

2021

Inside this Issue

- 1 Frequently Asked Questions
- 2 Profile: Kurt Sawyer
Frequently Asked Questions (Cont)
Profile: Michelle Jackson
- 3 Profile: Chris Hart
Government Programs
- 4 Profile: Mike Reynolds
Government Programs (Cont)
Allied Benefits: The Allied
Advantage
The Allied Team



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Frequently Asked Questions

Are there any new tax credits or deductions that I will be eligible for this year?

Regional Opportunities Investment Tax Credit

Ontario has introduced a 10% refundable corporate tax credit for capital investments becoming available for use on or after March 25, 2020. It is available on expenditures in excess of \$50,000 up to a limit of \$500,000 which translates into a maximum credit of \$45,000. For farmers, it will generally be for farm buildings that are categorized in either Class 1 or Class 6 that are for business use.

Seniors Home Safety Personal Tax Credit

This is an Ontario personal tax credit that will only be available for 2021 on 25% of eligible expenditures up to a maximum of \$10,000, so the maximum benefit would be \$2,500. It is for improvements to the principal residence to make it safe and/or accessible.



Employees Home Office Expenses

Those individuals who worked from home for the first time in 2020 as a result of Covid-19 are eligible to claim home office expenses using one of two methods. The new temporary flat rate deduction is available for 2020 to those who worked more than 50% of the time from home for at least four consecutive weeks due to Covid. They can then claim \$2 per day for each day they worked from home during that period plus any additional days worked from home in 2020, to a maximum claim of \$400.

Alternatively, employees working from home for the first time due to Covid can use the simplified detailed method. Under this method, the employer needs to provide a T2200S form when requested by the employee and again, provided the employee worked from home for at least 50% of the time for four consecutive weeks due to Covid, they can claim office supplies, office expenses such as cell phone or long distance, and workspace-in-the-home expenses.

Those individuals who worked from home prior to 2020, must continue to obtain the T2200 form and claim home office expenses as they have always done.

Employer Health Tax (EHT)

The provincial government has increased the exemption for Employer Health Tax (EHT) from \$490,000 of payroll to \$1,000,000 retroactive to January 1, 2020. This has been made permanent for 2021.

Kurt Sawyer, B. Comm

Kurt joined Allied as a Staff Accountant in 1995 after graduating from McMaster University. He became our Accounting Advisor for Oxford County in 1997. Kurt grew up on a farm in Lambton County and now lives in Thamesford where he and his spouse are actively involved in the community raising three teenagers. ◀



How do I know if I qualify as a farmer for tax purposes?

Farming is defined as activities that include the breaking, tilling and cultivating soil for the purposes of producing vegetables, fruits, grains or other produce, raising livestock or poultry, cultivation in greenhouses and other similar activities.

The performance of custom harvesting and trucking services, grain storage and elevation does not constitute farming for the person providing the services. This is an important distinction as only farmers are allowed to report their income for tax purposes using the cash basis, whereas all other businesses must use the accrual method of accounting which requires the inclusion of the accounts receivable and inventory in income but allows for the deduction of accounts payable and related expenses.

I am purchasing a new pickup truck that will be owned by my family farm corporation. What will I need for the registration office?

Beginning January 1, 2020, the Ministry of Transportation requires two documents that show proof of business address and a notarized letter of authorization from the director(s) of the company.

I want to set up a new farm business, what do I have to do?

Assuming the business will be unincorporated as either a sole proprietorship or a partnership, then there are not any registration requirements unless you require what CRA refers to as “program accounts”. Program accounts include HST, payroll, and import/export accounts. You will need an HST account once you exceed the \$30,000 sales threshold. You will need a payroll account if you pay employees. Sole proprietors or partnerships may need to register the name with Service Ontario if they want a business name other than their own.

Can I get a tax credit if I donate produce to a foodbank?

