable income over $55,867 up to $111,733, **plus**
26%	on the portion of taxable income over $111,733 up to $173,205, **plus**
29%	on the portion of taxable income over $173,205 up to $246,752, **plus**
33%	on the portion of taxable income over $246,752

Source: https://www.canada.ca/en/revenue-agency/services/tax/individuals/frequently-asked-questions-individuals/canadian-income-tax-rates-individuals-current-previous-years.html

PROVINCIAL AND TERRITORIAL PERSONAL INCOME TAX RATES (EXCLUDING QUEBEC)

Tax for provinces and territories is calculated the same way as federal tax. Once you know your taxable income (net income after claiming all deductions), you can then calculate your tax owing on that income. Calculate your federal income tax, then your provincial tax, and add the two together.

PROVINCES AND TERRITORIES	RATES
Alberta	
	10% on the portion of taxable income that is $148,269 or less, **plus**
	12% on the portion of taxable income over $148,269 up to $177,922, **plus**
	13% on the portion of taxable income over $177,922 up to $237,230, **plus**
	14% on the portion of taxable income over $237,230 up to $355,845, **plus**
	15% on the portion of taxable income over $355,845
British Columbia	
	5.06% on the portion of taxable income that is $47,937 or less, **plus**
	7.7% on the portion of taxable income over $47,937 up to $95,875, **plus**
	10.5% on the portion of taxable income over $95,875 up to $110,076, **plus**
	12.29% on the portion of taxable income over $110,076 up to $133,664, **plus**
	14.7% on the portion of taxable income over $133,664 up to $181,232, **plus**
	16.8% on the portion of taxable income over $181,232 up to $252,752, **plus**
	20.5% on the portion of taxable income over $252,752
Manitoba	
	10.8% on the portion of taxable income that is $47,000 or less, **plus**
	12.75% on the portion of taxable income over $47,000 up to $100,000, **plus**
	17.4% on the portion of taxable income over $100,000
New Brunswick	
	9.4% on the portion of taxable income that is $49,958 or less, **plus**
	14% on the portion of taxable income over $49,958 up to $99,916, **plus**
	16% on the portion of taxable income over $99,916 up to $185,064, **plus**
	19.5% on the portion of taxable income over $185,064

Newfoundland and Labrador	
	8.7% on the portion of taxable income that is $43,198 or less, **plus**
	14.5% on the portion of taxable income over $43,198 up to $86,395, **plus**
	15.8% on the portion of taxable income over $86,395 up to $154,244, **plus**
	17.8% on the portion of taxable income over $154,244 up to $215,943, **plus**
	19.8% on the portion of taxable income over $215,943 up to $275,870, **plus**
	20.8% on the portion of taxable income over $275,870 up to $551,739, **plus**
	21.3% on the portion of taxable income over $551,739 up to $1,103,478, **plus**
	21.8% on the portion of taxable income over $1,103,478
Northwest Territories	
	5.9% on the portion of taxable income that is $50,597 or less, **plus**
	8.6% on the portion of taxable income over $50,597 up to $101,198, **plus**
	12.2% on the portion of taxable income over $101,198 up to $164,525, **plus**
	14.05% on the portion of taxable income over $164,525
Nova Scotia	
	8.79% on the portion of taxable income that is $29,590 or less, **plus**
	14.95% on the portion of taxable income over $29,590 up to $59,180, **plus**
	16.67% on the portion of taxable income over $59,180 up to $93,000, **plus**
	17.5% on the portion of taxable income over $93,000 up to $150,000, **plus**
	21% on the portion of taxable income over $150,000
Nunavut	
	4% on the portion of taxable income that is $53,268 or less, **plus**
	7% on the portion of taxable income over $53,268 up to $106,537, **plus**
	9% on the portion of taxable income over $106,537 up to $173,205, **plus**
	11.5% on the portion of taxable income over $173,205
Ontario	
	5.05% on the portion of taxable income that is $51,446 or less, **plus**
	9.15% on the portion of taxable income over $51,446 up to $102,894, **plus**
	11.16% on the portion of taxable income over $102,894 up to $150,000, **plus**
	12.16% on the portion of taxable income over $150,000 up to $220,000, **plus**
	13.16% on the portion of taxable income over $220,000

Prince Edward Island	
	9.65% on the portion of taxable income that is $32,656 or less, **plus**
	13.63% on the portion of taxable income over $32,656 up to $64,313, **plus**
	16.65% on the portion of taxable income over $64,313 up to $105,000, **plus**
	18.00% on the portion of taxable income over $105,000 up to $140,000, **plus**
	18.75% on the portion of taxable income over $140,000
Saskatchewan	
	10.5% on the portion of taxable income that is $52,057 or less, **plus**
	12.5% on the portion of taxable income over $52,057 up to $148,734, **plus**
	14.5% on the portion of taxable income over $148,734
Yukon	
	6.4% on the portion of taxable income that is $55,867 or less, **plus**
	9% on the portion of taxable income over $55,867 up to $111,733, **plus**
	10.9% on the portion of taxable income over $111,733 up to $173,205, **plus**
	12.8% on the portion of taxable income over $173,205 up to $500,000, **plus**
	15% on the portion of taxable income over $500,000

Source: https://www.canada.ca/en/revenue-agency/services/tax/individuals/frequently-asked-questions-individuals/canadian-income-tax-rates-individuals-current-previous-years.html

Small Business Corporate Tax Rates

One benefit of incorporating your business is that Canadian-controlled private corporations (CCPCs) can use the Small Business Tax Deduction (SBD). The SBD provides small CCPC with a reduced tax rate payable on annual income up to $500,000 (or $600,000 in Saskatchewan).

If your corporation holds more than $50,000 of passive investment income, you will see a reduction in the amount that your active income is eligible for the small business tax rate.

Tax Implications for Personal Service Business

If you have incorporated your business to provide services to one other company, you might be considered a personal services business (PSB). Generally, a PSB exists when the individual performing the work would be considered an employee of the hiring company if it were not for the existence of the corporation.

If you are considered a PBS, you will not be eligible for the small business tax deduction. Your incorporated business will be subject to higher tax rates than those listed below.

To determine if you're a PSB, visit the CRA's website under "Worker who performs services on behalf of their own corporation (personal services business)."

CORPORATE 2024 TAX RATES FOR CCPC (EXCLUDING QUEBEC)

	SMALL BUSINESS INCOME RATE	SBD LIMIT	ACTIVE BUSINESS INCOME RATE	INVESTMENT OR PASSIVE INCOME RATE
Federal	9.0%	$500,000	15.0%	38.7%
Alberta	2.0%	$500,000	8.0%	8.0%
British Columbia	2.0%	$500,000	12.0%	12.0%
Manitoba	0.0%	$500,000	12.0%	12.0%
New Brunswick	2.5%	$500,000	14.0%	14.0%
Newfoundland & Labrador	2.5%	$500,000	15.0%	15.0%
Nova Scotia	2.5%	$500,000	14.0%	14.0%
Northwest Territories	2.0%	$500,000	11.5%	11.5%
Nunavut	3.0%	$500,000	12.0%	12.0%
Ontario	3.2%	$500,000	11.5%	11.5%
Prince Edward Island	1.0%	$500,000	16.0%	16.0%
Saskatchewan	1%	$600,000	12.0%	12.0%
Yukon	0.0%	$500,000	12.0%	12.0%

COMBINED FEDERAL AND PROVINCIAL 2024 TAX RATES FOR CCPC (EXCLUDING QUEBEC)

PROVINCE/ TERRITORY	SMALL BUSINESS INCOME RATE*	PERSONAL SERVICES BUSINESS RATE	ACTIVE BUSINESS INCOME RATE	INVESTMENT OR PASSIVE INCOME RATE
Alberta	11.0%	41.0%	23.0%	46.7%
British Columbia	11.0%	45.0%	27.0%	50.7%
Manitoba	9.0%	45.0%	27.0%	50.7%
New Brunswick	11.5%	47.0%	29.0%	52.7%
Newfoundland & Labrador	1.5%	48.0%	30.0%	53.7%
Nova Scotia	11.5%	47.0%	29.0%	52.7%
Northwest Territories	11.0%	44.5%	26.5%	50.2%
Nunavut	12.0%	45.0%	27.0%	50.7%
Ontario	12.2%	44.5%	26.5%	50.2%
Prince Edward Island	10.0%	49.0%	31.0%	54.7%
Saskatchewan	10/11%	45.0%	27.0%	50.7%
Yukon	9.0%	45.0%	27.0%	50.7%

*** Note:** The Small Business Deduction Limit is $500,000 for all listed provinces and territories, except Saskatchewan, which is set at $600,000.

RRSPs as a Tax Deferral Mechanism

There is a reason that most Canadians race to contribute to their Registered Retirement Savings Plan (RRSP) before the deadline each year: it provides immediate tax relief by lowering your taxable income while providing tax sheltered growth.

To maximize the benefits of the RRSP, you should contribute to it when you're in a higher tax bracket and withdraw from it when you're in a lower tax bracket, like when you're retired.

RRSP Deduction Limit Versus Contribution Room

Your RRSP deduction limit and contribution room are not the same thing:

- **Deduction Limit:** The amount you can put into your RRSP and use as a deduction on your income tax. For the 2024 tax year, it is up to 18% of your reported 2023 income (to a maximum of $31,560, whichever is less).
- **Contribution Room:** Unused deductions accumulate over time, so your contribution limit is the current year's deduction limit plus any unused deduction room from previous years.

The CRA keeps track of your contributions, so the easiest way to find out what you can contribute in 2024 is to review your latest notice of assessment or notice of reassessment. You can also find it on a T1028 form, which the Canada Revenue Agency (CRA) sends you if your RRSP deduction limit has changed since your last assessment.

