Canada Revenue Agency | Agence du revenu du Canada

AgriStability
AgriInvest

# Farming Income and the AgriStability and AgriInvest Programs Guide

# 2023

For AgriStability and AgriInvest participants in Alberta, Saskatchewan, Ontario, and Prince Edward Island.

RC4060(E) Rev. 23

Canada

# Before you start

This guide will help you complete your forms to participate in the AgriStability and AgriInvest programs.

- **AgriStability** – a margin based program that provides support when you experience larger income losses
- **AgriInvest** – a self-managed producer-government savings account designed to help producers:
  - manage small income declines
  - make investments to manage risk and improve market income

Review this guide to make sure you fill out your forms correctly. Providing correct information on your forms helps us calculate your benefits accurately and prevents delays.

Don't forget to include your participant identification number (PIN) on your form. A missing PIN is one of the top reasons for processing delays.

This guide gives you general information. For complete program rules, see the Sustainable Canadian Agricultural Partnership AgriStability and AgriInvest Program Guidelines.

## Find out if this guide is for you

Use this guide and forms if all of the following applies to you. You:

- want to participate in the AgriStability or AgriInvest programs, or both for 2023
- farm in Alberta, Saskatchewan, Ontario, or Prince Edward Island
- earned farming income as a self-employed farmer, or a partner of a farm partnership, or by renting land under a crop share arrangement
- are not a trust, a non-resident, a corporation, or an individual registered under the Indian Act farming on a reserve. Contact your Administration for a separate form and guide for these operations

Do not use this guide and forms if you:

- do not want to participate in the AgriStability or AgriInvest programs:
  - use Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income
  - file Form T2042, Statement of Farming Activities
- farm in British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, New Brunswick, Northwest Territories, or the Yukon:
  - use Guide RC4408, Farming Income and the AgriStability and AgriInvest Programs Harmonized Guide
  - file Form T1273, Statement A – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals
- farm in Quebec:
  - use Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income
  - file Form T2042, Statement of Farming Activities

## AgriStability and AgriInvest contact information

For AgriStability:

AgriStability is delivered provincially in Alberta, Saskatchewan, Ontario, Quebec and Prince Edward Island. If you have questions about your participation in AgriStability or want to request copies of the forms and guides, contact your provincial Administration at one of the numbers listed below.

- For Alberta, contact:

  Agriculture Financial Services Corporation
  5718-56th Avenue
  Lacombe AB  T4L 1B1
  Toll-free telephone: **1-877-899-2372**
  Fax: 403-782-6753
  Toll-free fax: 1-855-700-2372
  Email: info@afsc.ca
  Website: **afsc.ca**

- For Saskatchewan, contact:

  Saskatchewan Crop Insurance Corporation (SCIC)
  PO Box 3000
  484 Prince William Drive
  Melville SK  S0A 2P0
  Toll-free telephone: **1-866-270-8450**
  Toll-free fax: 1-888-728-0440
  Email: agristability@scic.ca
  Website: **scic.ca**

- For Ontario, contact:

  Agricorp
  1 Stone Road West
  Box 3660, Stn. Central
  Guelph ON  N1H 8M4
  Toll-free telephone: **1-888-247-4999**
  Fax: 519-826-4334
  Email: contact@agricorp.com
  Website: **agricorp.com**

- For Prince Edward Island, contact:

  AgriStability Administration
  Agricultural Insurance Corporation
  PO Box 400
  7 Gerald McCarville Drive
  Kensington PE  C0B 1M0
  Telephone:  **902-863-0435**
  Fax: 902-836-8912
  Email: AICStability@gov.pe.ca
  Website: **princeedwardisland.ca**

- For Quebec, contact:

  La Financière agricole du Québec
  Toll-free telephone: **1-800-749-3646**
  Website: **fadq.qc.ca**

For AgriInvest:

AgriInvest is delivered by the federal Administration in the Northwest Territories, Yukon and all provinces (except Quebec). If you have questions about your participation in the AgriInvest program, contact the federal Administration at the address listed below.

Program Administration
PO Box 3200
Winnipeg MB  R3C 5R7
Toll-free telephone: **1-866-367-8506**
Calling from outside of Canada: **204-926-9650**
TTY: **613-773-2600**

You can access the AgriInvest program website at **agriculture.canada.ca/agriinvest**.

## Forms and publications

Use the following forms with this guide:

- T1163, Statement A – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals
- T1164, Statement B – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations

- T1175, Farming – Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses
- RC322, AgriInvest Adjustment Request

Throughout the guide, we refer to other forms and publications. If you need any of these, go to **canada.ca/cra-forms**.

## Where to mail your forms and return

Send the following to the Winnipeg Tax Centre:

- your income tax return
- Form T1163
- Form T1164
- Form T1175

Mailing address:

Canada Revenue Agency
Winnipeg Tax Centre
PO Box 14001, Station Main
Winnipeg MB  R3C 3M3

The Winnipeg Tax Centre is the only tax centre that processes these forms.

Send correspondence intended for the AgriStability program or the completed supplemental AgriStability program form to your provincial Administration at one of the addresses on the previous page.

Complete Form RC322, AgriInvest Adjustment Request, to send correspondence intended for the AgriInvest program to the federal AgriInvest Administration at the address on the previous page.

## If you need more information

If you have questions about your participation in AgriStability, contact:

- your provincial Administration (see the previous page)

If you have questions about your participation in AgriInvest, contact:

- the federal Administration at the address provided on the previous page. The federal Administration delivers AgriInvest in the Northwest Territories, Yukon and all provinces except Quebec

If you have questions about reporting your farm income for tax purposes, contact:

- the CRA at **1-800-959-5525**

This guide explains the most common tax situations.

# What’s new for 2023

New items in this guide are outlined in colour. These include changes introduced in the 2023 federal budget that had not yet become law at the time this guide was published.

## Automobile deduction limits

For Class 54 zero-emission passenger vehicles (new and used) acquired on or after January 1, 2023, the prescribed amount increases from $59,000 to $61,000, before tax.