Donations must be made to an eligible community food program. To be an eligible community food program, an organization must be a registered charity that distributes food to the public without charge in Ontario. The organization must distribute free food mainly for the purposes of providing relief to the poor. The food program will then issue a charitable donation receipt that includes the description of the goods donated and should use the fair market value of the product donated.

I'm an executor for my mother's estate. Do I need to obtain a clearance certificate before we distribute the estate to the beneficiaries (my brothers and sisters)?

There is no requirement that you must obtain a clearance certificate before the estate is distributed. The clearance certificate is meant for the protection of the estate trustee.

The estate trustee is responsible for any claims against the estate and that includes Canada Revenue Agency. If the estate is distributed and CRA makes a reassessment of past years income taxes, the estate trustee may not have any recourse to recover funds from the other beneficiaries to satisfy this obligation.

Therefore, it is often recommended that the estate trustee obtain a clearance certificate before the estate is distributed, as this requires CRA to make a final determination regarding any assessments or reassessments.

Our family is working on an estate plan for our farm business. Should we consider a family trust?

A trust is a legal arrangement that will benefit people who wish to control who receives their assets, defer future tax liabilities, and in some circumstances, protect your assets from future creditors and financial difficulties. They are often used in situations where you want to transfer shares in a family farm corporation to other family members without losing control.

We do not often see family trusts in a farm situation because of the availability of the farm rollover and deferral rules on transactions between certain family members. However, they can be beneficial in circumstances where the farmer does not have any immediate family or where the farm may not be carried on by the next generation.

Family trusts must be wound up within a 21 year time frame or there can be significant income tax consequences.

Michelle Jackson

Michelle grew up on her family's farm in Thorndale. She is a graduate of the University of Guelph with a diploma in Agriculture and also obtained a diploma in Business Accounting from Fanshawe College. Michelle is part of our team in Huron County as an Accounting Advisor.



Michelle and her husband actively farm and are raising two boys.

She is a member of the Canadian Association of Farm Advisors (CAFA). ◀

Chris Hart, CPA, CMA

Chris joined Allied in 1997 as a Staff Accountant in the London Office and assumed the position of Accounting Advisor in 1999.



He grew up in the Chesterville area and is a graduate of the University of Western Ontario. Chris achieved his Certified Management Accountant (CMA) designation in 2009.

Chris is a member of the Canadian Association of Farm Advisors (CAFA). ◀

I live in a residence that is owned by my family farm corporation, what are the tax implications?

Free or low rent housing is considered a taxable benefit. An amount equivalent to the fair market value rent must be included in your income for tax purposes. Alternatively, you may reimburse your company for the amount of the rent. This treatment may be preferred in situations where the individual is in a higher tax bracket.

I own three farms in my family farm corporation. Will there be tax implications if I transfer one of them to my son?

Typically, farm property can be transferred from one generation to the next using the intergenerational farm transfer rules to minimize or defer the tax implications.

These rules are not available to the family farm corporation, although they are available on the shares that the individual owns. In these circumstances, we then undertake a reorganization to transfer an equivalent number and value of shares owned by the individual to another new family farm corporation that will ultimately be owned by the son.

After a sequence of share transfers and redemptions, the farm may be transferred to the new company on a tax-deferred basis.

I am building a new house and wondering how I can recover the HST portion of my expenses?

An individual building a new house on land they own, or lease, can apply for the HST New Housing Rebate to recover some of the HST paid for the construction costs. The new house must be used as the individual's, or their relation's, primary place of residence.

If the Fair Market Value (FMV) of the house, including the land, is less than \$450,000 then some of the federal part of the HST paid for the construction can be recovered up to a maximum of \$6,300.

If the new house is built in Ontario, then the individual may be able to claim a rebate for some of the provincial part of the HST paid for the construction, regardless of the FMV of the property, up to a maximum of \$24,000 if HST was paid on the purchase of the land, or up to a maximum of \$16,080 if it was not. ◀

Government Programs

The Covid-19 pandemic has prompted a number of government programs.

