

Spring 2012

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Facts & Figures

- Ontario farms cover 13,309,925 acres. Of which 9,046,185 acres are workable.
- Largest field crop is hay at approximately 2,500,000 acres.
- Largest fruit crop is grapes at approximately 21,000 acres.
- Largest vegetable crop is sweet corn at 35,000 acres.
- On average there are 3 tractors for every farm in Ontario.

Federal Budget Highlights

Old Age Security

The age of eligibility for Old Age Security and the Guaranteed Income Supplement will be gradually increased from 65 to 67 starting in April 2023 with full implementation by January 2029. This will not affect anyone who was born on March 31, 1958 or earlier. Those who were born on or after February 1, 1962 will have an age of eligibility of 67 and those born between April 1, 1958 and January 31, 1962 will have an age of eligibility between 65 and 67.

Starting on July 1, 2013, the government will allow for the voluntary deferral of the Old Age Security pension for up to five years. The pension will be adjusted based on an actuarial determination so that on average individuals will receive the same lifetime Old Age Security pension whether they choose to take it at the earliest age of eligibility or defer it to a later year.

Guaranteed Income Supplements will not be eligible for actuarial adjustment.



Agriculture and Agri Food Canada

- Funding for the agriculture department to be cut \$500 million over three years.
- Programs for farmers including the new Federal and Provincial Agricultural Policy Framework to replace the current Growing Forward agreement in 2013 will remain intact.

Cross Border Shopping

Starting on June 1, 2012 Canadian travelers will be able to bring back \$200 in goods after 24 hours abroad and \$800 after 48 hours outside the country. The current limits are \$50 after one day, \$200 after two days, and \$700 for a week. The new allowances are in line with those of the US.

Registered Disability Savings Plans

A number of changes have been proposed to enhance registered disability savings plans including the rollover of investment income earned on an RESP on a tax free basis to an RDSP if the plans share a common beneficiary.

To qualify, the following conditions must be met:

- The beneficiary has a severe and prolonged mental impairment that prevents the beneficiary from pursuing post secondary education;

- The RESP has been in existence for at least ten years and each beneficiary is at least 21 years of age and is not pursuing post secondary education;
- The RESP has been existence for more than 35 years.

Group Sickness or Accident Insurance Plans

Beneficiaries under group sickness or accident insurance plan must include the amount of an employers' contributions in employment income for the year in which the contributions are made except to the extent that the contributions are in respect of a wage loss replacement benefit payable on a periodic basis.

Extending the Hiring Tax Credit for Small Business

The temporary hiring credit has been extended for one year to allow credit of up to \$1,000 against a small employers' increase in its 2012 EI premiums over those paid in 2011. This temporary credit would be available to employers whose total EI premiums were at or below \$10,000 in 2011.



Capital Cost Allowance Changes

Under the capital cost allowance system, Class 43.2 provides an accelerated capital cost allowance rate of 50% per year on a declining balance basis for investment in specified clean energy and conservation equipment.

The budget proposes to expand Class 43.2 to include equipment that uses the residue of plants – generally produced by the agriculture sector – to generate electricity and heat.

Scientific Research & Experimental Development Investment Tax Credit Rate

The budget proposes to exclude expenditures of a capital nature from eligibility for SR&ED deductions and investment tax credits. The general 20% SR&ED investment tax credit rate applicable will be reduced to 15%.

The enhanced 35% SR&ED investment tax credit rate applicable in respect of eligible Canadian Controlled Private Corporations will remain unchanged. ◀

Ontario Budget Highlights

New Healthy Homes Renovation Tax Credit

The healthy homes renovation tax credit provides up to \$1,500 per year on expenditures for permanent home modifications to improve access for seniors or help a senior to be more mobile or functional in their home.

The credit will be computed at 15% of eligible expenditures to a maximum of \$10,000 per annum per household. It will apply to expenditures after September 2011 and will be effective for 2012 and subsequent years.

It is available to senior home owners, tenants and people who share a home with a senior relative.

Ontario Child Benefit

The budget proposes to increase the maximum Ontario child benefit payments from \$1,100 to \$1,210 per child effective July 2013 with a further increase to \$1,310 in July 2014.

Ontario Drug Benefit

Under current legislation, the Ontario drug benefit partially pays for prescription drugs for Ontario seniors. The budget proposes to introduce an income based deductible effective August 2014.

