

2025

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Tax Highlights

Prorogation Puts Tax Legislation in Limbo

The federal government's recent prorogation of parliament has cast uncertainty on the fate of the capital gains tax changes and other key legislation as they are unlikely to be enacted before the filing deadline with parliament prorogued until March 24th and potential election following that.

CRA and the Department of Finances stated that CRA will follow standard practice to administer the proposed capital gains changes as noted in the Notice of Ways and Means motion tabled in September 2024. CRA typically follows the government's intent when administering tax legislation that has not passed and is based on the Notice of Ways and Means motion. Historically, successor governments have honoured this practice to avoid uncertainty but it is not legally binding. While CRA is updating its forms and systems for the proposed changes, taxpayers are ultimately responsible for deciding whether to file based on current or proposed law, or later passed. Taxpayers who file based on current law may face arrears interest.

Capital Gains Inclusion Rate

Effective for all dispositions on or after June 25, 2024, the capital gains inclusion rate increased to two-thirds from one-half. Individual taxpayers will have access to a reduction to this inclusion rate that effectively reduces the rate applied to capital gains on the first \$250,000 back to one-half.

Alternative Minimum Tax

New Alternative Minimum Tax rules have been introduced to take into account the new inclusion rates for capital gains. Alternative Minimum Tax is calculated every year but for most taxpayers it is not an issue until they use the capital gains exemption or have other deductions that are not usually recurring on an annual basis. Alternative Minimum Tax paid in one year is available for the next seven taxation years to reduce tax calculated under the normal rules. Any unapplied Alternative Minimum Tax credits after the seven years are lost.

Canadian Entrepreneurs Incentive

The Canadian Entrepreneurs Incentive is a cumulative lifetime capital gain amount which will eventually reach a limit of \$2,000,000. This is over and above the lifetime capital gains exemption. Any gains that qualify for this incentive will have an inclusion rate of one-third rather than two-thirds.

Profile: Courtney Brown

Courtney has been with Allied since January 2023, however she will be returning in February 2025 after being away on maternity leave with the birth of her family’s second child. Courtney will be serving clients in Lambton, Middlesex and Elgin counties as well as filling in for Amanda Smyth who is currently off on maternity leave. ◀



Tax Highlights Cont’d

Canadian Entrepreneurs Incentive (Continued)

It comes into effect with an amount of \$400,000 on January 1, 2025 and will increase by \$400,000 per year for five years until reaching the \$2,000,000 amount on January 1, 2029.

Eligibility includes the sale of certain shares of small business corporations, or qualified farm or fishing property.

It applies to individuals only, provided they meet the conditions concerning ownership percentage, were actively engaged on a regular, continuous and substantial basis, and are not part of the list of exempted businesses.

Intergenerational Transfers

The rules for intergenerational transfers were finally passed into law in June 2024. This gives us a final framework to base transactions taking place on or after January 1, 2024. To qualify, taxpayers must meet a specific list of conditions as follows:

- Each taxpayer can only use these provisions once after 2023.
- Transition can be immediate or gradual.
- Purchaser corporation must be controlled by one or more children.

- The purchased shares must be qualified small business corporation shares or family farm corporation shares. There are limitations on the percentage of shares and/or control that the taxpayer may have of the subject or purchaser corporation or relative group entity.
- Management must be transferred to the children under either type of transfer.
- After the transfer is complete, debt and/or equity of the taxpayer cannot be more than 50% of the original debt or equity for family farm corporations or more than 30% for small business corporations.
- The children must be actively engaged on a regular, continuous and substantial basis.
- CRA extends its right to audit this transaction for an additional three years for immediate transfers and an additional ten years for gradual transfers.
- The 10 year capital gains reserve is available to the taxpayer if all conditions are met.

Please contact your Allied advisor if you are considering a transfer and we can work through the steps involved.

Canadian Carbon Rebate for Small Businesses

This rebate is being paid out to eligible Canadian Controlled Private Corporations who filed their 2023 corporate tax return no later than July 15, 2024. Eligibility is based on the number of T4s that were filed for each respective calendar year between 2019 and 2023. Eligible companies can receive up to \$401 per employee.

