An early Christmas present for agriculture

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The second week of November holds a special place in my heart; harvest is generally done, calves are being shipped and the Canadian Finals Rodeo and Farmfair descends upon Edmonton. Truly the Canadian version of “Cowboy Christmas,” it’s five days of great rodeo and catching up with friends who have been busy farming all summer, in the beer garden. In my family, this generally starts the “Christmas buying” season. There’s nothing like having a new pickup or tractor under the tree on Christmas morning!

Generally overlooked in the rhetoric of the small business tax proposals was a nugget from the March 2017 budget – a consultation of the elimination of deferred cash purchase tickets for grain deliveries. By way of explanation, when delivering a listed grain (such as wheat, oats, barley, rye, flax, or canola), farmers can ask a licensed elevator operator to issue a deferred cash purchase ticket, allowing income from the delivery to be reported in the following year. For farmers who operate on the cash basis of accounting, it’s an exception to the rule that “you realize income when you receive the cash.” It’s a tool used by many farmers to manage income for tax purposes and for flexibility in grain marketing. In this writer’s opinion, it had the potential to impact farming operations much more immediately and significantly than the July 18, 2017 small business taxation proposals. The proposal outlined in the March 2017 budget stated there was “no longer a clear policy rationale for maintaining the tax deferral” following the end of the Canadian Wheat Board’s grain marketing monopoly in 2012.

Thanks in large part to the voices of many farm groups, the agriculture community received an early Christmas present from the Liberal government (who would have thought?). In a statement from Agriculture and Agri-Food Canada, issued on Monday, November 6th, “the government has carefully considered all the submissions received during the consultation, and will maintain the current tax treatment of deferred cash purchase tickets.” This is a welcome and common-sense decision, given the use of deferred cash purchase tickets in “averaging” income from a farming enterprise over “up” and “down” years, and the immediate impact the elimination of this provision would’ve had on the agricultural community. Minister Morneau gets to wear the Santa hat on his one.

Also announced were two other nuggets of interest to the farming community. On Monday, federal Agriculture Minister Lawrence MacAulay extended the tax deferral option for producers who receive compensation under the *Health of Animals Act* for forced destruction of livestock. The extension is meant to correspond with ranchers’ offsetting repopulation plans and replacement purchases, as determined in consultation with the industry, according to Agriculture and Agri-Food Canada.

As a result, affected producers will have the option of reporting the following income for tax purposes, as follows:

- 2016 and 2017 tax year: no amount of compensation received will be included in income;
- 2018 tax year: 83 per cent of compensation received will be included in income;
- 2019 tax year: 11 per cent of compensation received will be included in income; and

- 2020 tax year: six per cent of compensation received will be included in income.

For affected farmers on the cash basis of accounting, this should generally correspond to the timing of purchase of replacement animals, which would be a deduction in computing taxable income for them.

Third was the announcement of the designated areas (prescribed regions) for the Livestock Tax Deferral. This allows farmers who sell part of a breeding herd due to drought or excess moisture and flood conditions to defer a portion of the sale proceeds to a following year. Large areas of B.C., Alberta and Saskatchewan were designated and the specific regions can be found here.

All in all, not bad for a cold Monday in November on the Prairies.