The RRSP contribution deadline is always 60 days after December 31 of the taxation year. For the 2024 tax year, it is February 28, 2025

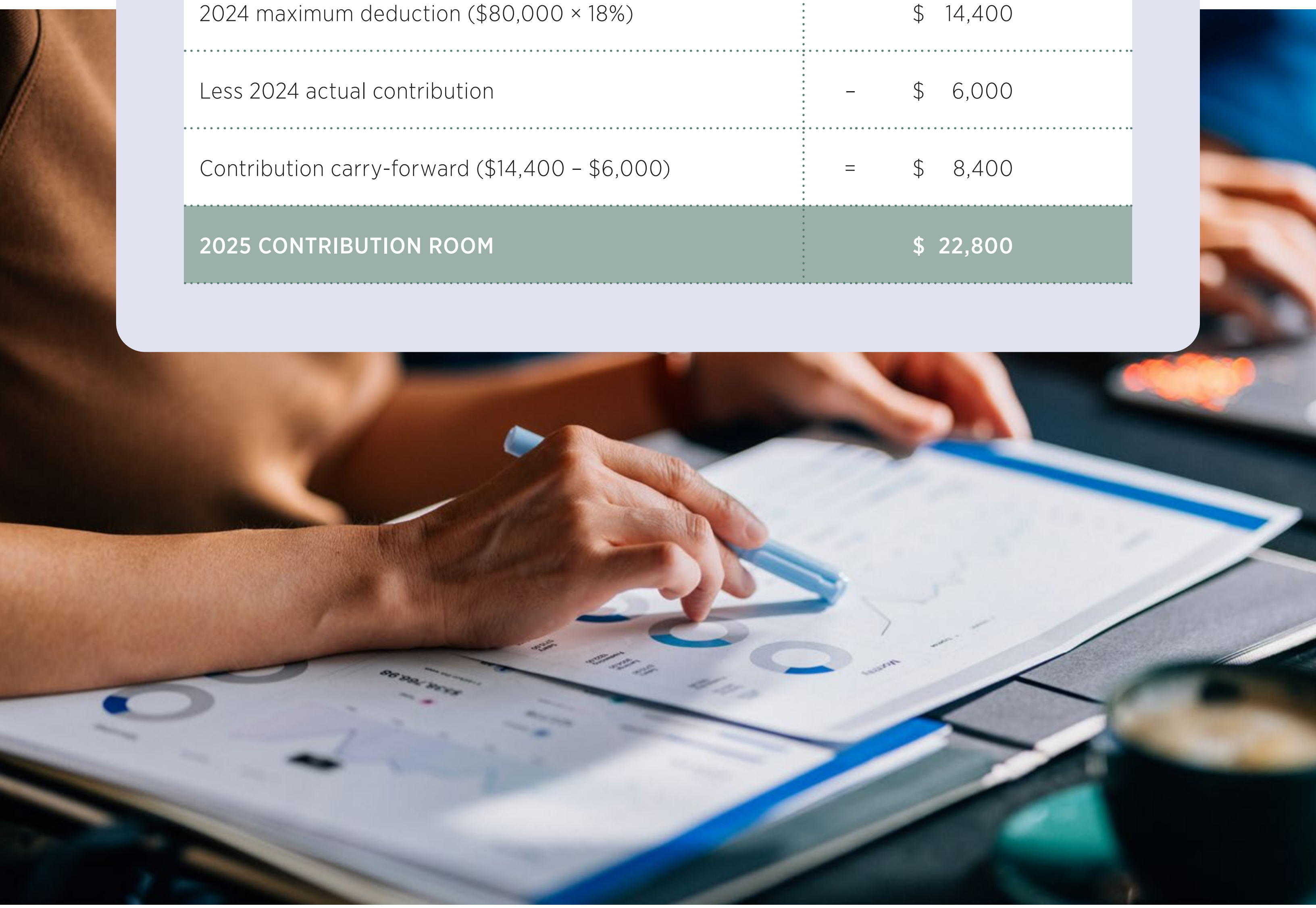
Example: Calculating Contribution Room

Mary's full-time, pre-tax employment income in 2023 was $80,000. Her maximum deduction limit for the 2024 tax year would be calculated as follows: $80,000 X 18% = $14,400 (less than the maximum limit of $30,780).

Mary can deduct up to $14,400 through her RRSP contribution for the 2024 tax year.

If Mary contributes $6,000 to her RRSP for 2024, she'll have $8,400 that she can carry forward in the contribution room for the 2025 tax year. Assuming her deduction limit stays the same, she will be able to contribute a total of $22,800 ($14,400 + $8,400).

2023 income		$ 80,000
2024 maximum deduction ($80,000 × 18%)		$ 14,400
Less 2024 actual contribution	–	$ 6,000
Contribution carry-forward ($14,400 – $6,000)	=	$ 8,400
2025 CONTRIBUTION ROOM		**$ 22,800**



Using Tax Deductions and Credits to Lower Your Tax Bill

We'll outline tax credits and deductions that may help farmers, livestock producers, and agri-businesses pay less tax, but first, let's explore the differences between tax deductions and tax credits.

Tax Deductions Versus Tax Credits

Tax deductions or "write-offs" are allowable business expenses that lower your taxable income before tax is applied. A tax credit will directly reduce the final amount of tax you must pay to the Canada Revenue Agency (CRA).

Tax deductions on a farm can include everything from clearing, levelling, and draining land to freight costs, custom work to fertilizer, and business use of home expenses if you have a home office.

It's important to understand that the total impact of your deduction on your taxable income depends on your variable tax rate – this means it will always be calculated as a percentage. You must also claim tax deductions in the same year the expense was incurred.

Tax credits are also calculated as a percentage of the total amount you paid. For example, if you are an unincorporated farmer and donate $150 to a charitable organization, your tax credit would be 15% ($22.50).

Unlike deductions, credits reduce the tax owed on a dollar-for-dollar basis. For example, if you had $100 worth of combined tax credits, you would subtract $100 from your total tax owed.

ANGELA LEE, CALGARY

I have been using FBC for personal and business taxes going on 15 years. **Adam, my personal tax specialist, has been incredibly helpful**. His knowledge has guided me through several life/business changes, and I appreciate the expertise he has shared over the years!

Available Tax Deductions

We've compiled a list of top tax deductions to help lower your tax bill.

ADVERTISING

You can deduct expenses for online advertising, advertising on Canadian radio and television stations, Canadian newspapers and magazines, and promotional materials like business cards and pamphlets.

Sponsorship of local sports teams and other branded charitable donations can be claimed as advertising if the materials include your branding and logo, which could increase awareness of your business.

BAD DEBTS

If you are owed money from a buyer but cannot collect it within a year, you may be able to claim it.

Not all bad debt is eligible. The CRA will not let you claim bad debts related to a mortgage or debts that result from a conditional sales agreement. We always advise farmers to speak to a tax professional for more information.

BUILDING REPAIRS AND MAINTENANCE

This includes repairs to fences and buildings used for farming but excludes your farmhouse.

BUSINESS TAXES, LICENSES AND MEMBERSHIPS

You can deduct annual license fees (beverage, trade, motor vehicle licenses) and some business taxes (municipal taxes, land transfer taxes, gross receipt tax, health and education tax and hospital tax). You can also deduct annual dues or fees for trade or commercial associations and magazine subscriptions if expenses are incurred to earn business income.

Note: golf club memberships are not tax deductible. They're one of the items restricted explicitly by the CRA regarding tax deductions.

BUSINESS USE OF HOME EXPENSES

You can deduct expenses for the business use of a workspace in your home. This includes part of your maintenance costs (cleaning materials, utilities, home insurance) along with part of your property taxes, mortgage interest and capital cost allowance.

HOW TO CALCULATE YOUR BUSINESS-USE-OF-HOME EXPENSES

You can claim this expense as a tax deduction if the workspace in your home is the principal place of business or if you use the space only to earn business income and meet regularly with your customers in the workspace.

To claim this expense and avoid CRA scrutiny, make sure you've calculated the percentage of your home used for your business and apply that percentage to the tax deduction. For example:

Total living space	1,000 ft^2
Total office space	100 ft^2
Percentage of home used for business (1,000 ft^2 ÷ 100 ft^2)	10%
Annual electricity bill	$ 1,000
Multiply by percentage of home used for business	× 10%
TOTAL DEDUCTION	**$ 100**

CLEARING, LEVELLING AND DRAINING LAND

You can deduct expenses for clearing trees, roots, stones, and brush from your farmland, building unpaved roads, and installing land drainage.

CONTAINERS AND TWINE

You can deduct expenses for materials you bought to package, contain, or ship farm produce or products.

CROP INSURANCE, REVENUE PROTECTION PROGRAM, AND STABILIZATION PREMIUMS

This includes premiums to participate in programs such as AgriStability, AgriInvest, AgriInsurance and AgriRecovery.

CUSTOM OR CONTRACT WORK (INCLUDES MACHINE RENTALS)

This includes costs related to hiring subcontractors and rental equipment used to earn farming income (aerators, dozers, plows, etc.)

A word of caution: You must ensure that your subcontractor work fees do not qualify as employee wages. Otherwise, you may be liable for unpaid employment premiums and taxes and be subject to penalties and interest.

DELIVERY, FREIGHT AND EXPRESS

Costs for delivery and freight related to your farming business can be deducted.

DEPRECIATION EXPENSE

If you purchase a capital asset (furniture, equipment, computers, etc.), you cannot claim the total purchase amount in one year. Instead, you claim the depreciation amount (Capital Cost Allowance or CCA) based on the rate the CRA allows. Please speak with a tax specialist to ensure you use the correct CCA class and claim the proper amount.

To learn more, see "Capital Cost Allowance for Farmers and Agricultural Producers" on page 32.

ELECTRICITY

You can deduct expenses for electricity related to your farm properties.

FEED, SUPPLEMENTS, STRAW AND BEDDING

You can deduct expenses for these items if purchased for your farming business.

FERTILIZERS AND LIME

You can deduct these expenses if they were used for your farming business.

GASOLINE, DIESEL FUEL AND OIL FOR MACHINERY

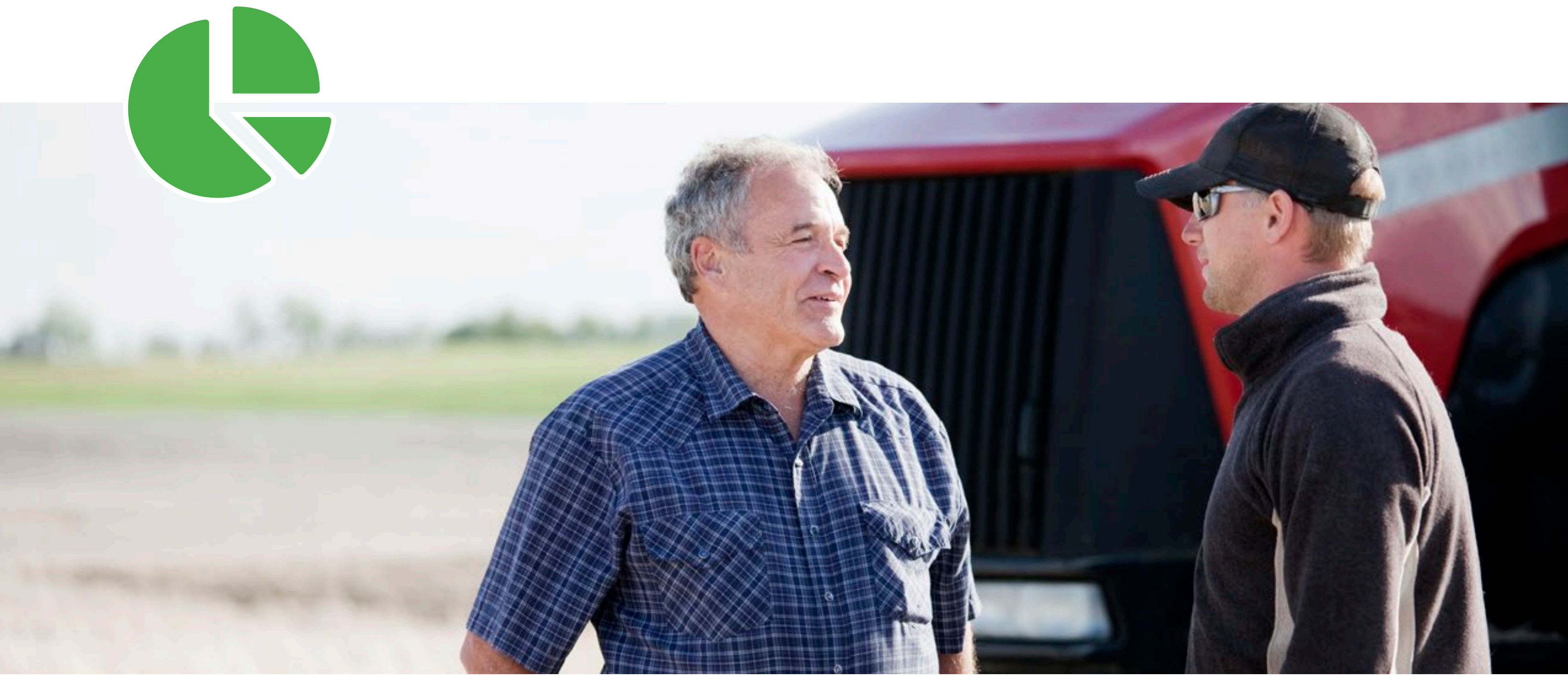
You can deduct these expenses if you use them for your farming machinery.