Canada Revenue Agency Electronic Mail

Starting in the Spring of 2025, Canada Revenue Agency (CRA) will transition

to online mail as the default method for delivering most business correspondence. This means you will begin to receive your business tax notices and other correspondence through “My Business Account”. To prepare for this change, taxpayers should access the “notification preferences” in their CRA “profile” to ensure that a valid email address is on file.

Trust Reporting Update

The requirement to report and file deemed trust returns for 2023 was deferred in March 2024. There are no reporting requirements for deemed trusts in the 2024 taxation year. New rules for trust years ending after December 30, 2025 include an expanded list of exemptions from filing.

Extension of 2024 Charitable Donations

The deadline for making donations eligible for tax support in the 2024 taxation year has been revised from December 31, 2024 until February 28, 2025. This extension is intended to mitigate the impact of the four week Canada Post mail strike by providing owners with sufficient time to ensure their contributions are received and processed.

Profile: Jacob Tebbens

Jacob started with Allied in July 2024 after writing and passing his CPA exams in May. Jacob has some previous public accounting experience working for a firm in Sarnia and for a tax software company. ◀



Profile: Nicole Desrosiers, CPA

Nicole started with Allied in September 2024 as an Advisor serving our clients in Perth County and surrounding region. Nicole previously worked for a firm in Peterborough while she received her CPA designation. Nicole is familiar with this region as she grew up and has family in the area. ◀



Tax Highlights Cont'd

GST/HST Tax Holiday

Certain qualifying items were relieved of GST/HST beginning on December 14, 2024 and ending on February 15, 2025. They include most children's items, printed books, qualifying newspapers, games and certain supplies of food and beverages for human consumption not otherwise already zero rated or exempt.

Lifetime Capital Gains Exemption

For 2024, based on the previous indexing rules, the lifetime capital gains exemption for both small business corporation shares and for qualified farm or fishing property is \$1,016,836. This increased to \$1,250,000 for dispositions on or after June 25, 2024 and will remain at that level through to the end of 2025. Indexation for inflation on these amounts will resume in 2026.

Regional Opportunities Investments Tax Credit

The Ontario Regional Opportunities Investments Tax Credit continues to be available but decreased from 20% to 10% on January 1, 2024 for qualifying expenditures eligible for up to a \$45,000 tax credit. This credit applies to the construction, renovation or acquisition of eligible commercial and industrial buildings in certain regions. ◀

AgriInvest Program Changes

Starting with the 2025 AgriInvest program year, there are two significant changes:

- 1) The deadline to file your 2025 AgriInvest program form (T1163/Statement A) will be June 30, 2026 (previously September 30th).
- 2) If your average annual net sales are \$1 million or more for the previous three program years, you must submit an eligible Agri Environmental Risk Assessment to be eligible for the government matching deposit.

Annual net sales are calculated by subtracting your gross purchases on your allowable commodities from your gross sales on your allowable commodities.

Once the Agri Environmental Risk Assessment is in place, a declaration must be completed and submitted before making any matchable deposit. ◀

Frequently Asked Questions

How can I forward confidential information to you securely?

Many clients forward confidential information to us by email or text. It can be easy to make a keying error when selecting the addressee and may go to an unintended recipient.

Allied has a secure web portal that allows the safe transmission of information such as financial information, signed forms, receipts, etc.

It also allows Allied to safely transmit information such as financial statements and tax returns that can be easily saved for your records.

The portal can only be accessed by users who have the appropriate verification.

We encourage everyone to take advantage of this tool. If you'd like to set up access to the portal, please email portalsupport@alliedtax.ca and we will assist you in this process.

We currently rent our farm property to a farming neighbour. Will I still be eligible for the lifetime capital gains exemption and/or the tax-free rollover to my children?

In some situations, the fact that the farm property was rented to a third party may not have any implications to you upon disposition.

The property may still qualify for the lifetime capital gains exemption even though it's not actually being used in carrying on a farming business at the time of its disposition, provided that it meets all the other tests including that it was principally used in the business of farming.

Principally used in the business of farming will depend upon meeting a number of ownership tests including holding period, gross revenue from farming, and in the case of a family farm partnership, the underlying assets will need to meet certain percentage use tests during the period of ownership and at the time of disposition. ◀

Profile: Dakota St. Laurent

Dakota started with Allied in October 2024 as an Advisor serving our clients in the Waterloo region.

Dakota is looking forward to meeting our clients and working with them on an individual basis at their home office or place of business. ◀



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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