For Class 10.1 passenger vehicles (new and used) acquired on or after January 1, 2023, the prescribed amount increases from $34,000 to $36,000, before tax.

Automobile deductible leasing costs increase from $900 to $950 per month, before tax, for new leases entered into after 2022.

## Information reporting

Taxpayers, advisors and promoters are subject to enhanced reporting requirements relating to certain transactions entered into after June 21, 2023.

For more information, see “Information reporting related to reportable transactions and notifiable transactions” on page 95.

## Return of fuel charge proceeds to farmers tax credit

For 2023, New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island have been added to the list of the designated provinces eligible for the return of fuel charge proceeds to farmers tax credit. A self-employed farmer, or an individual who is a member of a partnership that operates a farming business, with one or more permanent establishments in one or more designated provinces may be able to claim the return of fuel charge proceeds to farmers tax credit.

For more information on how to claim this credit, see “Return of fuel charge proceeds to farmers tax credit” on page 36 and “Line 9951 – Return of fuel charge proceeds to farmers tax credit allocated to you in the year” on page 60.

The term income tax return used in this guide has the same meaning as Income Tax and Benefit Return.

## The CRA's publications and personalized correspondence are available in braille, large print, e-text, and MP3. For more information, go to **canada.ca/cra-multiple-formats** or call **1-800-959-5525**.

This guide uses plain language to explain the most common tax situations. It is provided for information only and does not replace the law.

La version française de ce guide est intitulée Revenu d'agriculture et les programmes Agri-stabilité et Agri-investissement.

Unless otherwise stated, all legislative references are to the Income Tax Act or, where appropriate, the Income Tax Regulations.

The CRA uses the term "Indian" as it has legal meaning under the Indian Act.

Alberta Government | Government of Saskatchewan | Ontario | Prince Edward Island Canada | Canada

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# Chapter 1 – General information

## Farming income

Farming income includes income you earned from the following activities:

- soil tilling
- livestock raising or showing
- racehorse maintenance
- poultry raising
- dairy farming
- fur farming
- tree farming
- fruit growing
- beekeeping
- cultivating crops in water or hydroponics
- Christmas tree growing
- operating a chicken hatchery
- operating a feedlot

In certain circumstances, you may also earn farming income from:

- raising fish
- market gardening
- operating a nursery or greenhouse
- operating a maple sugar bush (includes the activity of maple sap transformation into maple products if this activity is considered incidental to the basic activities of a maple sugar bush, such as the extraction and the collection of maple sap, which are farming activities)

Generally, livestock are domestic animals bred, raised, or kept on a farm or ranch, normally in an agricultural setting, for commercial profit. They may also be used in the production of commodities such as food and fiber, as well as for labour. For more information, see Interpretation Bulletin IT-427, Livestock of Farmers.

The raising or breeding of animals, fish, insects or any other living thing, to be sold as pets is **not** a farming activity. It is considered a business activity and must be reported as business income on Form T2125, Statement of Business or Professional Activities.

Generally, farming income does **not** include income you earned from working as an employee in a farming business, from trapping or from sharecropping. For more information on sharecropping arrangements, see Income Tax Folio S4-F11-C1, Meaning of Farming and Farming Business. For partnerships or joint ventures, see Income Tax Folio S4-F16-C1, What is a Partnership?

**Note**
Income earned from the following is not allowable for AgriStability or AgriInvest even if it may be considered farming income for income tax purposes:

- aquaculture
- trees and seedlings sold for use in reforestation
- wood sales
- peat moss
- wild game reserves
- cannabis (except for industrial hemp)

For more information on how to report income earned from non-allowable commodities, see “Income” on page 25.

**Note**
Sales and purchases of supply managed commodities are not allowable for AgriInvest.

## Reporting income and penalties

Include all your income when you calculate it for tax purposes. If you fail to report all your income in this year or in the last three years, you may be subject to a penalty of 10% of the amount you failed to report after your first omission.

A different penalty may apply if you knowingly, or under circumstances amounting to gross negligence, participate in the making of a false statement or omission in your Income Tax and Benefit Return. In such a case, the penalty is 50% of the tax related to the omission or false statement (minimum $100).

For more information about penalties, go to **canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/interest-penalties/false-reporting**.

### When you must start reporting income and can start deducting expenses

You must start reporting your income and can start deducting your expenses when your business starts. We look at each case on its own merits. Generally, we consider your business to have started whenever you begin some significant activity that is a regular part of the business, or that is necessary to get the business going.

Suppose you do research on how to start a business in the hope of going into a business of some kind. We would not consider that as a significant activity that is a regular part of the business. So we would not consider your business to have begun at the time you started doing research. In that case, you cannot deduct any of the costs you have incurred for research.

Suppose you decide to buy enough goods for resale or equipment to start your business. We would consider this to be the starting point of your business. From that point, you can usually deduct all the expenses you incur for the business to earn income. You may still deduct the expenses even if, despite all your efforts, your business ended.

For more information about the start of a business, see Interpretation Bulletin IT-364, Commencement of Business Operations.

Statistics Canada is allowed by law to get business information collected by the Canada Revenue Agency (CRA). Statistics Canada can share the data with provincial statistical agencies to use for research and analysis purposes only. The data is related to business activities carried on in their respective province.

## How to report your farming income

You can earn farming income as a self-employed farmer or as a partner of a farm partnership, or both. Most of the rules that apply to self-employed farmers also apply to partners. However, if you are a partner, you should see “Reporting partnership income” on page 16.

### Fiscal period

Report your farming income based on a fiscal period. A **fiscal period** is the time between the day your farming business starts and the day it ends its business year. For an existing business, the fiscal period is usually 12 months. A fiscal period cannot be longer than 12 months. However, it can be shorter than 12 months in some cases, such as when a new business starts or when a business stops.

