

Winter 2016

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Best Business Practice Checklist for Farm & Small Business Owners

- ✓ Prepare financial information on a timely basis.
- ✓ Have a plan for the future.
- ✓ Systemize work routines as much as possible.
- ✓ Keep up-to-date with regulatory requirements.
- ✓ Ensure personal affairs and related documentation are in order (Wills, Business Agreements, etc.).

Tax Change Highlights

"Decreased Small Business Income Tax Rate"

The Federal small business income tax rate that applies to the first \$500,000 of qualifying active business income of a Canadian Controlled Private Corporation is to be decreased from 11% to 9% over the next four years.

This means that the combined Federal and Provincial small business tax rate will be reduced from 15.5% to 13.5% over the same time frame.

"Tax Free Savings Account"

The annual contribution limit has been reduced to \$5,500 effective for 2016 and subsequent taxation years.

"Increased Lifetime Capital Gains Exemption for Qualified Farm or Fishing Property"

The lifetime capital gains exemption on capital gains realized on the disposition of qualified farm or fishing property on or after April 21, 2015 has been increased to \$1 million.

"Personal Tax Rate Changes for 2016"

Federal tax rates for income between \$45,283 and \$90,563 will be reduced from 22% to 20.5%, and increased by 4% for income over \$200,000 to 33% from 29%.

"Home Accessibility Tax Credit"

Seniors and persons with disabilities qualify for a 15% non-refundable tax credit for the cost of making improvements of up to \$10,000 for eligible home renovation expenditures per year, beginning on or after January 1, 2016.

"Accelerated CCA for Manufacturing and Processing Machinery and Equipment"

Manufacturing and equipment assets acquired after 2015 and before 2026 will be included in new Class 53 with an accelerated CCA rate of 50% per year on a declining balance basis.

"Tax Avoidance of Corporate Capital Gains – Subsection 55(2)"

Rules restricting the reorganization of corporations by paying tax free intercorporate dividends have been introduced to restrict this practice.

"Withdrawals from Registered Retirement Income Funds (RRIF)"

The initial requirement to withdraw a minimum percentage of money in a RRIF has been reduced by approximately 2 percentage points until Age 95. ◀

Profile – Vern Doupe

Vern has been an Area Manager for Allied Associates LLP since 1986, first in Huron County and recently moving to Brant County in 2015. Vern is a member of the Canadian Association of Farm Advisors (CAFA) ◀



FAQ's

When Should I Set Up a Holding Company?

Holding companies can be beneficial in the following situations:

- When non-farm assets exceed 10% of the value of total corporate assets, the corporation shares can lose their family farm status. Transferring the non-farm assets to a separate holding company may solve this problem.
- Separate holding companies can be utilized for the ownership of assets not needed to secure debt as part of a creditor proofing strategy.
- Succession planning may be facilitated by allowing for separate ownership of farm real estate and other assets in a holding company, avoiding the complexities involved in splitting a family farm corporation at a later date and/or requiring that they own or operate assets together in the same company.
- Allow parents to freeze and transfer their equity to a separate entity without having to pay tax until they receive the proceeds personally.

How Long Do I Need to Keep My Books and Records?

Books and records must be kept for a minimum of six years from the end of the last taxation year to which they relate. Books and records generally include supporting documents such as sales and purchase invoices, contracts, bank statements, an annual inventory list and cleared cheques. The information should be sufficient to enable you to determine income taxes payable. It may be necessary to permanently retain documents that support certain capital asset transactions in the event that these assets are sold at a later date and a gain or loss must be determined.



I Maintain Computerized Records, What Electronic Information Do I Need to Retain?

Electronic records must be kept in an electronically readable format even if they have been transferred to another medium, such as microfilm.

I Have Sold a Farm Property, if I Replace it Can I Save Tax?

When a property is disposed of, it can be replaced under a “rollover” rule if the property is replaced within specified time limits (generally two taxation years before or after the sale) with a similar property used in the same or a similar business. This can have the effect of deferring any income or capital gain until such time that the replacement property is eventually disposed. ◀

Farm Programs

“Risk Management”

The administration of various risk management programs including AgriStability, AgriInvest, Production Insurance and Risk Management is continuously changing. Risk Management allows producers to minimize and control the impact of unfortunate events (minimize uncertainty). They have been developed to help producers manage fluctuating costs, market prices and challenging weather.

Allied monitors these program changes so that we can help you assess potential benefits, complete forms and assist with direct deposit and email notifications. ◀

“Growing Forward 2”

Is your business structured properly to take advantage of the recent increase in the farm capital gains exemption?