For single seniors, the deductible will become \$100 plus 3% of net income in excess of \$100,000.

For senior couples, the deductible will become \$200 plus 3% of combined net income in excess of \$100,000.



Freezing the Ontario General Corporate Income Tax Rate

The Ontario portion of the general corporate income tax rate is currently at 11.5% and was scheduled to further decline to 11% on July 1, 2012 and to 10% on July 1, 2013. The budget freezes the corporate tax rate at the current rate of 11.5% until the Ontario budget is balanced.

The Ontario portion of the corporate tax rate applicable to business income eligible for the small business deduction will remain unchanged at 4.5%. ◀



Ontario's New Risk Management Program (RMP)

- AgriStability participation is required for all RMP participants.
- Production insurance is required for all RMP participants in grains and oil seeds.
- A premises ID is required for all RMP participants.
- The 2012 RMP applications for livestock had a deadline of March 16, 2012.
- The 2012 RMP applications for grains and oil seeds are now available with existing participants receiving a renewal package in the mail and new participants must contact Agricorp.
- Grains and oil seeds RMP participants must apply by May 1, 2012.
- A chart summarizing 2012 premium rates for livestock producers is provided on the next page.
- Payments are made when the market price as calculated by OMAFRA from industry averages falls below the support level as calculated by OMAFRA based on industry averages for cost of production.

Cattle		
Category	Coverage Level	Producer Premium Rate
Cow-calf	100%	\$42.59 per head
	90%	\$30.65 per head
	80%	\$18.98 per head
Backgrounder	100%	\$0.0336 per lb.
	90%	\$0.0111 per lb.
	80%	\$0.0021 per lb.
Feedlot	100%	\$0.0484 per lb.
	90%	\$0.0185 per lb.
	80%	\$0.0034 per lb.

Hogs		
Category	Coverage Level	Producer Premium Rate
Early wean	100%	\$0.41 per head
	90%	\$0.24 per head
	80%	\$0.12 per head
Feeder	100%	\$0.25 per head
	90%	\$0.08 per head
	80%	\$0.02 per head
Grower/Finisher	100%	\$0.0254 per kg of gain
	90%	\$0.0109 per kg of gain
	80%	\$0.0030 per kg of gain

Sheep		
Category	Coverage Level	Producer Premium Rate
Sheep	100%	\$0.15 per lb.
	90%	\$0.11 per lb.
	80%	\$0.07 per lb.

Veal		
Category	Coverage Level	Producer Premium Rate
Grain-fed	100%	\$10.78 per head
	90%	\$4.84 per head
	80%	\$1.56 per head
Milk-fed	100%	\$27.88 per head
	90%	\$16.22 per head
	80%	\$5.97 per head

AgriStability Deadline Reminders

Participant Action	2011 AgriStability	2012 AgriStability
Sign up as new participant	April 30, 2011	April 30, 2012
Secure coverage		
Pay fee without penalty		
Pay fee with 20% penalty	December 31, 2011	December 31, 2012
Apply for an interim payment (last day)		
Submit T1163 to CRA (individuals)	June 15, 2012	June 15, 2013
Submit program information	June 30, 2012	June 30, 2013
Submit Statement A to Agricorp (corporations)		

In the past, if an application deadline was missed, the producer was not eligible; application may have been reviewed/accepted if there were extenuating circumstances with documentation.

Beginning in the 2011 program year, the deadline is June 30 as usual, however, late applications will be accepted until September 30, 2012 subject to \$500/month penalty deducted from any 2011 benefit. ◀

Ontario Energy and Property Tax Credit (OEPTC)

The OEPTC replaced the refundable Ontario Property Tax credit that was claimed on the personal income tax return each year. As the OEPTC is now paid out separately on a quarterly basis for 2011 and on a monthly basis beginning in July 2012, this refundable amount will no longer be claimed on your personal income tax return. In the future, it will be identified as the Ontario Trillium Benefit. ◀

Profile – Connie Iro

Connie Iro joined Allied in October 2004 as a Staff Accountant in the London Office. Prior to Allied, Connie was an estate tax analyst for 6 years and worked in public accounting for 8 years. Connie provides technical and training support to other tax staff, answers client inquiries and is a certified AgExpert accounting software advisor. ◀



FAQ's

Mandatory Inventory Adjustment

"I have an off-farm job, therefore, I am wondering if I can purchase some cattle at the end of the year to create a farm loss and write off against my employment income?"