Self-employed individuals generally have to use a December 31 year-end. If you are an eligible individual, you may be able to use another method of reporting business income that allows you to have a fiscal period that does not end on December 31. If your fiscal year-end is not December 31, see Form T1139, Reconciliation of 2023 Business Income for Tax Purposes, to calculate the amount of business income to report on your 2023 income tax return.

If you filed Form T1139 with your 2022 income tax return, generally you have to file one again for 2023.

> **Note**
> If you receive a T4A slip that includes amounts accrued and reported in a previous year, do not claim that income again in the current year. Instead, write a letter showing the amount and the year you reported the income. If you file on paper, you may include the letter with your return. If you file electronically, keep the letter in case the CRA asks to see it.

## Reporting methods

You can report your farming income using the cash method or the accrual method of accounting.

### Cash method

**Note**
You can use the cash method of accounting for your farming activities, but must use the accrual method for separate business activities or for GST/HST/QST purposes. You must keep a separate set of records for each accounting method that you use.

When you use the cash method you must:

- report income in the fiscal period you receive it
- deduct expenses in the fiscal period you pay them

For special rules, see "Prepaid expenses" on page 39.

If you use the cash method and receive a post-dated cheque as security for a debt, include the amount in income when the cheque is payable.

If you receive a post-dated cheque as an absolute payment for a debt and the cheque is payable before the debt is due, include the amount in your income on one of the following dates, whichever is earlier:

- the date the debt is payable
- the date you cash or deposit the cheque

**Note**
The post-dated cheque rules apply to income-producing transactions, such as the sale of grain. They do not apply to transactions involving capital property, such as the sale of a tractor.

Only farmers, fishers, and self-employed commission agents can use the cash method. All other business income must be reported using the accrual method.

When you use the cash method in a farming business, do not include inventory when you calculate your income. There are, however, two exceptions to this rule.

For more information on the cash method for farming income and the exceptions, see Income Tax Folio S4-F11-C1, Meaning of Farming and Farming Business.

For more information, see "Line 9941 – Optional inventory adjustment – current year" on page 56 and "Line 9942 – Mandatory inventory adjustment – current year" on page 56.

### Accrual method

When you use the accrual method you must:

- report income in the fiscal period you earn it, no matter when you receive it
- deduct expenses in the fiscal period you incur them, whether or not you pay them in that period

"Incur" usually means you either paid or will have to pay the expense.

For special rules, see "Prepaid expenses" on page 39.

When you calculate your income using the accrual method, the value of all inventories, such as livestock, crops, feed, and fertilizer, will form part of the calculation. Make a list of your inventory and count it at the end of your fiscal period. Keep this list as part of your business records.

You can use **one** of the following methods to value your inventory:

- Value all inventory at its **fair market value (FMV)** (see the definition on page 63). Use either the price you would pay to replace an item or the amount you would get if you sold an item.
- Value individual items at cost or FMV, whichever is less. You can value items by group when you cannot easily tell one item from another. Cost is the price you incur for an item, plus any expenses to get it to your business location and put in a condition of use for your business.
- Value livestock according to the unit price base. For this method, complete Form T2034, Election to Establish Inventory Unit Prices for Animals.

Use the same method you used in past years to value your inventory. The value of your inventory at the start of your 2023 fiscal period is the same as the value at the end of your 2022 fiscal period. In your first year operating a farming business, you will not have an opening inventory at the start of your fiscal period.

For more information on inventories, see Interpretation Bulletin IT-473, Inventory Valuation.

**Note**
If you use the accrual method to calculate your farming income, calculate your cost of goods sold on a separate piece of paper.

### Changing your method of reporting income

If you decide to change your method of reporting income from the **accrual method** to the **cash method**, use the cash method when you file your next income tax return. Make sure you include a statement that shows each adjustment made to your income and expenses because of the difference in methods.

If you decide to change from the **cash method** to the **accrual method**:

- get permission from your tax services office
- ask for this change in writing before the date you have to file your income tax return
- explain why you want to change methods in your letter

The cash and accrual methods are different. The first time you file your income tax return using the accrual method, make sure you include a statement that shows each adjustment made to your income and expenses.

For information on how to report income and expenses for both the AgriStability and AgriInvest programs, and for tax purposes, see "Method of accounting" on page 25.

## Business records

You are required by law to keep records of all your transactions to be able to support your income and expense claims. A record is defined to include an account, an agreement, a book, a chart or table, a diagram, a form, an image, an invoice, a letter, a map, a memorandum, a plan, a return, a statement, a telegram, a voucher and any other proof containing information, whether in writing or in any other form.

Keep a record of your daily income and expenses. We do not issue record books nor suggest any type of book or set of books. There are many record books and bookkeeping systems available. You can use a book that has columns and separate pages for income and expenses.

Keep your duplicate deposit slips, bank statements, and cancelled cheques. Keep separate records for each business you run. If you want to keep computerized records, make sure they are clear and easy to read.

**Note**
Do not send your records with your income tax return. However, do keep them in case we ask to see them at a later date.

### Benefits of keeping complete and organized records

You can benefit from keeping complete and organized records. For example:

- When you earn income from many places, good records help you identify the source of income. If you keep proper records, you may be able to prove that some income is not from your business, or that it is not taxable
- Keeping good records will remind you of expenses you can deduct when it is time to do your income tax return
- Good records will keep you better informed about the past and present financial position of your business
- Good records can help you budget, spot trends in your business, and get loans from banks and other lenders
- Good records can prevent problems you may run into if we audit your income tax returns

### Consequences of not keeping adequate records

If you do not keep the necessary information and you do not have any other proof, we may have to determine your income using other methods.

We may also disallow expenses you deducted if you cannot support them.

There are penalties for not keeping adequate records, for not giving the CRA access to your records when requested, and for not giving information to CRA officials when asked.

## Income records

Keep track of the gross income your farming business earns. Gross income is your total income before you deduct expenses, including those related to the goods sold. Your income records should show the date, amount, and source of the income. Record the income whether you received cash, property, or services. Support all income entries with original documents.

