

2022

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Bill C-208: Impact on Family Farm Succession

Farmers will now be able to transfer their incorporated farming businesses intergenerationally using their lifetime capital gains exemption, and significantly reduce their income tax liability.

Prior to the Bill's passage, if the shares in a family farm corporation were sold to the corporation of another family member, the difference between the sale price and original cost could be considered a taxable dividend and taxed at the individual's personal marginal tax rate. If the operation was sold to a corporation owned by a non-family member, the seller could utilize their lifetime capital gains exemption and the transaction would be taxed at the lower rate that applies to capital gains.

Additional amendments were also made to facilitate transfers within families. Prior to these changes, farm corporations owned by siblings who wanted to split up the farm operation between them faced complicated and restrictive tax rules, as siblings were not considered to be related for the purposes of these transactions.

The amendments now mean that going forward, siblings owning a family farm corporation will be considered related and can take advantage of the much less restrictive rules applying to related shareholders who wish to split up company assets between them.

Bill C-208 became law on June 29, 2021. The government has indicated that they wish to close certain loopholes in regard to this legislation and further changes to Bill C-208 are expected but have not yet been introduced. ◀

Federal Budget Highlights

New Immediate Expensing Deduction

A new rule was proposed which would allow Canadian Controlled Private Corporations to immediately expense certain capital expenditures effective for property acquired after April 19, 2021 and put into use before 2024. The deduction is limited to \$1.5 million per year. It excludes capital expenditures for buildings, quota, yards and roadways, and energy transmission. It includes most machinery and equipment in Classes 8 and 10.

This part of the 2021 budget had not yet been passed through the House of Commons before it went on summer break and was further delayed by the fall election. The Canada Revenue Agency is currently rejecting any claims for this immediate deduction expensing until legislation has been passed in the House of Commons. Once this occurs, we are assuming that any 2021 corporate tax returns that had been filed can be adjusted for this additional claim.

Profile: Lisa Groszeibl

Lisa joined Allied as our Accounting Advisor in the Niagara Region in September. She is a graduate of Niagara College where she obtained her Business Accounting and Business Accounting-Academic diplomas. She is also a graduate of Athabasca University where she obtained her BSC-Mathematics. Lisa has worked in public accounting for over 15 years and is familiar with agriculture as her family operates a farm in the Niagara area. ◀



Federal Budget Highlights Cont'd

Covid-19 Support & Economic Measures

Many of the general support programs for workers and businesses have wound down, and ongoing measures are focused on more targeted sectors deemed to be the hardest hit.

For individuals, the Canada Worker Lockdown Benefit continues to provide \$300 a week to eligible workers unable to work due to a temporary local lockdown between October 24, 2021 and May 7, 2022. For the period from December 19, 2021 to February 12, 2022, this has been expanded to include those affected by capacity restrictions of 50% or more, with the minimum order reduced from 14 to 7 days.

As well, the Canada Recovery Sickness Benefit for those who must take time off due to Covid, and the Canada Recovery Caregiving Benefit for those who must take time off to care for a child due to Covid, have both been extended.

For businesses, there are still wage subsidy and rent subsidies available but to qualify, your business must have experienced revenue declines of at least 40% over a one-year comparative period and also in the current reference period. This 40% has been dropped to 25% from December 19, 2021 to February 12, 2022.

Please contact your Accounting Advisor or our office if you think you might qualify for these benefits.

CEBA Loan Repayment

On January 12, 2022, the government announced that the repayment date for CEBA loans to qualify for the forgivable portion has been extended to December 31, 2023. Any amount not repaid will convert to a two-year term loan at 5% with principal due in full by December 31, 2025.

Returning the Proceeds on the Price of Pollution Directly to Farmers

A refundable tax credit is available to farmers to offset the carbon tax that is charged on fuel used in the farm operation. It is available to individuals, corporations and trusts with total farming expenses of \$25,000 or more.

For 2021, the credit rate is \$1.47 per \$1,000 in eligible farming expenses. For 2022, the credit rate is \$1.73 per \$1,000 in eligible farming expenses.

Workplace in the Home

The temporary simplified method that was announced for 2020 for those who were required to work from home because of Covid has been extended for both the 2021 and 2022 taxation years. The maximum amount has increased to \$500. ◀

Ontario Tax Changes

Regional Opportunities Investment Tax Credit

In 2020, Ontario introduced a 10% refundable corporate 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 would generally be for farm buildings that are categorized in either Class 1 or Class 6 that are for business use.

For 2021, this refundable corporate tax credit has been doubled to 20% for capital investments available for use on or after March 24, 2021, through to December 31, 2022, for a maximum \$90,000 enhanced credit.

Seniors' Home Safety Personal Tax Credit

The credit for improvements to the principal residence to make it safe and/or accessible that originally became available in 2021 on 25% of eligible expenditures up to a maximum of \$10,000 has been extended by one year to 2022. The maximum benefit is again \$2,500.