Many of our clients have been taking advantage of the Growing Forward 2 Program to cost-share financial assessments and business plans. Applications are accepted during three intake periods for the upcoming program year:

- February 5th to 25th (deadline November 30, 2016).
- June 17th to July 7th (deadline January 31, 2017).
- October 14th to November 3rd (deadline March 31, 2017).
- Multi-year projects (deadline March 31, 2017).

Workshop attendance is mandatory to access the funding. There are many planned across the province over the next few months. Please visit the OSCIA website at www.ontariosoilcrop.org for more details or contact us for assistance ◀.

Unique Benefits of Allied Associates LLP

- ✓ In home service.
- ✓ We complete our work onsite at your desk or kitchen table explaining, discussing and reviewing the implications with you.
- ✓ Our involved approach promotes the development of your farm financial knowledge and skills.
- ✓ Consistent area accountant will visit you year after year.
- ✓ Pre-priced fee estimates (eliminates surprises).
- ✓ Experience and familiarity with family farms, Allied has been serving family farms for 60 years.
- ✓ Advisors are often active members of the local community.
- ✓ Advisors are supported by specialized individuals in our London and Peterborough offices.
- ✓ Representation in the event of an audit by CRA on income tax returns including returns prepared prior to this Engagement Contract, HST returns if these returns have been prepared by Allied, and AgriStability applications if these applications have been prepared by Allied (within reasonable time limits).
- ✓ Tax planning strategies are suggested for your particular circumstances.
- ✓ A convenient appointment time is arranged at your place of business.
- ✓ Allied agrees to pay any penalty assessed by Canada Revenue Agency if such penalty is assessed as a result of an error made on an income tax return prepared by Allied and does not arise as a result of a specific request by the client.
- ✓ Experienced area accountants and office specialists work together to provide expertise in all aspects of accounting, income tax preparation, advisory services and government program utilization for proprietorships, partnerships and corporations.
- ✓ We work from your office so we can ask questions and discuss matters as they arise.
- ✓ We provide you with an estimate of your tax situation and answer your questions and concerns immediately.
- ✓ Several staff are designated accountants and our governing bodies require ongoing professional development and high professional standards and expertise.
- ✓ Allied is part of the Chartered Professional Accountants of Ontario and as such is subject to mandatory practice inspection and professional liability insurance programs with comprehensive public oversight and discipline mechanisms.
- ✓ Guaranteed time reservations with area manager as close as possible to the month requested. Appointment notices are mailed approximately three weeks prior to the appointment date.
- ✓ Answering all inquiries regarding the client's file with Canada Revenue Agency (CRA).
- ✓ Information bulletins throughout the year.
- ✓ All work is reviewed by specialized individuals who can provide input and further suggestions for discussion along the way for your benefit.
- ✓ Telephone and/or personal advice on tax matters "within reason" between client and area manager throughout the year. ◀

Allied (1956-2016) Fun Facts From 1956

- A completed tax return consisted of four pages (two pages front and back).
- The average cost of a new house was \$11,700.
- The average cost of a new car was \$2,050.
- Elvis Presley released his first hit. ▶

Profile – Debbie Loiselle, CFP

Debbie is one of the leaders of our Business Advisory program often working with clients on succession, farm business and estate planning, as well as reorganization situations. Debbie has accumulated over 25 years of experience. Along the way she has gained her Certified Financial Planner (CFP) designation and has graduated from the Alternative Dispute Resolution and the Family Business Advisor Certificate programs. ▶



Profile – Brian Thorne

Brian joined Allied Associates LLP in 2004. Since that time has served as a Staff Accountant then as an Area



Manager in Kent County, and more recently shifting his focus to Lambton County as his client list grows. Brian and his wife, Kayla, and their three children live near Alvinston. ◀

Thank You for 60 Years!

Established on February 20, 1956, Allied is celebrating its 60th anniversary. We have achieved this milestone by striving to maintain the highest professional standards and continually improving our services to meet the challenges of our clients. We could not do this without loyal clients and dedicated staff. We are proud of our focus on family farms and small business clients and wish to thank you for your support through the years. ◀

Profile – Ruth Ann Harvey, CPA, CGA

Ruth Ann joined Allied in 1993 and is one of the leaders of our office team of specialists.



She obtained her Chartered Professional Accountant (CGA) designation in 1996. Ruth Ann's experience and teaching skills have made her an excellent mentor to many of our staff members and area managers. ◀

Thank You for 60 Years – From The Allied Ownership Team



Allied Associates LLP, Chartered Professional Accountants

TRUST – KNOWLEDGE – SERVICE – SINCE 1956

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