HEATING FUEL AND CURING FUEL

You can deduct expenses related to heating farm buildings.

INSURANCE

You can deduct insurance premiums you pay for insurance on farm buildings, qualifying farm equipment, livestock and business interruption.



INTEREST AND BANK CHARGES

You can deduct interest on money borrowed for business purposes or to buy property for your farming business. You can't deduct the loan's principal, mortgage payments, or any money borrowed for personal purposes.

You can deduct the fee you pay to reduce the interest rate on your loan, along with any penalty a bank charges you for paying off your loan before it is due. Talk to your tax professional for more information.

LIVESTOCK

You can deduct expenses related to purchasing livestock.

MACHINERY EXPENSES

This includes expenses related to the upkeep of your machinery.

MOTOR VEHICLE EXPENSES

Suppose you use your personal vehicle regularly for business-related activities. In that case, you can deduct a portion of your license and registration fees, fuel and oil costs, insurance, maintenance and repairs and leasing costs. See "Motor Vehicle Expense Records" on page 39.

OFFICE EXPENSES

This includes small items like pens, pencils, paper clips and stationery. You can't claim calculators, filing cabinets, chairs and desks, which are capital items.

PESTICIDES

You can deduct the cost of herbicides, insecticides, and fungicides for your farming business.

PROFESSIONAL FEES

Fees for accounting, bookkeeping, tax preparation and finances can be deducted, along with legal fees.

PROPERTY TAXES

This relates to property used in your farming business.

REPAIRS, LICENCES AND INSURANCE (MACHINERY)

You can deduct these costs as incurred for your machinery.

RENT (LAND, BUILDINGS AND PASTURE)

You can expense the costs if you rent the land for your farming business.

SALARIES, WAGES AND BENEFITS

You can deduct employees' gross salaries and other benefits incurred by you as the employer. As the employer, you must deduct your part of CPP contributions and employment insurance premiums. You can also deduct workers' compensation amounts payable on employees' remuneration. You can deduct salaries paid to yourself or business partners ONLY if you are incorporated and pay yourself a salary through the corporation.

SEEDS AND PLANTS

This relates to seeds and plants used in your farming business.

SMALL TOOLS

You can deduct their total cost if the tools cost less than $500. If they cost more than $500, you must deduct their cost over a period of years using the Capital Cost Allowance (CCA).

VETERINARY FEES, MEDICINE AND BREEDING FEES

You can deduct your livestock's medical expenses and veterinary and breeding fees.

Available Tax Credits

No dollar isn't hard-earned when you work on a farm. That's why using every tool available to lower your tax burden, including tax credits, is critical.

Tax Credits for Individuals

CANADA TRAINING CREDIT

The Canada Training Credit (CTC) is a refundable tax credit that helps Canadians cover the costs of eligible training fees. To be eligible, you must be a Canadian resident aged 26-65 with an income between $10,000 and $150,000. You accumulate $250 per year towards a lifetime limit of $5,000. You can claim up to half of your eligible tuition and fees paid to a Canadian educational institution. The CTC is applied directly to your tax return, reducing your taxes owed or increasing your refund.

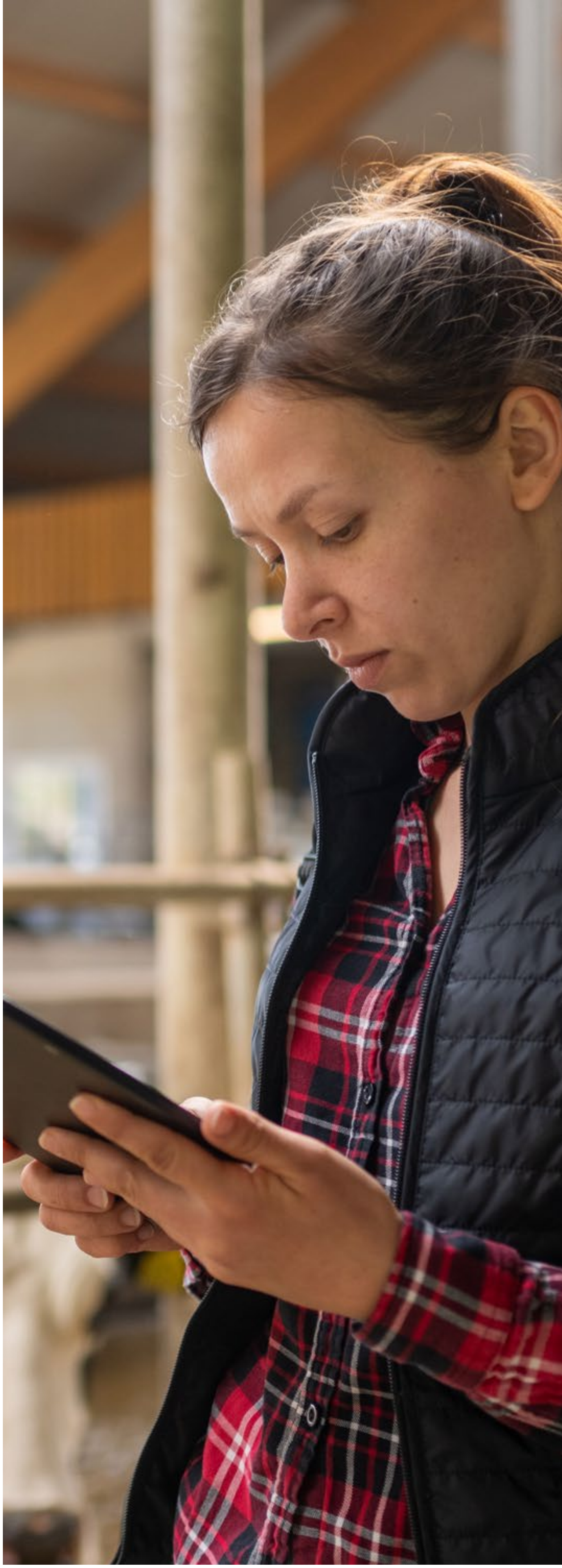
DIGITAL NEWS SUBSCRIPTION TAX CREDIT

The Digital News Subscription Tax Credit is a non-refundable tax credit designed to support Canadian journalism. It allows individuals to claim up to $500 in eligible digital news subscription expenses annually. To qualify, the subscription must be to a Qualified Canadian Journalism Organization (QCJO). This credit is intended to help sustain quality journalism in Canada by encouraging individuals to subscribe to digital news sources.

DISABILITY TAX CREDIT

The Disability Tax Credit (DTC) is a non-refundable tax credit designed to help individuals (or their dependents) with severe and prolonged mental or physical impairments or their supporting family members reduce their income tax burden.

To qualify, a medical practitioner must certify that you/your dependent has a significant impairment that limits your ability to perform basic life activities by DTC criteria. If approved, the DTC can provide a substantial tax credit, which can help offset the additional costs associated with a disability, such as medical expenses, assistive devices, or modified housing.



Tax Credits for Farmers, Livestock Producers, and Agribusinesses

APPRENTICESHIP JOB CREATION TAX CREDIT

If you own a farm or agribusiness that has hired an apprentice, you can claim 10% of their wages, up to a maximum of $2,000 per eligible employee.

An eligible apprentice works for you in a qualifying trade during the first two years of their field of expertise. Any unused credit can be carried back three years and carried forward up to 20 years (to help offset larger tax bills).

To learn more about this tax credit, please visit the CRA website.

CHARITABLE TAX CREDIT

You will receive a tax credit for charitable donations as an unincorporated farmer or individual.

Before making a charitable donation, you should determine the eligible amount you can claim as a tax credit and confirm that the registered charity meets all CRA requirements.

For example, Amanda donates $1,000 to her local minor hockey team (a registered charity) on behalf of her unincorporated farm. As a "thank you," she receives free tickets to the team's silent auction fundraiser, valued at $150. Amanda received an advantage of $150 in this case, so the eligible gift amount is only $850 ($1,000 – $150 = $850).

According to the CRA, once you determine your donations are eligible, in any one year, you can claim:

- Donations made by December 31 of the applicable tax year
- Any unclaimed donations made in the previous five years
- Any unclaimed contributions made by your spouse or common-law partner in the year or the last 5 years.

You can claim eligible gifts up to a limit of 75% of your net income; gifts of certified cultural property or ecologically sensitive land can be claimed up to 100% of your income.

There are two charitable tax credits: one rate for the federal government and one rate for the province or territory in which you live. Use the charitable donation tax credit rates table to calculate your credit.

JM FARMS, SMITH FALLS

Jesse is always polite punctual and well informed. We appreciate his willingness to share a wealth of financial knowledge and other interest. We look forward to meeting with him several times a year. **We would recommend him to anyone**. Thank you, Jesse!

The CRA provides the following example to illustrate how this calculation works. A donor in Alberta with a taxable income of $40,000 will donate $700 in 2024. Their tax credit is calculated as the total of:

FEDERAL CREDIT CALCULATION	TAX CREDIT VALUE
15% on the first $200	$30
29% on the remaining $500	$145
Total federal credit	**$175**

PROVINCIAL CREDIT CALCULATION	TAX CREDIT VALUE
10% on the first $200	$20
21% on the remaining $500	$105
Total provincial credit	**$125**

TOTAL FEDERAL CREDIT	TOTAL PROVINCIAL CREDIT	TOTAL CHARITABLE TAX CREDIT
$175	**$125**	**$300**

In this example, the total charitable donation tax credit for 2024 is $300. Speak to a tax specialist to ensure you receive credit for your annual charitable donations properly, or visit the CRA's website under "Charities and Giving".

It is also worth investigating whether local or provincial donation programs are specifically for farmers. For example, BC farmers who donate qualifying agricultural products to a food-related charity (school lunch program, food bank, etc.) can be eligible for the farmers' food donation tax credit.

Note: Charitable donations are a Division C tax deduction for incorporated businesses. Please speak to a tax specialist if you have any questions about donations and their tax implications.

INPUT TAX CREDIT

If you have a registered GST/HST number, you may be eligible to recover GST/HST paid or payable on purchases and expenses related to your farm business by claiming input tax credits.

To claim this credit, keep track of GST/HST paid on all eligible farm business expenses and claim them when you file your GST/HST return. Be sure to keep your receipts should you be required to back up your claims.

What expenses are eligible for input tax credits?

