

# FARMING MATTERS

## Year End Tax Planning

Many farm sectors have experienced a profitable year as a result of higher commodity prices and lower input costs. The timing of government assistance may also trigger higher than expected incomes. Tax planning before year-end may provide substantial tax savings. We recommend, that if you are concerned about your income level and the tax liability it may generate, you contact us for a preliminary review of your tax situation.

Some ways to lower your tax liability include:

- Prepaying in 2014 for 2015 inputs such as feed, crop inputs and livestock.
- Income sharing with children and or spouses (please review with your accountant).
- Repairing equipment and/or farm buildings.
- Delaying receipt of commodity sales until the new year.
- Purchasing RRSPs prior to March 3, 2015.
- Delaying the withdrawal of AgrilInvest funds until the new year.

## Income Splitting

For many farm businesses, income splitting with family members is an effective way to reduce taxes. If you have a spouse who is not a farm partner or children who have contributed to your farm business it may make sense to allocate some income to them. The amounts need to be reasonable for work performed and amounts should be reported on a proper payroll. Any earnings to a spouse or children would be insurable for purposes of Worker's Compensation. Despite the extra reporting there can be significant tax savings from income splitting. Any income allocations need to be paid before the year end.

## AgrilInvest

Despite many reminders, some producers still miss the deadline for making their AgrilInvest deposits, and therefore miss out on their government matching deposit. Deposits into your AgrilInvest account must be made at your financial institution by the due date (90 days from the date of the Notice) on your AgrilInvest Deposit Notice.

## HST Audits

We continue to see an increase in HST desk audits in the farm and other sectors. In particular, CRA seems to be paying particular attention to Class 10 asset additions (mobile equipment and vehicles) in companies. CRA is

looking for vehicles in companies that should either have a personal benefit attached to them or be a personal asset in the first place. We suggest vehicles purchased in a company be invoiced in the company name, have the ownership in the company name and be included in the company insurance policy. In addition, the vehicle should also be supportable as a business asset. Please talk to your accountant if you are unsure whether to put a vehicle into the company or not.

If you are filing an HST return materially different than the norm for your business, be prepared to provide supporting documentation. Examples of this are a new farm building or an expensive farm asset purchase with HST applicable such as a farm trailer or even a large repair such as a barn roof. There should be no problem as long as all the expenses are farm related.

## HST and the Rental House

With many farm purchases a second dwelling is also purchased and subsequently rented out to third parties. Residential rent does not attract HST meaning you do not charge HST on the rent income. However, the same is also true for residential rental house expenses. You cannot claim an input tax credit (ITC) on any outlay related to a residential rental house. This is not the case for rental of land, equipment or other farm buildings, where as a registrant you are required to charge HST on rent income and can claim back an ITC on expenses.

If your personal dwelling is in a corporation for tax purposes it is considered a "rental dwelling" and follows the rules of a rental house above.

## Missed Reporting HST?

As with most government policies the CRA implications of reporting missed HST either collected or paid is very one-sided. CRA allows you to amend a return except any situation where you will increase the amount of input tax credits (ITC's) or other credit adjustments without a corresponding increase in tax liability for the same reporting period. In a nutshell, if you are increasing your refund you cannot amend the return. In these situations you can include missed HST input credits on a future return as long as they are included on a return for a reporting period that ends within four years.

If you miss reporting HST collected you must amend the return for the period the HST was collected and there will be interest and/or penalties applied. You cannot simply take unreported HST collected and include it on a

future return. In summary HST collected must be reported on the HST return applicable to the period where the HST was collected.

**Human Resources 101 for Farms**

Farming operations that have one or more paid workers have responsibilities under the Employment Standards Act (ESA) and the Occupational Health and Safety Act (OHSA). Ensuring your farming operation meets the requirements set out by these Acts not only protects you as the employer, but provides your employees with a safe and fair workplace.

**Employment Standards Act (ESA)**

The ESA sets out the minimum standards that employers must provide employees, including but not limited to hours of work, minimum wage, statutory leaves public holidays and vacation. Agricultural workers are unique, in that they are exempted or have special rules with regards to the ESA provisions.

There are four categories of Agricultural Workers; farm worker, harvester, near-farmers, landscape gardeners. The ESA provisions for each category differ. In the case where a worker performs duties which fall under multiple categories, the work where majority of their time was spent in a work week determines which rules apply.

**Occupational Health and Safety Act (OHSA)**

The OHSA exists to protect workers in Ontario against health and safety hazards on the job. Although the OHSA did not originally apply to farms, as of June 30, 2006 farms with one or more paid workers must comply. Employers are ultimately responsible for ensuring the safety in their workplaces and to take every reasonable precaution to protect workers.

Farming employers' obligations may include, but are not limited to:

- Develop a health and safety policy and program.
- Meet posting requirements.
- Provide worker and supervisor training.
- Report accidents.
- Establish a Health and Safety Representative or Joint Health and Safety Committee.

REMINDER: Effective July 1, 2014 employers must ensure that all workers and supervisors are have received training that meets the Occupational Health and Safety Awareness and Training regulation enforced by the Ministry of Labour.

**Important Deadlines**

<b>Deadline Date</b>	<b>Program</b>	<b>Description</b>
December 31, 2014	AgriStability	Apply for a 2014 interim payment
December 31, 2014	AgriStability	Pay your 2014 fee with a 20% late penalty
December 31, 2014	AgriInvest	Submit 2013 Statement A/T1163 with penalty
January 15, 2015	Growing Forward 2	If you have already been approved for funding, submissions must be completed by January 15.
January 31, 2015	Risk Management Program	Pay second 2014 semi-annual premium installment for livestock
January 31, 2015	Risk Management Program	Report 2014 fourth quarter livestock sales
February 1, 2015	Self-Directed Risk Management (SDRM)	Final deadline to make deposit for 2014
April 1, 2015	Production Insurance	Last day to cancel coverage for 2015 spring grains and oilseeds, seed corn, forage rainfall, etc
April 30, 2015	AgriStability	Submit 2015 New Applicant application
May 15, 2015	Growing Forward 2: Capacity Building Projects	Apply anytime, final submissions due May 15, 2015
June 15, 2015	AgriStability	Submit 2014 T1163 to Canada Revenue Agency
June 30, 2015	AgriStability	Submit 2014 corporate Statement A to Agricorp
June 30, 2015	AgriStability	Submit 2014 AgriStability Application to Agricorp
September 1, 2015	Production Insurance	Report your yield for 2015 winter wheat