Original documents include:

- sales invoices
- cash register tapes
- receipts
- cash purchase tickets from the sale of grain
- cheque stubs from marketing boards
- bank deposit slips
- fee statements
- contracts

## Expense records

Always get receipts or other vouchers when you buy something for your business. The receipts have to show all of the following:

- the date of the purchase
- the name and address of the seller or supplier
- the name and address of the buyer
- a full description of the goods or services
- the vendor's business number if they are a GST/HST registrant when the purchase price is $30 or more (before taxes)

**You were asking?**

**Q.** What should I do if there is no description on a receipt?

**A.** When you buy something, make sure the seller describes the item. However, sometimes there is no description on the receipt, as with a cash register tape. In this case, you should write what the item is on the receipt or in your expense records.

**Q.** What should I do if a supplier does not want to give me a receipt?

**A.** When you buy something, make sure you get a receipt. Farmers must get documentation to support the transactions they enter in their books and records. Your transactions may be denied if you do not have the proper documentation to support your purchases. For more information, see Guide RC4022, General Information for GST/HST Registrants.

Keep a record of the properties you bought and sold. This record should show who sold you the property, the cost, and the date you bought it. This information will help you calculate your capital cost allowance (CCA) and other amounts. Chapter 4 explains how to calculate CCA.

If you sell or trade a property, show the date you sold or traded it and the amount of the payment or credit from the sale or trade-in.

**Example**
The following expense journal is an example of how to record your expenses for one month:

| Date | Particulars | Cheque No. | Bank | GST (5%) | Purchases | Legal & Acct. | Adv. | Permit | Repairs | Capital items |
|---|---|---|---|---|---|---|---|---|---|---|
| July 1 | XYZ Radio | 407 | 367.50 | 17.50 | | | 350.00 | | | |
| July 1 | Smith Hardware | 408 | 26.95 | 1.28 | | | | | 25.67 | |
| July 2 | City of Ottawa | 409 | 157.50 | 7.50 | | | | 150.00 | | |
| July 3 | Andy's Accounting | 410 | 262.50 | 12.50 | | 250.00 | | | | |
| July 5 | Wholesale Supply Inc. | 411 | 1,836.60 | 87.46 | 1,749.14 | | | | | |
| July 5 | Ed's Used Cars | 412 | 1,575.00 | 75.00 | | | | | | 1,500.00 |

For more information on how to keep your business records, the time limits, and to learn more about the benefits of keeping records complete and organized, go to **canada.ca/taxes-records**.

## Instalment payment

As a self-employed farmer, you may have to pay an instalment payment. In most cases, we will send you an instalment reminder showing an instalment amount we have calculated for you.

You can view your instalment reminders using one of the following:

- My Account at **canada.ca/my-cra-account**
- My Business Account at **canada.ca/my-cra-business-account**

If you earn farming income, your instalment payment is due December 31.

> **Note**
> If this date falls on a Saturday, Sunday, or public holiday, you have until the next business day to make your instalment payments.

There are different methods you can use to calculate instalment payments. For example, you can use the Instalment payment calculator service at My Business Account to calculate them and view their due dates.

Go to one of the following:

- **canada.ca/my-cra-business-account**, if you are a business owner
- **canada.ca/taxes-representatives**, if you are an authorized representative or employee

You may have to pay interest and a penalty if you do not pay the full instalment amount owed on time.

For more information on instalment payments or instalment interest charges, go to **canada.ca/taxes-instalments**.

## Dates to remember

**February 29, 2024** – If you have employees, file your 2023 T4 Summary and T4A Summary. Also, give your employees their copies of the T4 and T4A slips.

**March 31, 2024** – Most farm partnerships with individuals as partners are required to file a partnership information return. However, there are exceptions, see Guide T4068, Guide for the Partnership Information Return (T5013 forms).

**April 30, 2024** – Pay any balance owing for 2023. Also, file your 2023 income tax return, if the expenditures of your business are mainly the cost or the capital cost of tax shelter investments.

**June 15, 2024** – File your 2023 income tax return if you have self-employed farming income, or if you are the spouse or common-law partner of someone who does, unless your business expenditures are mainly the cost or the capital cost of tax shelter investments. Remember to pay any balance owing due by April 30, 2024, to avoid interest charges.

**June 30, 2024** – If you are applying from Ontario, this is the initial (non-penalty) deadline to send:

- the T1163 portion of your AgriStability form to the Winnipeg Tax Centre
- the supplemental portion of your AgriStability form to your provincial Administration

Your forms will be accepted after this date until the final deadline of September 30, 2024.

Your benefit will be reduced by $500 for each month (or part of a month) you submit your forms between the initial and final deadline.

**September 30, 2024** – If you are applying from Alberta, Saskatchewan, or Prince Edward Island, this is the initial (non-penalty) deadline to send:

- the T1163 portion of your AgriStability form to the Winnipeg Tax Centre
- the supplemental portion of your AgriStability form to your provincial Administration

Your forms will be accepted after this date until the final deadline of December 31, 2024.

Your benefit will be reduced by $500 for each month (or part of a month) you submit your forms between the initial and final deadline.

If you are applying from Ontario, this is the final (with penalty) deadline to send:

- the T1163 portion of your AgriStability form to the Winnipeg Tax Centre
- the supplemental portion of your AgriStability form to your provincial Administration

> **Note**
> AgriStability participants in Ontario – You must file your 2023 tax return reporting your farming income (loss) to the CRA by September 30, 2024, to be eligible for 2023 AgriStability program benefits.

If you are applying for AgriInvest (Northwest Territories, Yukon and all provinces except Quebec), this is the initial (non-penalty) deadline to send your completed AgriInvest form to the Winnipeg Tax Centre. For more information, see "Important information for AgriStability and AgriInvest" on page 14.