To claim an input tax credit, the expense(s) must be reasonable in quality, nature, and cost in relation to the nature of your farm operation or agribusiness. The following expenses may be eligible for input tax credits:

- Business-use-of-home expenses
- Delivery and freight charge
- Fuel costs
- Legal, accounting, and other professional fees
- Maintenance and repairs
- Meals and entertainment (allowable part only)
- Motor vehicle expenses
- Office expenses
- Rent
- Telephone and utilities
- Travel

The following expenses are NOT eligible for the input tax credit:

- Certain capital property
- Taxable supplies of property and services bought or imported to make exempt supplies of property and services
- Membership fees or dues to any club whose primary purpose is to provide recreation, dining, or sporting facilities (including fitness clubs, golf clubs, and hunting and fishing clubs) unless you acquire the memberships to resell in the course of your business
- Property or services you bought or imported for your consumption, use, or enjoyment

INVESTMENT TAX CREDITS

According to CRA rules, farmers may be eligible to claim one of the following investment tax credits (ITC) if any of the following applies:

- You bought certain new buildings, machinery, or equipment, and they were used in some regions of Canada in qualifying activities such as farming, fishing, logging, manufacturing, or processing
- You have done work that qualifies for scientific research and experimental development (SR&ED) tax incentives
- You employ an eligible apprentice and want to claim an Apprenticeship Job Creation Tax Credit
- You have unclaimed credits earned in the last 10 years

What if you qualify for investment tax credits but still need to claim them? You can carry forward credits earned in tax years that end after 1997 for up to 20 years. You can also repay the credit you earn for up to three years. You may be able to claim a refund of your unused ITCs as well.

There are eligibility rules and requirements that must be met before claiming investment tax credits, so consult a tax specialist to ensure you follow the rules.

Atlantic Investment Tax Credit

This credit supports investments in qualified property – equipment, buildings, and machines – mainly used for farming, fishing, logging, manufacturing, processing, storing grain, or harvesting peat.

Investments in newly acquired property used mainly in Atlantic Canada and the Atlantic Region are calculated using a specified percentage of 10%. If you farm or store grain in that region, please consult a tax specialist to ensure you're correctly applying for this credit.

Scientific Research And Experimental Development Tax Credit

The Scientific Research and Experimental Development Tax Credit (SR&ED) program allows you to deduct scientific research and development expenses to reduce your taxable income.

Your SR&ED investment tax credit will be at least 15% for individuals and can be as much as 35% of your qualified expenditures for farm corporations. As with any ITCs, you can carry them back three years or forward 20 years and apply them against tax payable for other years.

According to the CRA, to claim the Scientific Research and Experimental Development (SR&ED) investment tax credit (ITC), the work must meet two requirements:

- The work is conducted for the advancement of scientific knowledge or to achieve a technological advancement, and,
- Work is a systematic investigation or search carried out in a field of science or technology, utilizing experimentation or analysis.

Depending on where you live, you may also qualify for additional tax credits and grants through provincial governments and territories.

LEVY AND CHECK-OFF FEES

Suppose you are a farmer contributing to Research and Development (R&D) by paying check-offs or levies to provincial agricultural organizations. In that case, you can claim a portion of that expense on your federal taxes as an SR&ED credit.

These qualify for the SR&ED tax credit because these provincial organizations invest a portion of the fees they collect in R&D at a CRA-approved research facility, such as for agronomic studies or breeding programs.

As the percentage eligible to claim varies for each organization depending on how much money they invest in R&D yearly, it is best to check eligibility with them directly. Consult your grain ticket or sales receipt to calculate how much you paid. Again, you can only claim this if you have paid your check-off or levy – not if you filed for a refund for these fees.

Whether you're trying to claim your check-off dollars or wondering if you can claim your R&D for your operation, SR&ED tax credits have many complex rules around eligibility. As always, it's best to talk to a tax expert before applying them or incurring expenses that may not qualify for the credit.

RETURN OF FUEL CHARGE PROCEEDS TO FARMERS TAX CREDIT

The Return of Fuel Charge Proceeds to Farmers Tax Credit is a refundable credit on fuel charge proceeds from the federal carbon pricing system (commonly called the federal "carbon tax"). To qualify, eligible farming businesses, including self-employed farmers, must earn farm income and incur total farming expenses of at least $25,000 or more.

The program is only made available to farm businesses in the following provinces that do not currently have a carbon pricing system that meets the federal requirements: Ontario, Manitoba, Saskatchewan, and Alberta.

Capital Cost Allowance for Farmers and Agricultural Producers

Suppose you acquire a depreciable property or asset for your farming business – such as a building, furniture, or equipment – valued at more than $500. In that case, you can't deduct the entire cost as an expense in one taxation year.

Since these assets wear out over time and are considered "capital," you can deduct their cost over several years using the Capital Cost Allowance (CCA).

The CCA is the portion of an asset that the Canada Revenue Agency (CRA) allows you to deduct as depreciation on your yearly tax return.

There are a few rules you need to follow to claim CCA:

- You cannot deduct its total cost when calculating your net business income for the year you acquired the asset or property. It must be deducted over the years and is subject to the Class allowances defined by the CRA.
- CCA can only be deducted from available assets at the end of your fiscal year. If you purchased an asset that isn't available for use, you can't claim CCA in that tax year. For example, let's say you buy a combine in the fall, but it hasn't been manufactured yet – it wouldn't be eligible for CCA since it's not available for use yet.
- While you don't have to use your purchase in the fiscal year you acquired it, it must be delivered and made available to you and be capable of performing the function for which you bought it.

Different rules and classes depend on the asset, its use and value. We recommend talking to a tax specialist to determine the optimal application for this deduction.

How Much CCA Can I Claim?

It depends on the type of property you own and when you acquired it.

The CRA groups fixed assets into different classes, each with its own depreciation rate.

For example:

- Silos are considered Class 8 property which allows you to deduct 20% from your annual CCA
- Tractors, trailers and trucks are typically considered Class 10, which provides for 30% CCA

You don't have to claim the maximum amount of CCA in any given year. You can claim the amount you'd like, from zero to the maximum allowed for the year. This is an excellent opportunity to take stock of your tax position and if it would benefit you to claim CCA.

If you don't have to pay income tax for the year, you may not want to claim CCA since it reduces the balance of the class by the amount of CCA claimed. As a result, the amount of CCA you can claim in future years will be reduced. In this case, you could save the CCA for future years when your tax bill is higher.

If you hope to bring down your income and purchase a fixed asset in the current fiscal year, you can take advantage of the Canadian government's accelerated investment incentive.

Half-Year Rule

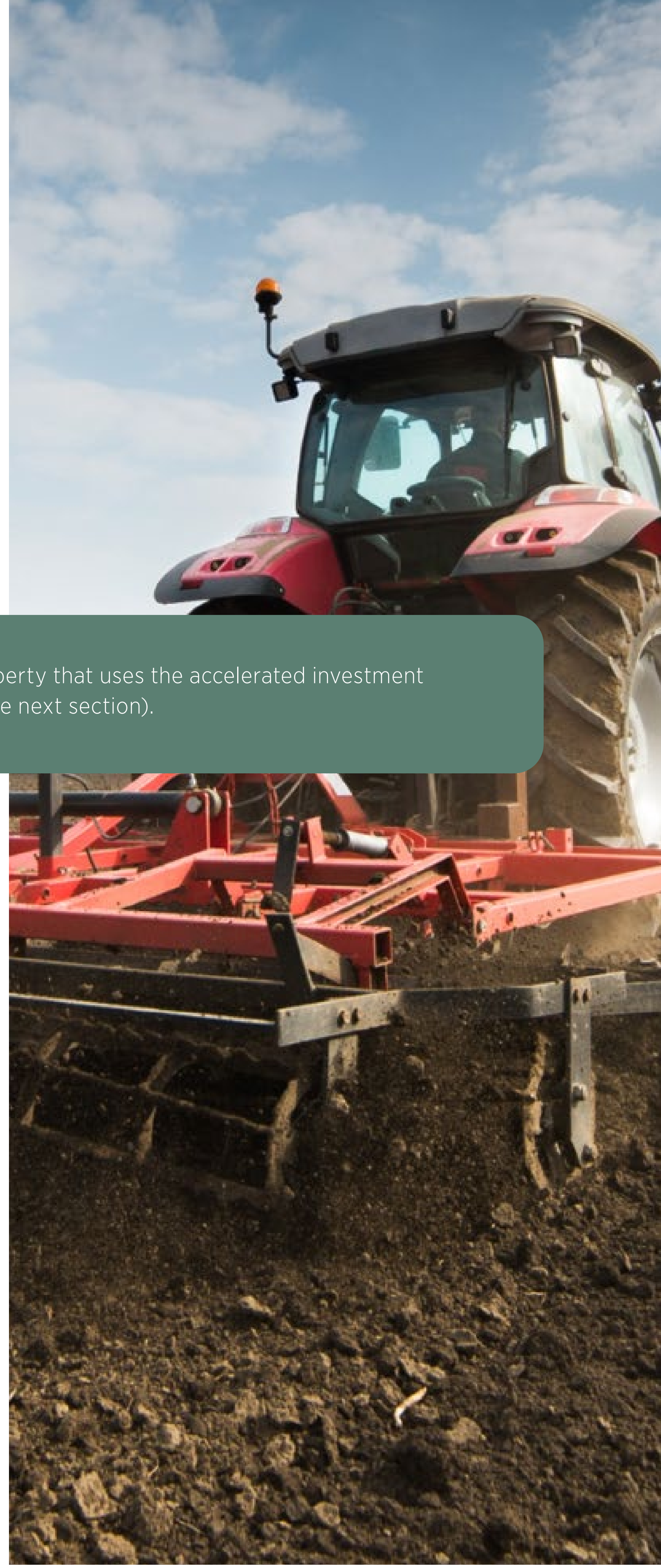
Traditionally, the Half-Year Rule limited CCA claims to half the normal rate in the year of acquisition. However, the Accelerated Investment Incentive, introduced in 2018, has modified this:

1. **First Year of Acquisition:** The traditional Half-Year Rule has been suspended for most property classes under the Accelerated Investment Incentive. Instead of claiming only half of the regular CCA in the first year, you can now claim up to 1.5 times the normal first-year CCA.
2. **Subsequent Years:** Following the acquisition, you can claim the total CCA amount based on the asset's class and depreciation rate as the CRA prescribes.
3. **Recapture:** If you sell or dispose of the asset before the end of its useful life, you may need to recapture some of the CCA that you previously claimed. This accounts for the depreciation deduction you received but didn't use because you disposed of the asset early.
4. **Terminal Loss:** If you sell an asset for less than its undepreciated capital cost (UCC), you can claim a terminal loss. This can help offset income in the year of sale.
5. **Immediate Expensing for CCPCs:** Canadian-controlled private corporations (CCPCs) can immediately expense the entire purchase of eligible capital depreciable property in certain classes for assets acquired after April 19, 2021, and before 2024.

It's important to note that not all assets are subject to the Half-Year Rule. Some assets, like certain vehicles, are subject to different CCA rules.

The specific CCA rates and rules for different classes of assets can change over time, so it's essential to seek guidance from a tax specialist to ensure you are accurately tax planning and reporting for your business.

If you purchased capital assets for your farm in 2024, you may be able to take advantage of two key tax incentives to make significant deductions in the first year of purchase: Accelerated Investment Incentive (AII) and Immediate Expensing Property (IEP).



The Half-Year Rule would be suspended for property that uses the accelerated investment incentive or immediate expensing provisions (see next section).