We will summarize some of the key programs that impact farmers and their families.

Canada Emergency Wage Subsidy (CEWS)

The CEWS program provides up to a 75% wage subsidy to qualifying businesses and has been extended until June 2021.

Benefits are calculated and determined based on cut-off periods since March 15, 2020 with specific rules for each set of periods.

We are now in periods 10 through 13 which cover November 22, 2020 to March 13, 2021.

Canada Emergency Business Account (CEBA)

The CEBA program provides interest free loans of up to \$60,000 (\$20,000 of which is forgivable) to small businesses and not-for-profit organizations. To retain the forgivable portion, the \$40,000 portion must be repaid by December 31, 2022. The deadline to apply for this loan has been extended to March 31, 2021.

The government has also stated that the funds can only be used to pay non-deferrable operating expenses which include payroll, rent, utilities, insurance, property tax, crop inputs, livestock feed, and regularly scheduled debt service. The funds cannot be used for prepayment or refinancing of existing debt, payments of dividends, distributions and increases in management compensation.

Applications are made through the financial institute of the applicant.

Temporary Wage Subsidy

Business that do not qualify for CEWS are eligible to apply for the temporary wage subsidy which provides 10% on remuneration paid from March 18, 2020 to June 19, 2020 to a maximum of \$1,375 per employee and \$25,000 per employer. The claim could have been made during the year by adjusting remittances or alternatively you could wait until the end of the year and file it with your T4 summary.

Ontario Small Business Support Grant

This will not usually apply to farm businesses. It applies to businesses who have been affected by the provincial lockdown as of December 26, 2020. Successful applicants will qualify for a minimum of \$10,000 and a maximum of \$20,000.

Eligibility is based on at least 20% revenue declines in April 2020 over April 2019. Eligible businesses must have less than 100 employees. For more information visit: <https://www.ontario.ca/page/businesses-get-help-covid-19-costs>.

Mike Reynolds, CPA

Mike started as a Staff Accountant in 2015 after graduating from Wilfrid Laurier University. He obtained his CPA designation in 2018.



Mike was promoted to Assistant Manager in 2020.

He is a member of the Canadian Association of Farm Advisors (CAFA). ◀

Canada Ontario Covid-19 Hog Maintenance Feed Initiative

This is a joint federal/provincial program under the umbrella of AgriRecovery for farmers who had to hold back shipments of market ready hogs due to capacity issues at specific designated processors during specific time frames.

Visit www.agricorp.com for more information.

Canada Ontario Covid-19 Beef Emergency Feed Maintenance Feed Initiative

This is a joint federal/provincial program under the umbrella of AgriRecovery for farmers who had to hold back shipments of market ready beef cows or cull due to capacity issues at specific designated processors during specific time frames. Intake periods in January 2021 and must agree to a 63 day set-aside. Visit www.agricorp.com for more information. ◀

Allied Benefits: The Allied Advantage

- Focus on family farm clients.
- In-home service.
- Consistent Accounting Advisors year after year.
- Specialized succession, estate and business planning advisors available in our London and Peterborough offices.
- Advisors live in your community.
- Pre-determined appointments are scheduled weeks in advance.
- Fees are pre-determined so there are not any surprises.
- Our staff participate as sponsors and members of the Canadian Association of Farm Advisors.
- Regulated by the Chartered Professional Accountants of Ontario.
- Our values are based on trust, knowledge and service.

The Allied Team



Allied Associates LLP, Chartered Professional Accountants

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Head Office: 1490 Richmond Street Suite 200, London, ON N6G 0J4 Tel: 519-673-1940 Peterborough Office: 380 Armour Road Suite 256, Peterborough, ON K9H 7L7 Tel: 705-760-9900
Toll Free: 1-800-661-1956 Website: www.alliedassociates.ca Email: info@alliedassociates.ca