The rules for cash basis taxpayers (farmers) provide for a "mandatory inventory adjustment", in loss years in respect of purchased inventory on hand at the end of the year.

As indicated this adjustment applies only to loss years. It requires an addition to income in the loss year of the lesser of the amount of the loss and the value of the purchased inventory on hand at the end of the year. This amount can then be carried forward and deducted in the following year.

Home Office Expenses

“Can a portion of my home expenses be deducted as an office expense for my business?”

In order to make a claim, the workspace must be your principal place of business or used exclusively for the business on a

regular and continuous basis for that purpose. Rent, insurance, property taxes, mortgage interest, heat and hydro may all be considered related to the workspace to the extent that it is used in the business. The claim itself has to be prorated for square footage and time allocated to the business. Deductions are limited to the amount of income otherwise determined. They cannot be used to create a loss. You can claim capital cost allowance on that portion of the value of your home, however, this is rarely done since it is likely to impair your claim for the principal residence exemption when you sell the house.

Profile – Kurt Sawyer

Kurt Sawyer joined Allied in 1992 as Area Manager in Oxford County. Kurt grew up on a farm near Alvinston, Ontario. He graduated from McMaster University with his Bachelor of Commerce degree.



Kurt specializes in agricultural tax and advisory services. His knowledge and expertise in all aspects of accounting and taxation ensures his clients receive quality advice, assistance and service.

Kurt is currently registered to deliver specialized farm business planning services on behalf of the Growing Forward program sponsored by the Federal and Provincial governments. ◀

Allied Can Help

We recommend you discuss any tax planning strategies before undertaking any action on the basis of this or any other general advice. Your Allied advisor can help you assess the effect of any tax changes on your personal finances or business affairs and point out ways to ease any adverse changes.

Bryan Smith, CA (Peterborough Office)	705-760-9900	Dennis Jubenville (Sarnia)	519-542-0162
Les MacAlpine (Peterborough Office)	705-760-9900	Brian Thorne, BBS (Alvinston).....	519-847-5800
Sarah Radnor (Peterborough Office)	705-760-9900	Vern Doupe (Clinton).....	519-482-5786
Bob Williams (Norwood)	705-639-1455	Teri Cobean, CMA, CFP (Hanover).....	519-364-0611
Chris Hart, BA, CMA (Winchester)	613-774-5204	Jordan Domm (Stratford)	519-274-0891
Leonard Dick, CGA, CFP (Whitby)	905-556-0370	Kurt Sawyer, B.Comm. (Thamesford)	519-285-1127
John Hrick, BA (St. Catharines)	905-685-6056	Dane Anderson (Waterford).....	519-615-8957
Jim Radler, CA (St. Jacobs)	519-574-6698	Joni Anderson, CGA, CFP (Ailsa Craig)	519-293-3000
Jeff Boucher (Cambridge)	519-260-0211	Kim Vandevrie (Mt. Brydges).....	519-264-9948
Karen Pacey, CGA (Barrie).....	705-241-5485	Chris Annis (London).....	519-642-4722
Steve Palmer (Listowel)	519-492-1078		

Our experienced Office Tax Staff provides knowledgeable support to our area managers. If you require clarification of any of the foregoing or wish to discuss your tax or financial affairs with one of our senior staff, please feel free to contact our office.

Wayne Ryan, CA	Chief Executive Officer	John Wilkin	Chief Financial Officer
Brad Ostrom.....	Senior Manager	Liz Barrie.....	Controller
Martin Benson.....	Senior Manager	Ruth Ann Harvey, CGA	Manager
Lisa Benson	Manager	Jim Kalman	Computer Systems
Debbie Loiselle, CFP	Manager	Cheryl Oliver	Senior Accountant
Lynn Breckenreid	Senior Accountant	Connie Iro.....	Senior Accountant
Heather Roelands.....	Staff Accountant	Elizabeth Kraller.....	Staff Accountant
Laura Thompson	Staff Accountant	Michael Spitters.....	Staff Accountant
Blake Connelly	Staff Accountant	Michelle McCutcheon	Staff Accountant

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