ACCELERATED INVESTMENT INCENTIVE (AII)

The Accelerated Investment Incentive (AII) enhances eligible property's first-year Capital Cost Allowance (CCA). It applies to eligible assets purchased after November 20, 2018, and available for use before 2028.

The two main benefits provided by AII are:

1. You can apply the prescribed CCA rate one-and-a-half times in the first year an eligible asset was purchased.
2. The half-year rule does not apply in the year of acquisition, effectively allowing a first-year allowance equal to three times the average first-year deduction.

Important Notes:

- AII is currently in its phase-out period (2024-2027). The enhanced deduction will gradually decrease each year until 2028.
- AII does not increase the overall CCA you can deduct - only the allowable amount in the first year of purchase.
- An increased first-year deduction means your subsequent year deductions will be reduced.

IMMEDIATE EXPENSING PROPERTY (IEP)

Immediate expensing rules allow businesses to deduct the total cost of qualifying assets in the year they are acquired rather than depreciating them over time.

To qualify for immediate expensing, the asset must meet specific criteria set by the CRA:

For Canadian Controlled Private Corporations (CCPCs):

- Property must have been acquired on or after April 19, 2021, and became available for use before January 1, 2024.
- Maximum deduction of $1.5 million per taxation year.

Note: This program ended for CCPCs as of 2024.

For Canadian resident individuals (unincorporated) or partnerships where all members are individuals:

- The eligible property must be purchased on or after January 1, 2022, and become available for use before 2025.
- This program was still active for the 2024 tax year.

Eligible property includes all assets subject to CCA rules, with exceptions for certain long-lived asset classes (Classes 1 to 6, 14.1, 17, 47, 49, and 51).

Strategic Considerations for Tax Incentives and CCA

1. **Timing of Purchases:** Consider the phase-out period of AII when planning major asset acquisitions.
2. **Interaction With Other Incentives:** Some CCA classes (e.g., Classes 43.1, 43.2, and 53) have full expensing measures that may interact with AII.
3. **Unincorporated Farms:** You still have the opportunity to benefit from immediate expensing until the end of 2024.
4. **Incorporated Farms:** While immediate expensing has ended, you can still benefit from AII for eligible purchases.
5. **Plan for the Future:** Consider how the gradual reduction of AII benefits will impact your tax planning in the coming years.

Example: Tom Purchases a New Silo

Let's say Tom bought a $100,000 silo in 2024 to replace his previous silo and it's been manufactured and is available for use. Here are the important details:

He's created an addition of $100,000 in eligible property in 2023

His Undepreciated Capital Cost (UCC) in the 2023 tax year is $32,000, which is the balance of the silo left for further depreciation

He disposed of the old silo. So, with a proceed of $5,000 from the sale of the previous silo, and a purchase of $100,000 on his new silo, the net additions are $95,000.

Since equipment qualifies for the accelerated investment incentive, he takes advantage of the temporary accelerated CCA rate. The incentive suspends the half-year rule that eligible property is normally subject to and provides for an accelerated CCA rate of 150% in the first year the silo is acquired. Here is how we'd calculate this:

Silo (Class 8 Property):			
1. The UCC is adjusted with the CCA calculation to find Tom's base CCA amount: $95,000 (net additions) + $47,500 (additional 50% of the net additions) + $32,000 (UCC opening balance) = 174,500	**Opening UCC**		**$ 32,000**
	Additions	**$ 100,000**	
	Disposals: Lessor of cost or proceeds		
	i) cost 50,000	**(5,000)**	
	ii) proceed 5,000		
	Net additions	**$ 95,000**	
	Accelerated IIP rule	**47,500**	
			$ 142,500
	Base amount for CCA		**$174,500**
2. The CCA rate for the silo is 20% so we apply that to the adjusted UCC to get the CCA number: 20% (CCA rate for silo) x $174,500 (base amount) = $34,900	**CCA (174,500 x 20%)**		**(34,900)**
3. Then Tom subtracts the CCA number from the base amount, along with the accelerated CCA rate to find out how much is available for depreciated in 2024: $174,500 (base amount) - $34,900 (CCA rate) - $47,500 (AII rule) = $92,100 Ending UCC Tom has $92,100 available for depreciation in 2024.	**Accelerated IIP rule**		**(47,500)**
	Ending UCC		**$ 92,100**

Note: This is a simplified example. Contact your tax specialist to discuss how you can take advantage of the CCA for your farm.

Accelerated or immediate expensing is not the best option for every farm. Depending on your financial situation and long-term plans, it may be better for you to depreciate assets over time. Speaking to a tax expert about CCA and whether you're eligible for tax incentives is essential.

What If I Want to Sell My Fixed Assets?

If you have depreciable assets to sell, it may be better to wait until the new fiscal year. The delay lets you claim another year of capital cost allowance (CCA) in the current tax year.

However, any gains on the fixed asset will also be included in your income the following year, and the CCA will be reduced by deducting the sale proceeds.

What If I Need to Repair My Fixed Assets?

A capital expense is the cost of a repair that provides a lasting benefit or advantage. For example, if you install vinyl siding on the exterior walls of a wooden property, you are extending its useful life. This expense must be included in your CCA for that fixed asset.

What If I Buy Property for Both Personal and Business Use?

If you purchase property that is used for both business and personal use (such as a passenger vehicle), you will have to calculate the portion of the property used for business purposes and claim it in the CCA section on your T2042 - Statement of Farming Activities.

Below is an example. Having page 5 of Form T2042 open while you read it will be helpful.

Example: Tom Buys A Car For Business And Personal Use

Tom bought a car in 2024 that he uses for both business and personal use. Here are the important details:

The total cost (including fees and taxes) is $68,000

His car falls under Class 10 which allows for 30% CCA but only on the portion used for business purposes.

21,000 kilometres out of 46,000 total kilometres were used for business purposes.

Assuming he did not sell another vehicle in 2022, his CCA calculation on the new car would be as follows:

$68,000 will be entered into column 3 of "Area A – Calculation of capital cost allowance (CCA) claim"

$68,000 will also be entered into column 3 and column 5 of "Area B – Equipment additions in the year"

By completing the remaining columns in Area A, he calculates a CCA claim of $10,200. **However, since only a portion of the vehicle was used for business purposes, he must further calculate that amount. He does that as follows:**

21,000 (business km) ÷ 46,000 (total km) × $10,200 (CCA) =
$4,656.52 (allowable CCA for business use)

Tom will enter $4,656.52 into Line 9936 (Part 4 Net income (loss) before adjustments, page 3 of Form T2042).

We recommend working with a tax specialist to determine the classes and application of CCA to lower your income tax.

Audits and Accurate Record-Keeping

There are three main reasons that individuals and small businesses are selected for an audit:

1. As part of a **random selection**.
2. As part of a **specific group** or industry known for compliance issues.
3. As part of a **secondary review** of a spouse, investor, supplier, or subsidiary of an individual or company on which the CRA is already doing a primary audit.

Being aware of these and the following audit triggers could help you reduce the chance of an audit:

A NOTE ABOUT CLAIMING LOSSES:

The CRA will check very closely any losses claimed on investments in small business corporations, mainly because the tax rules regarding allowable business investment losses are so complex.

The Nine Most Common Audit Triggers

1. **Unreported Income:** Discrepancies between reported income and various sources of income, such as employment, self-employment, rental income, investments, etc., can lead to audits.
2. **Significant Fluctuations or High Expenses:** Drastic changes in income or unusually high expense claims compared to previous years or industry standards may raise red flags.
3. **Significant Business Losses:** Consistent business losses or losses that seem disproportionate to the industry's norms might attract attention.
4. **Claiming Business Expenses for Personal Use:** A common audit trigger is trying to deduct personal expenses as business expenses.
5. **Home Office Expenses:** Claiming home office expenses that are not legitimate or exaggerated can trigger an audit.
6. **Foreign Income and Assets:** Failure to report income earned abroad or declare foreign assets can lead to scrutiny.
7. **Non-Compliance with Tax Laws:** Consistent failure to comply with tax laws, late filings, or non-payment of taxes may increase the likelihood of an audit. Failure to remit source deductions for employees, such as tax, Canada Pension Plan, and employment insurance, regularly or failing to pay your GST/HST or provincial-level sales tax correctly and on time could also lead to an audit.
8. **Inconsistent Information:** Inaccurate or conflicting information could attract attention across different tax-related documents, such as T4s, T5s, and T4As.
9. **Unusual Tax Deductions or Credits:** Claiming tax deductions or credits uncommon in the taxpayer's situation or not supported by proper documentation can lead to audits.

Your Best Defense: Accurate Records

The law requires you to keep records of all your transactions to support your income and expense claims. Otherwise, you could face hefty fines and penalties if questioned or audited.

Whether you use paper or go digital, creating a process and system to file and track your book entries is essential. The benefits of good record-keeping go beyond protecting yourself in the case of an audit. They help you understand your business's financial position, assist with business planning, and satisfy lenders when you apply for a loan or additional credit.

Here are some of the best practices we recommend to our tax Members:

- **Always File Your Backups:** Your records may be inspected by tax auditors. They should be filed along with cancelled cheques and other vouchers to support your book entries, either in paper or electronic form.
- **Keep Records for Six Years:** Keep your records for at least six years after your last Notice of Assessment (NOA), as far back as the CRA will ask to see them in an audit. You can keep the physical receipts or digital copies.
- **Support Reported Income with Original Documentation:** Make sure original documents, such as sales invoices, bank deposit slips, fee statements, contracts, and receipts, support the income you report.
- **Save and File Itemized Receipts for Expense Claims:** The CRA won't accept your bank or credit card statements to justify deductible business expenses—you need an itemized receipt that includes the date of the purchase, name and address of the seller or supplier, your name and address, the full description of the goods or services and the seller's business number if they register for GST/HST. The CRA could disallow your expense claims if you don't have receipts.

Motor Vehicle Expense Records

If you are self-employed or a member of a farming partnership and use your vehicle to earn farming income, this is considered business use of a vehicle. This means you can deduct a portion of vehicle expenses, such as fuel and maintenance, based on your mileage. You can claim the cost of the vehicle over time through Capital Cost Allowance (CCA).

Business use of vehicles also includes trips to pick up parts or farm supplies and to deliver grain. If you do not live on your farm, the travel between the farm and your home is not considered business travel.

If you use your vehicle for personal and business reasons, you can only deduct the portion of the expenses you use to earn farm income. You can also deduct parking expenses and supplementary business insurance. Just make sure that you're on the right side when it comes to the CRA's definitions of the type of vehicle you own.

To calculate the motor vehicle expenses as a self-employed farmer, fill in “Chart A – Motor Vehicle Expenses” of Form T2042 – Statement of Farming Activities.

If you are in a partnership, you can claim motor vehicle expenses on “Line 9943 – Other amounts deductible from your share of net partnership income (loss)” by filling in Part 5 of form T2042.

To protect yourself during an audit, keep an accurate record of your driving distances and related expense receipts.

How to Keep an Audit-Proof Mileage Log

A mileage log is essential to back up your deduction. You'll want to make sure to capture specific business travel details of all trips made during each tax year, including:

- Date
- Starting point
- Destination
- Purpose of your trip
- Starting mileage
- Ending mileage
- Total kilometres driven on the trip

What Records Do You Need Besides a Logbook?