**December 31, 2024** – Pay your instalment payment if you meet the following conditions:

- your main source of income in 2024 is self-employment income from farming
- your net tax owing is more than $3,000 in each of 2022, 2023, and 2024 ($1,800 if you live in Quebec on December 31 for any of those years)

For more information on paying your income tax by instalments, go to **canada.ca/taxes-instalments**.

> **Note**
> If any of the dates mentioned above fall on a Saturday, Sunday, or public holiday, you have until the next business day to file your return or make your payment.

If you are applying from Alberta, Saskatchewan, or Prince Edward Island, this is the final (with penalty) deadline to send:

- the T1163 portion of your AgriStability form to the Winnipeg Tax Centre
- the supplemental portion of your AgriStability form to your provincial Administration

If you are applying for AgriInvest (Northwest Territories, Yukon and all provinces except Quebec), this is the final (with penalty) deadline to send your completed AgriInvest form to the Winnipeg Tax Centre. For more information, see "Important information for AgriStability and AgriInvest" below.

AgriStability (Alberta, Saskatchewan, and Prince Edward Island) and AgriInvest (Northwest Territories, Yukon and all provinces except Quebec) participants: You must file your 2023 tax return reporting your farming income (loss) to the CRA by December 31, 2024, to be eligible for 2023 program benefits.

## Important information for AgriStability and AgriInvest

To participate in AgriStability, complete and send Form T1163 to the Winnipeg Tax Centre by the deadline established in your province. You must also send supplementary information to your provincial Administration.

You must complete a 2023 AgriStability form and send it to the Winnipeg Tax Centre by the deadlines shown for your province if you received an AgriStability Interim or a Targeted Advance Payment (or both) for the 2023 program year. If you do not, you will have to repay the money you received.

For more information on deadlines, see “Dates to remember” on page 13 or contact your provincial Administration at one of the numbers on page 3.

To participate in AgriInvest, complete and send Form T1163 to the Winnipeg Tax Centre by the deadline. The initial deadline to submit your form without penalty is September 30, 2024. The final deadline to submit your form with penalty is December 31, 2024.

We will reduce your maximum government deposit by 5% for each month (or part of a month) that you submit your form between the initial and final deadline. Forms received after December 31, 2024, will not be eligible for benefits.

If the initial or final deadlines fall on a Saturday, Sunday, or public holiday, you have until the next business day to file your form.

## Employment insurance premiums

As a self-employed individual you may be eligible to contribute to employment insurance (EI) for yourself. You may register to participate if you meet the eligibility criteria defined by Service Canada.

Beginning in the year you register, your EI premiums will be calculated on your income tax return for that year. If you register in 2023 to participate in this program, premiums for 2023 will be calculated on your 2023 income tax return and will be payable by April 30, 2024.

Subsequently, if you pay your income tax by instalments, EI premiums may be included in your instalment payments.

When you register for the EI program, EI premiums will be payable on your self-employment income for the entire year, regardless of the date you register. For example, whether you register in April 2023 or December 2023, you will pay EI premiums on your self-employment income for the entire 2023 year.

EI premiums are payable on the amount of your self-employment earnings up to an annual maximum amount. The annual maximum amount for 2023 is $61,500.

Claim your provincial or territorial non-refundable tax credit for the EI premiums on the provincial or territorial Form 428 on line 58305.

For more information, go to **canada.ca/service-canada-home**.

## Goods and services tax/harmonized sales tax (GST/HST)

Generally, you must register for the GST/HST if your worldwide gross revenues from your taxable supplies of property and services and those of your associates are more than $30,000 in a single calendar quarter or over four consecutive calendar quarters. Taxable supplies of property and services include those that are subject to GST/HST at the applicable rate and those that are taxed at 0% (zero-rated).

Do not include in your calculation any revenues from sales of capital property, supplies of financial services or goodwill from the sale of a business.

> **Note**
> If your gross revenue is equal to or less than $30,000, you do not have to register for GST/HST purposes. If you make taxable supplies in your business, you can register if you want to. If you are registered, you may be eligible to claim input tax credits.

For information about how the GST/HST applies to taxable farm goods and services, zero-rated farm products, and zero-rated farm purchases, see page 108.

For more general information on GST/HST, go to **canada.ca/gst-hst** or see Guide RC4022, General Information for GST/HST Registrants. For more information about registering for GST/HST purposes, see GST/HST Memorandum 2.1, Required Registration.

### The GST/HST Registry

The GST/HST Registry is an online service you can use to confirm the GST/HST number of a business. You can use this registry to check if your suppliers are registered for the GST/HST when you claim an input tax credit. For more information, go to **canada.ca/gst-hst-registry**.

For businesses registered under the simplified regime, you can also use the regime's new registry to confirm their GST/HST number. GST/HST paid on purchases from those businesses is **not** eligible for input tax credits. For more information go to: **canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses/digital-economy-gsthst/confirming-simplified-gst-hst-account-number.**

You can check the Quebec sales tax (QST) registration number at **entreprises.revenuquebec.ca/EntNa/SX/SX00/SX00.SXCLT20A.ValiderInscription/SXCLT20AA**.

## Find out what a partnership is

A partnership is defined as the relationship that exists between persons carrying on a business in common with a view to profit. You can have a partnership without a written agreement. To help you decide if you are a partner in a certain business, determine the type and extent of your involvement in the business and check your province or territory's laws.

When you form, change, or dissolve a partnership, consider:

- whether the relationship is a partnership
- the special rules about capital gains or losses and the recapture of CCA that apply when you transfer properties to a partnership
- the special rules that apply when you dissolve a partnership
- the special rules that apply when you dispose of your interest in a partnership

For more information about partnerships, see Income Tax Folio S4-F16-C1, What is a Partnership? or Guide T4068, Guide for the Partnership Information Return (T5013 Forms).

### Limited partnership

A limited partnership is composed of one or more general partners and one or more limited partners.

A general partner has unlimited liability for the debts and obligations of the partnership.

A limited partner generally has limited liability for the debts and obligations of the partnership unless the partner is involved in running the business.