Staycation Tax Credit

The government has introduced a new temporary Ontario Staycation tax credit for 2022 that will provide Ontario residents with support on 20% of eligible 2022 accommodation expenses of up to \$1,000 for an individual and \$2,000 for a family, for a maximum credit of \$200 or \$400, respectively. ◀

Profile: Cheryl Oliver

Cheryl Oliver is a Team leader in our London office. She brings with her 32 years of experience at Allied in a variety of roles including as an Accounting Advisor in Middlesex County. Internally, Cheryl was our Allied Award of Excellence Winner for 2021. When away from work, she enjoys spending time with her family especially, her very young grandchildren. ◀



Profile: Chris Annis

Chris is a team leader in our London office and also manages our staff recruiting process. He joined Allied in 1999 and served as one of our Accounting Advisors for Middlesex County from 2002 to 2019. When Chris is not working, he and his wife, Janet have two young and very active daughters that hold their attention through their many activities. ◀



Other Provincial Changes

Company Key

A new company key was introduced on October 19, 2021. The company key is a sequence of 9-digit numbers exclusively provided to each business. The company key offers protection to your corporate or registered business records. The public system is completely open, allowing anyone to gain access to your business and allows changes to your business without your authorization or consent. Once the company key is established, this 9-digit number will be required for any subsequent document filing for your business with the Provincial Ministry.

At Allied, we have applied for a company key for all existing corporate businesses. Once you have your company key, you have protected your business against any changes to your information without your consent.

Corporate Annual Returns

Up until May 15, 2021, the company's annual return required by the Ministry of Government and Consumer Services was filed as part of the corporate tax return with the Canada Revenue Agency. Effective October 19, 2021, this return can no longer be filed as part of the corporate tax return and instead must be filed through the registry.

The Ministry has not yet finalized the process available to accountants for filing this information. Once it is available, we will catch up on these annual returns.

AgriStability Compensation Margin

The Ontario government has increased its contribution to the compensation rate for AgriStability from 70% to 80% on the provincial portion of approved AgriStability claims. ◀

Financial Statement Preparation & CSRS 4200

Recently, the accounting standards were revised for the compilation of financial statements for years ending after December 14, 2021. After this time, financial statements must disclose the basis of accounting that has been applied in their preparation (cash basis, selected accrual basis, some other basis required by a third party such as a lender). It is also necessary to acknowledge whether a third party such as a lender or other party will be using or relying on the financial statements.

These changes have been made because third parties such as lenders were sometimes relying on financial statements that were not intended or prepared for their use, and users of the financial statements were not always clear on the basis of accounting used by the accountant in preparation. As a result, lenders and other third-party users could come to the incorrect conclusion in regard to the financial statements.

At Allied, we have circulated documentation to all of our clients that require a compilation of financial statements and are in the process of updating our financial statement disclosures and reporting to reflect this information. ◀

Frequently Asked Questions

What happens if I need to repay wage support previously received from a pandemic program?

If the government determines that you have to repay any wage support that

you previously received, you have the option of deducting that repayment from your income in the year of repayment or electing to have that deduction claimed in the year the benefit was received. You can also split the deduction between the two years. We can assist you in determining which of these options is most beneficial to you.

What is the difference between eligible and ineligible dividends?

Income earned by Canadian Controlled Private Corporations that is eligible for the small business deduction is taxed at the lower combined federal and provincial tax rate of approximately 12.5%. As a result, any dividends paid to shareholders out of this income is ineligible for the higher gross up and dividend tax credit and shareholders are then taxed personally at a correspondingly higher rate. These are called ineligible dividends.

Income earned by Canadian Controlled Private Corporations that is taxed at general corporate tax rates such as income not eligible for the small business deduction, goes into a General Rate Income Pool. Any dividends paid to shareholders out of this income are eligible for a higher gross up dividend tax credit and the shareholders are taxed at a correspondingly lower personal tax rate. These are called eligible dividends.

The intent is for each dollar of income to be taxed at the same combined personal and corporate tax rate once it has been distributed to the shareholders. To achieve this, it is important to determine the best allocation of dividends between eligible and ineligible to minimize total tax liability. ◀

Profile: Matt Montague

Matt has served as an Accounting Advisor in Lambton County and the Municipality of Chatham-Kent since 2014. Over this time, Matt has developed close relationships with our existing clients while at the same time introducing many new ones to Allied. ◀



Allied Web Portal

We are pleased to introduce the Allied web portal. Using this portal will allow you secure access to download your tax returns or financial statements to send to your banks or save for your records. It will also allow you to send us documents such as general ledgers or signed forms. If you would like to be set up on our portal, please email portalsupport@alliedtax.ca to begin the process. ◀

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 integrity, excellence, and respect.

The Allied Team



Allied Associates LLP, Chartered Professional Accountants

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