Aside from a copy of your logbook for the CRA, keep all your receipts for automobile expense deductions. Again, keeping your receipts organized is critical to protecting yourself during an audit. Remember, anything about the vehicle is an eligible expense if it's a business vehicle.

Don't lose receipts because if you do, you lose out on deductions. We recommend keeping your logbooks and associated receipts for 7 years (6 years after your last Notice of Assessment). If the CRA ever challenges your automobile expenses or reassesses you after filing, you will have all the proof you need.

What if You've Purchased or Leased a Vehicle?

If you purchase a vehicle, you can claim the cost of the vehicle over time through the Capital Cost Allowance (CCA).

The CRA has different rules (particularly as they relate to Capital Cost Allowance) based on its definition of the type of vehicle. They also have rules about joint ownership and leasing. Your best bet is to talk to a tax pro to ensure you correctly apply your deductions and CCAs.

How Do You Calculate and Deduct Vehicle Expenses?

It would be best to record your total kilometres for the year and the kilometres you drove while earning farm income each year.

When you file your taxes, you will use your logbook to calculate the percentage of your vehicle used to earn farm income. You will then use this percentage to determine how much you can deduct to lower your tax bill.

Let's look at an example:

Odometer reading beginning of the year	12,000 km
Odometer reading end of the year	70,000 km
Total km driven for the year (70,000 km – 12,000 km)	58,000 km
Kilometres logged as business use of vehicle	32,000 km
Percentage of deductible vehicle expenses (32,000 km ÷ 58,000 km)	55%
Annual vehicle expenses	$ 9,000
Multiply annual vehicle expenses by use percentage	55%
VEHICLE DEDUCTION AMOUNT	**$ 4,950**

If you use more than one vehicle for your business, keep a separate record showing the total kilometres driven in one year, the business kilometres driven, and all the associated expenses with each vehicle. You'll have to calculate the costs separately for each car.

For more information on depreciable property, see "Capital Cost Allowance for Famers" on the page 32.

Vehicle Expenses for Farm Corporations

Corporations may deduct all reasonable vehicle expenses (subject to limits imposed through the Income Tax Act). There is some complexity, however, when it comes to shareholders and employee use of vehicles.

A shareholder of a corporation may use a vehicle supplied by the corporation for purposes other than the corporation's business. The shareholder's personal use of a vehicle that is either owned or leased by the corporation is a taxable benefit to the shareholder if the shareholder is also an employee and has access to the vehicle in their capacity as an employee.

If the vehicle is made available to a shareholder who is not also an employee, the value of the benefit is included in the shareholder's income as a "benefit conferred on a shareholder."

If an employee uses a company-owned vehicle for personal reasons or is given an allowance to an employee that uses their own vehicle, the employee may be in receipt of a taxable benefit.

It's crucial for corporations to maintain detailed records of both business and personal use of company vehicles. These records should include mileage logs, dates of use, and the purpose of each trip. Accurate record-keeping is essential for properly calculating taxable benefits for shareholders and employees, as well as for supporting the corporation's vehicle expense deductions. Without proper documentation, the CRA may disallow deductions or assess additional taxable benefits, potentially resulting in unexpected tax liabilities.

As with all aspects of corporate tax planning, consistent and thorough record-keeping is key to ensuring compliance and maximizing legitimate deductions.

RAY BUSCHOLL, REGINA

My experience with FBC has been great. **You will not find a better person than Fred and Terry in the office is fantastic**. Have been with FBC for 40 plus years.

Farming Income and AgriStability and AgriInvest Programs

The AgriStability and AgriInvest (ASAI) programs are joint federal, provincial and territorial business risk management programs.

- **AgriStability** is a margin-based program that provides income support to farmers who experience significant income losses due to factors beyond their control, such as production losses, increased costs, or market fluctuations.
- **AgriInvest** is a self-managed savings account to which farmers can contribute a portion of their income and receive matching funds from the government. These funds can help manage smaller income declines, improve farm operations, or mitigate future risks.

Applying for or participating in either program comes with specific income reporting obligations.

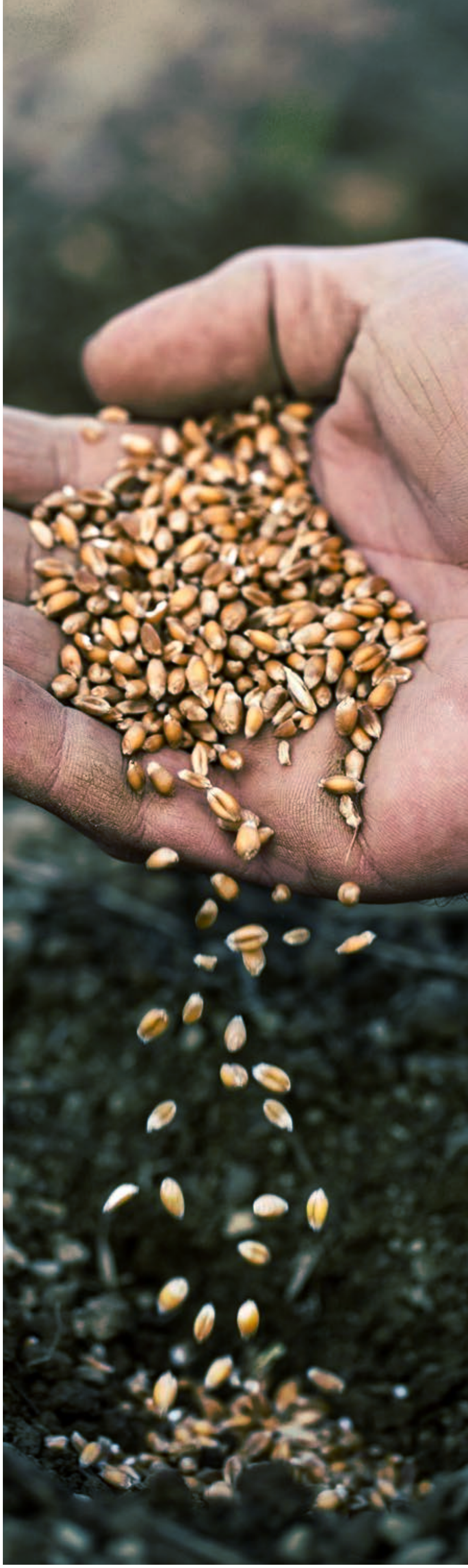
Are Farm-Support Payments Taxable?

Some farm-support payments, such as AgriStability or Canadian Food Inspection Agency (CFIA) payments, are taxable and must be reported as part of your income.

When you receive farm-support program money, you should also receive an AGR-1 slip, Statement of Farm-Support Payments, identifying all taxable support program payments of over $100. The back of the AGR-1 slip will give you instructions on reporting the various amounts listed in different boxes.

If you're in a partnership, only one partner can attach the AGR-1 slip to their income tax return. If you're filing a partnership information return, then file the AGR-1 slip with that return.

Please note that the AGR-1 slip will not necessarily align with your farm's fiscal year, so only report the amounts you received during your standard fiscal period.



Example: Manitoba Farm with a June 30, 2024, Fiscal Year End

Let's say your farm is in Manitoba and your fiscal year ends on June 30, 2024.

Your AGR-1 slip shows income of $10,000 in box 14 from your AgriStability payment. However, you earned only $6,000 of that income by June 30, 2024. This means you would only enter this amount on Line 9544 – Business risk management (BRM) and disaster assistance program payments. The remaining $4,000 would be included in your next fiscal period.

But's let's imagine you received an AGR-1 slip with a negative amount in box 14, as sometimes happens in cases where you received an overpayment in one year and then repaid the money the next. You would enter this amount on Line 9896 – Other (specify).

Source: Farming Income and the AgriStability and AgriInvest Programs Harmonized Guide – Chapter 3 – Calculating your farming income or loss.

ASAI Guides and Forms for Farmers in Alberta, Saskatchewan, Ontario and PEI

Program participants in these provinces can use the RC4060 Farming Income and the AgriStability and AgriInvest Programs Guide to help them fill out these related documents:

- RC322 AgriInvest Adjustment Request
- T1163 Statement A - AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals
- T1164 Statement B - AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations
- T1175 Farming - Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses

ASAI Guides and Forms for Farmers in the Rest of Canada (Except Quebec)

Participants from British Columbia, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, and Yukon will use Guide RC4408, Farming Income and the AgriStability and AgriInvest Programs Harmonized Guide to help them fill out these related documents:

- T1273 Statement A - Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals
- T1274 Statement B - Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations
- T1175 Farming - Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses
- T1275 AgriStability and AgriInvest Programs Additional Information and Adjustment Request

ASAI Contact Information

The income reporting requirements for AgriStability and AgriInvest are extensive and complex, depending on what livestock or commodities are involved.

If you have questions about the programs, contact your federal or appropriate provincial administration or speak to a qualified tax provider.

The Three Most Common Tax-Filing Errors and How to Avoid Them

An experienced tax specialist will ensure you're claiming everything you can and point out deductions you may be missing. One of the first things we do for new clients at FBC is to analyze tax returns from the last three years.

Here are the three most common mistakes we see business owners (or other tax providers) make:

1. **Missed Carry-forward Balances**
   Don't forget to claim carry-forward balances like inventory amounts, home office expenses, tax credits, and losses.

2. **Not Optimizing Net Income**
   Maximize net income by avoiding over-claiming capital cost allowance (CCA) and missed optional inventory amounts (OIA).

3. **Capital Cost Allowance Errors**
   Ensure accurate capital cost allowance (CCA) claims by applying the one-half year rule and correctly classifying new capital additions.

Preparing Your Employees for Tax Time

If you have employees, you must meet all your tax-related employer obligations. The first step is understanding the nature of your business relationship with them.

Employee Versus Contractor

The Canada Revenue Agency (CRA) considers various factors to determine whether a worker is an employee or an independent contractor. Key distinctions include:

- **Control:** Employees typically work under the direction and control of an employer, while contractors have more autonomy and independence in how they perform their work.
- **Tools and Equipment:** Employees often use tools and equipment provided by the employer, while contractors usually provide their own.
- **Risk of Loss and Chance of Profit:** Contractors bear the financial risk and potential for profit or loss associated with their work, while employees are typically paid a fixed salary or wage.
- **Benefits:** Employees often receive vacation pay, sick leave, and health insurance, while contractors are typically responsible for their benefits.

It's important to note that the CRA considers the overall relationship between the worker and the payer, not just individual factors. If you need clarification on a worker's classification, consult a tax expert or the CRA directly.

Payroll Obligations

If you have employees, you must obtain a Business Number from the CRA and register for payroll deductions and remittances. In Canada, you are legally required to withhold and remit the following taxes:

- **Income Tax:** Withhold the correct federal and provincial income tax amount from employee pay.
- **Canada Pension Plan (CPP) and the second additional CPP contributions (CPP2):** Deduct and remit employee and employer CPP contributions.
- **Employment Insurance (EI) Premiums:** Deduct and remit employee and employer EI premiums.
- **Provincial Payroll Taxes:** Comply with provincial payroll tax laws, such as registering and paying Workers' Compensation Board (WCB) premiums.

NOTE: As an employer, you must calculate, withhold and remit the CPP2 contributions as you would with base and first additional CPP contributions. To learn more, read "*CPP Enhancement 2024: A Comprehensive Guide for Employers*."