### Reporting partnership income

A partnership does not file an income tax return, and is not taxed at the partnership level. All income and losses of a partnership flow through to the partners. They report their share on their income tax returns such as their T1, T2, or T3. This requirement is the same whether their share of income was received in cash or as a credit to the partner's capital account. For more information, see Guide T4068, Guide for the Partnership Information Return (T5013 Forms).

### Partnership losses

If a partnership has a loss from carrying on business in a tax year, this loss is allocated to the partners. In general, the amount of business loss allocated to a particular partner is either netted against the partner's income from other sources to arrive at net income for the year or is included in determining the partner's non-capital loss for the year, as the case may be.

**Note**
The loss carry-forward period is 20 years for non-capital losses, farm losses, restricted farm losses, and life insurer's Canadian life investment losses incurred.

### Filing requirements for partnerships

Under subsection 229(1) of the Regulations, all partnerships that carry on business in Canada or are Canadian partnerships or specified investment flow-through (SIFT) partnerships must file a partnership return. However, under CRA administrative policy, certain partnerships that carry on business in Canada or are Canadian partnerships are not required to file a partnership return.

For more information about the partnership information return and any other filing exemptions, see Guide T4068, Guide for the Partnership Information Return (T5013 Forms).

When you receive your T5013 slip, or a partnership financial statement, you must complete a Form T1163 or T1164 in the manner described in Chapter 3. Use a separate Form T1164 to deduct any business expense you incurred for which the partnership did not repay you. For more information, see "Additional expenses (partnerships)" on page 21.

Once Form T1163 is completed, enter the gross income from Form T1163 (or total gross income from Form T1163 plus any gross income from Form T1164) on line 14099 of your income tax return. Enter your share of the net income from page 5 of Form T1163 (or total of your share of the net income from Form T1163 plus your share of any net income from Form T1164) on line 14100. Attach copy 2 of your T5013 slip to your return.

## Capital cost allowance

A partnership can own depreciable property and claim CCA on it. However, individual partners cannot claim CCA on property the partnership owns.

From the capital cost of depreciable property, subtract any investment tax credit allocated to the individual partners. We consider this allocation to be made at the end of the partnership's fiscal period. You must also reduce the capital cost by any type of government assistance received. Box 040 of your T5013 slip, Statement of Partnership Income, shows the amount of CCA the partnership claimed on your behalf. This amount has already been deducted from your business income in box 116 of the T5013 slip. Do not deduct this amount again.

For more information on CCA and the adjustments to capital cost, see Chapter 4.

Any recapture of CCA or terminal loss on the sale of a partnership's depreciable property is included in the partnership's income or loss for the year that is allocated to the partners. Any taxable capital gain on the sale of a partnership's depreciable property is also allocated to the partners.

For more information about capital gains and losses, as well as recapture and terminal losses, see Chapter 4.

## GST/HST rebate for partners

If you are an individual who is in a partnership, you may be able to get a rebate for the GST/HST you paid on certain expenses. The rebate is based on the GST/HST you paid on expenses you deducted from your share of the partnership income on your income tax return. However, special rules apply if your partnership paid you an allowance for those expenses. For more information, go to **canada.ca/cra-gst-hst-rebates** and click on "Employee and partner."

As an individual who is in a partnership, you may qualify for the GST/HST partner rebate if you meet all of the following conditions:

- the partnership is a GST/HST registrant
- you personally paid GST/HST on expenses that:
  - you did not incur on behalf of the partnership
  - you deducted from your share of the partnership income on your income tax return

However, special rules apply if the partnership reimbursed you these costs.

Examples of expenses subject to the GST/HST are vehicle costs and certain business-use-of-home expenses. The rebate may also apply to the GST/HST you paid on motor vehicles, and aircraft, for which you deducted CCA.

The eligible part of the CCA is the part that you deduct on your tax return in the tax year that relates specifically to a motor vehicle or equipment on which you paid GST/HST. It would also be eligible for the rebate, to the extent that the partnership used the property to make taxable supplies.

You can also get a GST/HST rebate calculated on the CCA you claimed on certain types of property. For example, you can generally claim the rebate based on the CCA you deducted for a vehicle you bought to earn partnership income if you paid GST/HST when you bought it.

If you deduct CCA on more than one property of the same class, separate the part of the CCA of the property that qualifies for the rebate from the CCA on the other property. If any part of the rebate relates to the CCA deduction for a motor vehicle, or equipment, you have to reduce the undepreciated capital cost (UCC) of that property by the amount that is part of the rebate.

Complete Form GST370, Employee and Partner GST/HST Rebate Application, to claim your GST/HST rebate for partners. You have to include this rebate in your income for the tax year in which you receive it.

For example, if in 2023 you receive a GST/HST rebate for the 2022 tax year, you have to include the amount of the rebate on your income tax and benefit return for 2023:

- enter, as an expense, at line 9974 of Form T1163 or T1164 the GST/HST rebate amount for partners that pertains to eligible expenses other than the CCA
- in column 2 of "Area A – Calculation of CCA claim," reduce the UCC for the beginning of 2023 by the rebate part that relates to the eligible CCA

For more information about the GST/HST rebate, go to our webpage "GST/HST rebate for employees and partners."

## Investment tax credit

An investment tax credit (ITC) lets you subtract part of the cost of some types of property you acquired or expenditures you incurred from the taxes you owe. You may be able to claim this tax credit in 2023 if you:

- acquired qualifying property
- incurred qualifying expenditures
- were allocated renounced Canadian exploration expenses
- acquired monies paid to agricultural organizations through check-offs, levies or cash assistance

You may also be able to claim this tax credit in 2023 if you have unused ITCs from previous years.

For more information about ITCs, see Form T2038(IND), Investment Tax Credit (Individuals).

### Scientific research and experimental development

You can earn a scientific research and experimental development (SR&ED) ITC on qualified expenditures. You can receive them in the form of a cash refund or a reduction of tax payable or both. Unused SR&ED ITC can be carried back 3 years or carried forward 20 years. For more information, see the SR&ED Investment Tax Credit Policy.