T4 Reporting Requirements

Employers in Canada must issue T4 slips to their employees by the last day of February following the calendar year. These slips summarize the employee's income and deductions for the year, including income tax, CPP, and EI. Employers must also file a T4 Summary with the CRA by the same deadline.

Electronic filing is mandatory for employers with more than five T4 slips. Failure to meet these deadlines or filing requirements can result in penalties from the CRA.

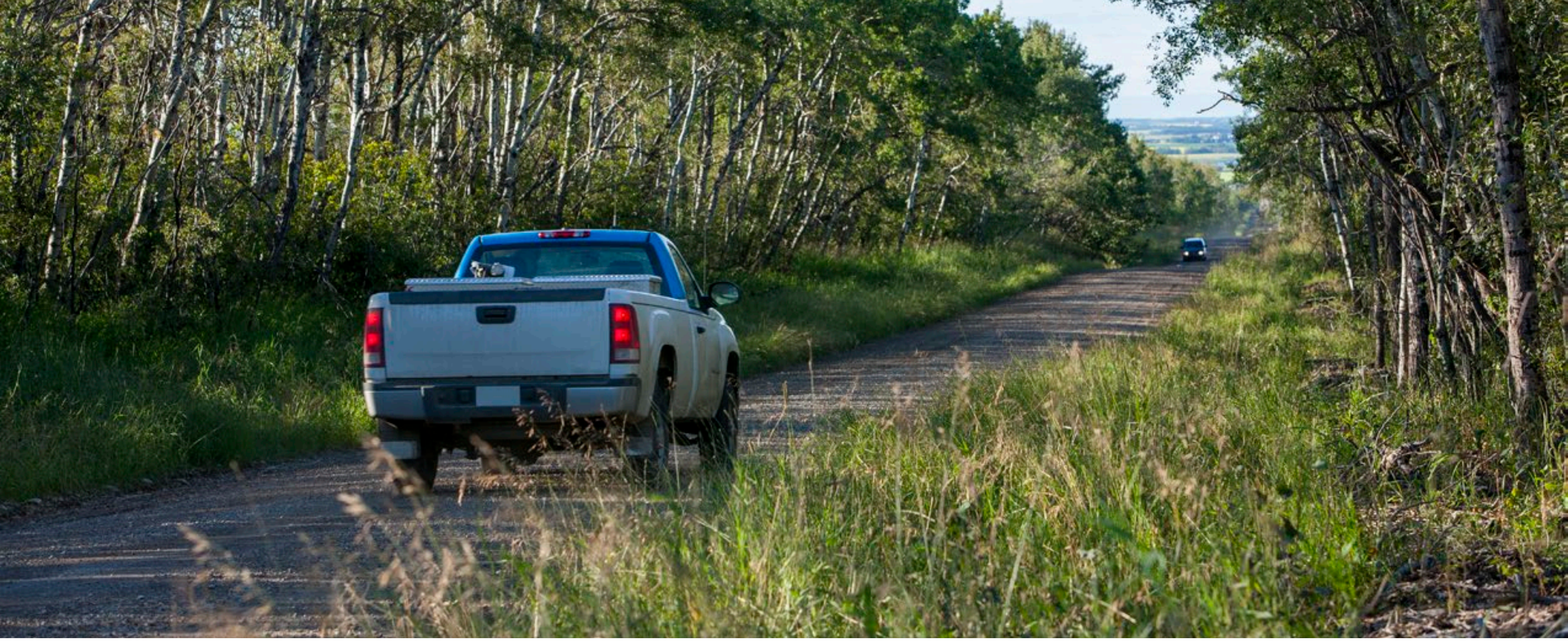
Form T2200 – Declaration of Conditions of Employment

If your employees are required to work from home due to a work agreement (either verbally or as part of their employment contract), they may be eligible to claim certain work-related expenses on their tax returns.

As such, employers are obligated to complete Form T2200, Declaration of Conditions of Employment, which outlines the specific home office expenses your employee must cover. Otherwise, your employee cannot claim them.

Do Your Employees Use Personal Vehicles for Work?

If your employees are required to use their vehicles for work or work-related travel, you can either compensate them or require them to pay for the expenses they incur themselves.



If You Provide an Automobile or Motor Vehicle Allowance or Reimbursement to Your Employee

This is any payment you give your employees to compensate them for using their vehicle for work. This payment may be a taxable benefit, depending on the amounts you pay your employees and whether they keep detailed records. If you pay your employee an allowance or reimbursement based on what the CRA considers a reasonable per-kilometre rate, it is generally not considered a taxable benefit.

To figure out whether you are providing your employee a taxable benefit, go through the steps listed on the CRA's website under "Automobile or motor vehicle benefits – Allowances or reimbursements provided to an employee for the use of their vehicle."

Your employee may qualify for motor vehicle deductions if the allowance is considered a taxable benefit. In this case, as an employer, you again need to fill out T2200 correctly so they can claim the expense and get the deduction.

If You Do Not Provide an Automobile or Motor Vehicle Allowance or Reimbursement to Your Employee

If you require your employees to use their vehicles to complete their job functions but do not compensate them or provide a non-taxable allowance, they may be eligible to claim certain motor vehicle expenses as tax deductions. Again, you must fill out the T2200 so they may do so. For more about eligibility requirements, visit the CRA's website under "Allowable motor vehicle expenses – Salaried employee expenses."

What If You Provide Your Employee with a Company Automobile or Motor Vehicle?

In cases where you provide an automobile or motor vehicle for your employee to complete their job functions, it is generally not considered a taxable benefit unless they use it for personal driving. For more details, visit the CRA's website under "Automobile provided by the employer," or "Motor Vehicle provided by the employer."

Do You Have an Expert in Your Corner?

An experienced tax specialist who understands you and your farm can be the difference between taking a loss and making a profit. They should give continuous and ongoing support so you can focus on running your farm and building your legacy. They should help you:

- Keep your books and records in order
- Track your progress and compare past and present performance
- Plan and forecast future financial positions and provide accurate information to help you make sound business decisions
- Understand your business and have experience preparing tax returns specific to your industry
- Tell you about tax code changes and how they may affect your bottom line or farm transition plan

2024 Tax Updates You Should Know About

Misunderstandings and misinformation swirled around the internet this past year as farmers tried to prepare for the impact of the new capital gains inclusion rates, which took effect in June 2024.

While the inclusion rate received the most public attention, other recent tax rule changes, such as increases to the Lifetime Capital Gains Exemption (LCGE) and the Alternative Minimum Tax (AMT), could also affect farmers' taxes when they sell or transfer their farm property.

Now that the dust has settled let's discuss how these tax rules and other tax reforms may affect your farm and your transition plan.

CAPITAL GAINS INCLUSION RATE

Here is a breakdown of the changes to the capital gains inclusion rate that you need to understand:

- **More Significant Impact:** Individuals benefit from a 50% inclusion rate on the first $250,000 of annual capital gains. Anything over that faces a 66.67% rate. Unfortunately, for family farm corporations, there is now a flat 66.67% rate for all capital gains.
- **Inclusion Rate vs. Tax Rate:** The inclusion rate is a percentage of capital gains added to your taxable income in that year, not the tax rate you pay. You will not be taxed at 50% or 66.67% when you sell or transfer your farm.
- **Gifting and Capital Gains:** Gifting or transferring an asset triggers a capital gains tax based on its Fair Market Value (FMV), not the sale price – even if no money changes hands.
- **Capital Loss Application:** Capital losses cannot be applied to personal use and depreciable property, like farming equipment. The capital cost of depreciable properties can be written off as a Capital Cost Allowance (CCA) over several years, following specific rules and rates.
- **Farm Exemptions Remain:** Budget 2024 increased the Lifetime Capital Gains Exemption (LCGE) for qualified farm and fishing property from a little over $1 million to $1.25 million. There have been no changes to the rules around intergenerational farm transfers to spouses/common-law partners or children.

INTERGENERATIONAL BUSINESS TRANSFERS (IBT)

Bill C-59 recently brought changes to the Intergenerational Business transfer (IBT) tax rules, allowing two options for business share transfers:

- **Immediate IBT:**
    - Parents immediately and permanently transfer both legal and factual/effective control.
    - Immediate transfer of majority of voting shares.
    - Parents must not own shares other than non-voting preferred shares within 36 months (3 years) after the disposition.
    - Parents transfer management of the business within 36 months after the disposition.
- **Gradual IBT:**
    - Parents immediately and permanently transfer only legal control.
    - Immediate transfer of majority of voting shares.
    - Parents must not own shares other than non-voting preferred shares within 36 months (3 years) after the disposition.
    - Parents transfer business management within 60 months (5 years) after the disposition.
    - Within 10 years after the disposition, the fair market value of all debt and equity previously owned by the parents is reduced below 30% or 50% of their original amount, depending on whether the shares disposed of were Qualified Small Business Corporation (QSBC) shares or Qualified Family Farm Corporation (QFFC) shares.

LIFETIME CAPITAL GAINS EXEMPTION (LCGE)

Bill C-69 increased the Lifetime Capital Gains Exemption (LCGE) for qualified farm and fishing property from a little over $1 million to $1.25 million. It does not change the rules regarding intergenerational farm or fishing property transfers to spouses/common-law partners or children.

ALTERNATIVE MINIMUM TAX (AMT)

The Alternative Minimum Tax (AMT) is a separate tax regime designed to prevent high-income individuals and certain trusts from using tax deductions and credits to avoid paying taxes. While each case differs, it generally kicks in when an individual's taxable income exceeds the highest marginal tax bracket, as is often the case when farmers go to sell or transfer their farm property.

This tax system uses a complex set of rules and a different calculation based on adjusted taxable income. Also referred to as the base AMT, the adjusted taxable income includes your net taxable income plus specific tax preference items, like capital gains, including the LGCE.

JAMIE-LYN CORR, GRANDE PRAIRIE

Jim has been working with our family for years. He does great work for us, is always available for any questions we have, and our family truly enjoys working with him.

We love the convenience of having Jim come to our place and do all our family member's taxes at the same time.

Similarly to other tax changes, the government recently changed AMT rules to broaden its tax base and make it applicable to more Canadians. These changes included:

- Increasing the tax rate to 20.5%.
- Increasing the capital gains inclusion rate to 100%.
- Increasing the under-exemption threshold to $173,205.

Under AMT rules, high-income individuals calculate their taxes using the marginal tax rate (income tax) and AMT – you pay whichever tax is higher.

Paying AMT may catch many farmers off guard, and it can undoubtedly affect retirement cash flows. The only potential bright spot is that you can recover AMT through future tax credits for up to seven years following the year you pay it.

The catch is that, like any tax credit, you must generate enough income to pay a tax equal to or greater than the AMT. You will never recover that tax if you stop working or generating income after selling or transferring your farm.

CANADA PENSION PLAN ENHANCEMENT (CCP2)

The second tier of contributions (CPP2) began on January 1, 2024. In this tier, higher-income earners pay more CPP contributions than the regular or base CPP they already pay.

Here is how it works:

- **First Earnings Ceiling:** This is the year's maximum pensionable earnings (YMPE) or the maximum income level subject to base CPP. **In 2024, it's $68,500**.
- **Second Earnings Ceiling:** This is the year's additional maximum pensionable earnings (YAMPE) or the maximum additional level of income subject to the CPP2. **In 2024, it's $73,200**, and it will increase by approximately **14% in 2025**.

The CPP2 rate is calculated based on a percentage of the income earned between the first and second earnings ceilings. **The CCP2 contribution rates are:**

- **4% for both employers and employees**
- **8% for self-employed**

If your business is incorporated, you'll want to consider the compensation option that best suits your tax situation. While taking dividends may help from a cash flow and tax perspective, only a salary will create an RRSP contribution room and give you access to other tax benefits, like CPP and EI. Your tax provider should provide scenarios for both options so you can make an informed decision.

You Need More Than a Tax Return, You Need a Tax Partner

Margins are tighter than ever, and with wide-sweeping tax reforms, Canadian farmers need a tax provider that does more than the bare minimum. But how do you know if you've got the best person for the job?

5 Signs You've Found the Right Tax Provider

The right tax provider does more than file your taxes on time. They offer strategic advice, support during audits, and peace of mind. Here are five key signs you've found the right one:

1. **Proactive Tax Planning:** A great tax provider isn't reactive; they're proactive. They'll look beyond the current year and develop a long-term tax strategy to minimize your tax burden and maximize your financial goals.

2. **Audit Support:** No one wants to be audited, but it can happen. A reliable tax provider will advocate for you, guide you through the process, and protect your interests.

3. **Transparent Communication:** Your tax provider should keep you informed. They should explain your tax situation clearly, answer your questions, and provide regular updates.

4. **Comprehensive Financial Services:** A holistic approach to financial health is invaluable. A good tax provider can offer additional services such as bookkeeping, payroll, and economic consulting.

5. **A Partnership, Not Just a Transaction:** A true partner understands your business and its unique needs. They'll work closely with you to identify opportunities for tax savings and provide ongoing support.

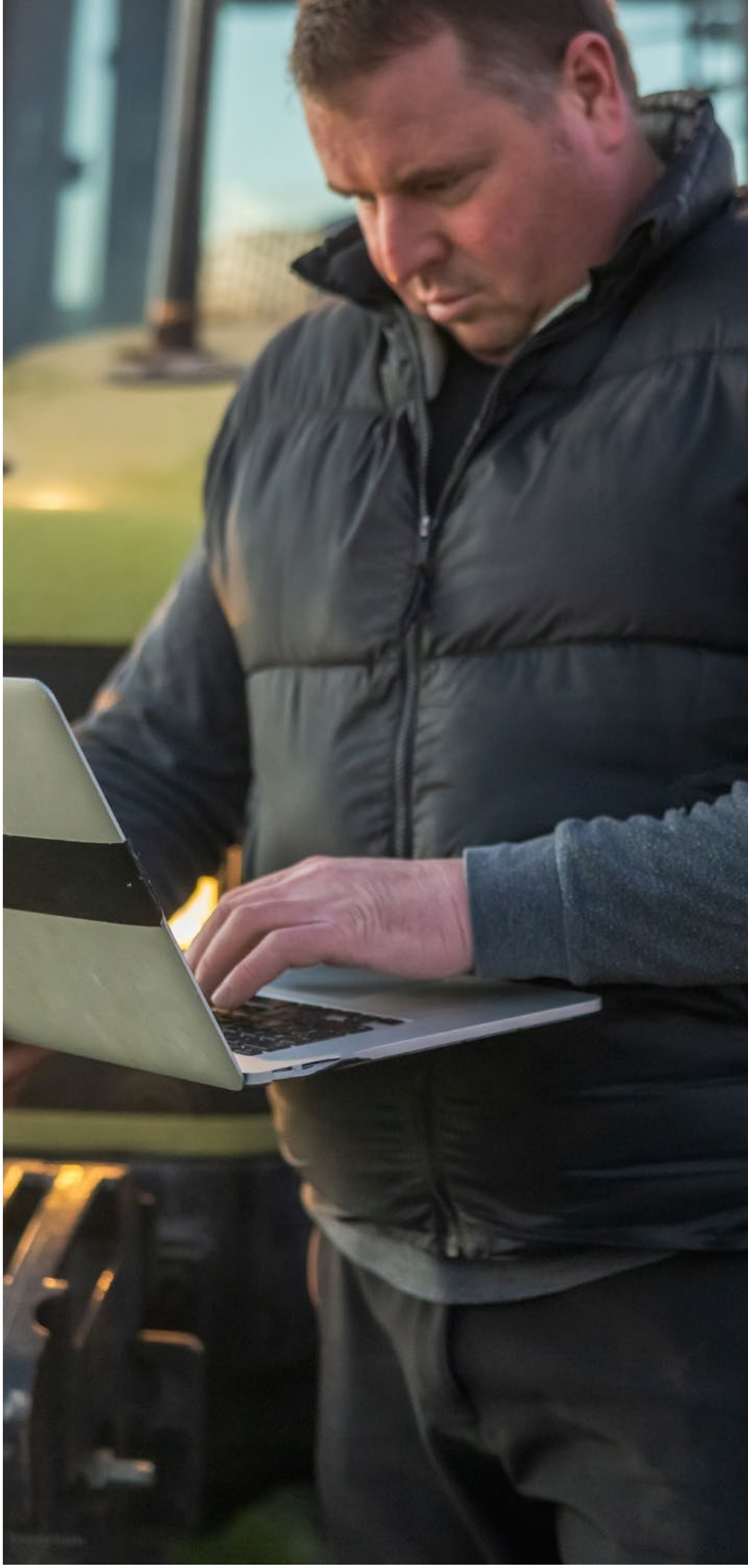
By choosing the right tax provider, you're not just choosing a service – you're choosing a partner who can help you achieve your financial goals and protect your legacy for the next generation.

How to Get Ready for Your Tax Prep Appointment

Accurate information is essential for preparing a tax return. Every detail matters, from income statements to tax receipts and GST/HST reconciliations. Missing or inaccurate information can undermine even the best tax strategy, potentially leading to missed deductions and higher tax bills.

An integrated approach offers significant advantages by combining tax expertise with precise bookkeeping and payroll. By accessing complete and accurate financial records, tax professionals can optimize your return, identify potential deductions, and minimize your tax liability.

The added benefit is peace of mind. Should the CRA ever request further information, you'll have the comprehensive documentation to support your tax filing.



Tax Preparation Checklist
for Farmers and Agricultural Producers

We created this checklist and overview of tax deductions for our Members to help optimize their taxes. Feel free to use it to help you file your business income tax return and lower your tax bill.

Make sure to connect with a tax specialist if you need clarity or have questions about your personal and farm tax situation.

The following pages summarize the documents you'll need to file your tax return if you're farmer or agricultural producer, along with a list of deductions you can use to lower your tax bill.

BUSINESS RECORDS

- ☐ Deposit slips
- ☐ Bank statements
- ☐ Business credit card statements
- ☐ Business taxes, licenses and memberships
- ☐ Income records
    - ○ Sales invoices
    - ○ Receipts
    - ○ Bank deposit slips
    - ○ Cash register tapes
    - ○ Cash purchase tickets from the sale of grain
    - ○ Cheque stubs from marketing boards
    - ○ Custom or contract work (including machine rentals)
    - ○ Fee statements
    - ○ Insurance proceeds
    - ○ Program payments from subsidies, crop insurance or other
- ☐ Loan Agreements and year-end balances statements
- ☐ Detailed year-end inventory listing
- ☐ Receipts on capital purchases or sales in 2024

IF YOU HAVE EMPLOYEES

- ☐ T4SUM: Summary of Remuneration Paid
- ☐ Worker's compensation payments or benefits
- ☐ Payroll, source deductions and taxable benefits for employees

TAX SLIPS, CORRESPONDENCE AND RECEIPTS

- ☐ 2023 Tax Return(s)
  - ○ T1. T2125
- ☐ 2023 Notice(s) of Assessment
- ☐ CRA correspondence received throughout the year
- ☐ Instalment payments made for income tax, GST/HST/PST and payroll
- ☐ T4: Statement of remuneration paid
- ☐ T4A: Pension, retirement, annuity, and other income
- ☐ If you're in a partnership, also include:
  - ○ T5013: Partnership information return

IF YOU'RE INCORPORATED, ALSO INCLUDE:

- ☐ T2: Incorporation income tax return for 2023
- ☐ Shareholder transactions and dividends
- ☐ T2 Financial Statements
- ☐ T5SUM: Return of Investment Income
- ☐ Articles of Incorporation
- ☐ Annual Registry Return

INVESTMENT INFORMATION:

- ☐ RRSP contribution slips
- ☐ T3 slips
- ☐ T5 slips
- ☐ TFSA Transactions
- ☐ T5008 Statement of Security Transactions
- ☐ Stock purchases and sales invoices

PERSONAL RECEIPTS (T1 ONLY)
☐ Receipts for eligible medical expenses
☐ Receipts for charitable donations
☐ Tuition or educational expenses
☐ Interest paid on student loans
☐ Childcare expenses
☐ Moving expenses
BUSINESS DEDUCTIONS
☐ Advertising
☐ Bad debts
☐ Building repairs and maintenances (including fence repairs)
☐ Business licenses and memberships
☐ Clearing, levelling, and draining land expenses
☐ Containers and twine
☐ Crop insurance, revenue protection program, and stabilization premiums
☐ Custom or contract work (including machine rentals)
☐ Charitable donations
☐ Delivery, freight and express costs
☐ Depreciation expenses (Capital Cost Allowance)
☐ Fertilizers and lime
☐ Gasoline, diesel fuel and oil for machinery
☐ Heating fuel and curing fuel
☐ Insurance
☐ Interest and bank charges

- ☐ Legal and accounting fees
- ☐ Livestock purchased
- ☐ Machinery expenses
- ☐ Meals and entertainment
- ☐ Motor vehicle expenses (business use of vehicle only)
    - ○ License and registration fees
    - ○ Fuel and oil costs
    - ○ Insurance
    - ○ Interest on money borrowed to buy your vehicle
    - ○ Maintenance and repairs
    - ○ Leasing costs
    - ○ Parking fees (business only)
- ☐ Office expenses, stationery, and supplies
- ☐ Payment Processing Fees
- ☐ Pesticides
- ☐ Professional fees (accounting, tax preparation, legal)
- ☐ Property and taxes
- ☐ Rent (land, building and pasture)
- ☐ Repairs and maintenance
- ☐ Safety equipment and clothing
- ☐ Salaries, wages, and benefits incurred by you as an employer
    - ○ Gross salary amount paid to employees
    - ○ Employer paid CPP and EI contributions
    - ○ Employer paid premiums for sickness or disability insurance

- ☐ Seeds and plants
- ☐ Small tools
- ☐ Telephone and utilities
- ☐ Travel expenses
- ☐ Veterinary fees, medicine, and breeding fees

DO YOU WORK FROM HOME?

- ☐ Business use of home expenses
    - ○ Cleaning materials
    - ○ Electricity
    - ○ Heating
    - ○ Home insurance
    - ○ Mortgage interest
    - ○ Property taxes
    - ○ Portion of rent paid

For more free tax and business resources, please visit www.fbc.ca/learn

Click here to book a consultation


Every Year, We Help Our Members Save
Over $42 Million
Your FBC Membership brings your business value daily, including tax preparation, tax planning, financial consulting, audit representation, bookkeeping, payroll, and more. We've been doing this for more than 70 years. We understand the needs of Canadian farmers and agricultural producers. We know taxes. We can help.
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