> **Note**
> Agricultural producers can access ITCs earned on contributions made to agricultural organizations that fund SR&ED. For more information, see section 8 of the Third-Party Payments Policy on the CRA website. Self-employed farmers may have to file a Form T661, Scientific Research and Experimental Development (SR&ED) Expenditures Claim, as well as a Form T2038. For more information, see Guide T4088, Scientific Research and Experimental Development (SR&ED) Expenditures Claim – Guide to Form T661.

### Mineral exploration tax credit

Certain renounced Canadian exploration expenses qualify for the mineral exploration tax credit (METC). You must subtract the amount of any allowable provincial tax credit from your eligible expenses.

### Critical mineral exploration tax credit

Certain renounced Canadian exploration expenses qualify for the critical mineral exploration tax credit (CMETC) if they were incurred for the exploration of any of the following specified minerals: copper, nickel, lithium, cobalt, graphite, a rare earth element, scandium, titanium, gallium, vanadium, tellurium, magnesium, zinc, a platinum group metal, or uranium.

Eligible expenses must be renounced under flow-through share agreements that are entered into after April 7, 2022, and before April 1, 2027.

You cannot claim both the CMETC and the METC for your eligible expenses. You must subtract the amount of any allowable provincial tax credit from your eligible expenses.

### Air quality improvement tax credit

As a self-employed individual, you could only claim the air quality improvement tax credit (AQITC) for your qualifying expenditures in the 2022 tax year, even if you had an alternative fiscal period end for your business in 2023.

If you were a member of a partnership in 2023, enter any AQITC allocated to you by the partnership for its fiscal period ending in 2023 on line 47557 of your income tax and benefit return. The amount allocated to you is shown in box 238 of your T5013 slip or in a letter that your partnership gave you.

For more information on the AQITC, see "Line 47557" of the Federal Income Tax and Benefit Information.

# Chapter 2 – Your AgriStability and AgriInvest programs

## Participating in the programs

You can choose to participate in AgriStability only, AgriInvest only, or both programs together, depending on the business risk management needs of your farm.

As a program participant, you are responsible for knowing program deadlines and understanding program policies. For more information, contact your Administration or visit the program websites.

### AgriStability

AgriStability is a margin-based program that provides support when you experience larger income losses.

#### Find out if you are eligible

To participate in AgriStability for the 2023 program year, you must:

- file a Form T1163
- file a 2023 Canadian income tax return reporting eligible farming business income (loss) by December 31, 2024, (except individuals registered under the Indian Act farming on a reserve in Canada who are exempt from filing an income tax return)
- meet all program requirements by the deadlines

In addition, you must have:

- enrolled in the program and paid your fee by the deadline shown on your Enrolment Notice
- completed a minimum of six consecutive months of farming activity
- completed a production cycle (for example, growing and harvesting a crop or rearing livestock)

We may waive the requirements to complete six consecutive months of farming activity and a production cycle if you experienced a disaster.

If you are an individual registered under the Indian Act farming on a reserve in Canada and you are not required to file an income tax return, contact your Administration for a copy of the form you need to complete and the related guide.

For more information on eligibility, contact your Administration or visit the program websites.

#### How to participate

Complete and send your Form T1163 by the deadline. For information on program deadlines, see page 13.

#### AgriStability benefit calculations

AgriStability is based on margins.

**Program margin** – your allowable income minus your allowable expenses in the current year adjusted for changes in purchased inputs, receivables, payables, and inventory.

**Reference margin** – an average of your program margins for the past five years with adjustments made to reflect significant changes to the size or structure of your farm. We drop the highest and lowest years and average the remaining years.

Generally, you will receive an AgriStability payment when your program margin in the current year falls more than 30% below your reference margin. AgriStability covers 80% of your decline that is beyond the 30%.

**Reference margins will be calculated for 2023 as follows:**

- If you participated in the program in any of the past four years, we will calculate your reference margin using the program margins for the previous five years. The highest and lowest program margins are dropped and the remaining three are averaged. This is called an Olympic average.
- If you did not participate in the program in the past four years, we will calculate your reference margin using an average of the three previous program margins. We will continue to calculate your reference margin using three previous program margins until you have five years of historical information on file.
- If you did not have farming activity in one or more of the five previous years, your reference margin will be calculated using an average of the three previous years. If you did not have farming activity in any of the three previous years, we will create margins for any missing years using industry averages.

For more information on margins and how we calculate AgriStability payments, see your program handbook or visit the program website.

We will send you a Calculation of Program Benefits after we process your form, to show you how we calculated your benefit.

### AgriStability program fee

You must pay an annual fee to participate in AgriStability. The fee is $3.15 for every $1,000 of contribution reference margin protected (based on coverage of 70% of your margin). The minimum fee is $45.

### AgriStability administrative cost share (ACS)

You must pay $55 each year for administration costs.

Send your AgriStability fee and ACS directly to your Administration. For more information, contact your Administration.

Do not send payments for the AgriStability or AgriInvest programs with your income tax return. The CRA will credit any payments you include with your income tax return to your income tax account.

## AgriInvest

AgriInvest is a self-managed producer-government savings account designed to help you manage small income declines and make investments to manage risk and improve market income.

Each year you can deposit money into an AgriInvest account and receive matching government contributions. You can withdraw the money when you need it.

### Find out if you are eligible

To participate in AgriInvest for the 2023 program year, you must:

- file a Form T1163
- file a 2023 Canadian income tax return reporting eligible farming business income (loss) by December 31, 2024
- meet all program requirements by the deadlines

If you are an individual registered under the Indian Act farming on a reserve in Canada and you are not required to file an income tax return, contact your Administration for a copy of the form you need to complete and the related guide.

For more information on eligibility, see the AgriInvest Program Handbook or go to **agriculture.canada.ca/agriinvest**.

### How to participate

Complete and send your Form T1163 by the deadline. For information on program deadlines, see page 13.

### AgriInvest benefit calculations

AgriInvest deposits are based on a percentage of your allowable net sales. Allowable net sales are your total allowable commodity sales and program payments minus your total allowable commodity purchases and repayment of program benefits.

Once we process your form, we will send you a Deposit Notice showing your deposit options.

## Form T1163, Statement A – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals

As a self-employed farmer, you have to give us a statement that accurately shows your farming activities for the year. Use Form T1163 to report your income and expenses for income tax purposes and to report your farming information for AgriStability and AgriInvest. To get this form, go to **canada.ca/cra-forms**.

## Deceased participant

If a deceased individual had farming income or losses, complete Form T1163 in the name of the deceased individual. Print "Estate" in the name area. Use the income and expenses that you are reporting on the individual's final income tax return for 2023.

Send copies of the individual's death certificate and the probated will (or letters of administration) to the CRA with the final income tax return and to your AgriStability and AgriInvest Administration.

If you also file an optional return for the year of death, such as a return of rights and things, contact your Administration to get the correct form to provide this information to your Administration.

Prepare an additional Form T1163 in the name of the surviving spouse or common-law partner if a beneficiary continues the farming business. Contact your Administration to get the correct form if a trust has been established for the surviving spouse or common-law partner. Use the income and expenses from the surviving spouses or common-law partner's 2023 income tax return. For more information about applying as a trust, contact your Administration.

## Form T1164, Statement B – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations

You may have more than one farming operation. For example, you could have a sole proprietorship and be a member of a partnership. If you have more than one farming operation, complete Form T1163 for one operation and a separate Form T1164 for each additional operation. To get these forms, go to **canada.ca/cra-forms**.

### Additional expenses (partnerships)

Complete Form T1164 if you have reported a partnership operation on Form T1163 and you want to deduct additional expenses for which the partnership did not reimburse you. For example, you may want to deduct the farming business part of allowable motor vehicle expenses or business-use-of-home expenses.

If you are using Form T1164 to deduct business-use-of-home expenses, follow these steps:

- leave the income areas of page 1 blank
- report your expenses on the appropriate lines of page 2
- enter the total expense from page 2 to line 9968 of page 3
- do not fill in the "Partnership information" area of page 3
- do not make an entry on "Line 9934 – Adjustment to business-use-of-home expenses"
- complete Form T1175, Farming – Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses

The amount you claim reduces your net income from farming on line 14100 of your income tax return. However, you cannot use business-use-of-home expenses to create or increase a loss from farming.

> **Note**
> The instructions in the note in the "Business-use-of-home expenses" section of Form T1175 do not apply if you are only claiming business-use-of-home expenses.

## Completing the forms

By completing Forms T1163 and T1164, you authorize:

- the CRA to share information from your income tax return with Agriculture and Agri-Food Canada (AAFC)
- AAFC to share the information from your form and any additional information that you provide with:
  - provincial and territorial ministers of agriculture
  - administrators of other federal or provincial farm programs

The information is used for:

- audit
- analysis
- evaluation
- special assistance payments

For more information, see "Confidential information and participant consent" on page 2 of Form T1163.

The Privacy Act gives you the right to access your personal information held by the Government of Canada and make any corrections to your information.

If you want to access or correct your personal information, contact the Access to Information and Privacy Coordinator at:

Access to Information and Privacy Office
Agriculture and Agri-Food Canada
Tower 7, 10th Floor
1341 Baseline Road
Ottawa ON  K1A 0C5
Email: aafc.atip-aiprp.aac@agr.gc.ca
Website: **agriculture.canada.ca/en/department/transparency/access-information-protection-privacy**

For general inquiries on privacy of personal information, contact the Office of the Privacy Commissioner (OPC) at:

Office of the Privacy Commissioner of Canada
30 Victoria Street
Gatineau QC  K1A 1H3
Toll-free telephone: **1-800-282-1376**
Telephone: **819-994-5444**
TTY: 819-994-6591
Website: **priv.gc.ca**

If you have a complaint under the Privacy Act, contact the Office of the Privacy Commissioner.

## Adjustments

If you would like to change the information you included on Form T1163 or T1164, you must send the amended information to both your provincial Administration and the CRA.

If you are an AgriInvest participant, use Form RC322 to send your amendment to the federal Administration as well. For more information on adjustments, contact your Administration.

For adjustments that affect your net income, send Form T1-ADJ, T1 Adjustment Request, to the CRA.

The following text explains how to complete Form T1163.

# Participant information

## Participant identification

Enter your first and last name.

Enter your participant identification number (PIN). You can find your PIN on either your:

- AgriStability Enrolment Notice
- AgriInvest Deposit Notice

If you cannot find your PIN, contact your Administration.

Enter your social insurance number (SIN).

Enter your business number (BN). If you cannot find your BN, contact the CRA.

Enter your telephone, cellphone and fax numbers (if applicable).

Enter your email address.

## Farming information

### Province/Territory of main farmstead

Enter the province or territory where you earned most or all of your gross farming income over the previous five years.

For more information on province of main farmstead and multi-jurisdiction farms, contact your Administration or visit the program websites.

### Number of years you have farmed

Enter the number of years you have farmed.

### Final year of farming

Answer "Yes" if 2023 was your final year of farming.

### Industry code

Enter the **industry code** that best describes your activity.

If more than 50% of your business involves one specific activity, choose the code that identifies that main activity. However, if your business is involved in more than one type of economic activity, and none of the codes make up more than 50% of your business, choose the appropriate level of code from the list. Codes with more than one zero are more general and are at a higher level.

When you are filing your return electronically, you have to use the industry codes available from your tax preparation software.

If you are filing your income tax return on paper, enter the six digit industry code that corresponds to your business listed in the latest version of the North American Industry Classification System (NAICS).To get the full list of NAICS codes and their descriptions, go to **statcan.gc.ca/en/subjects/standard/naics/2022/v1/index**.

There are thousands of NAICS codes. The following are examples of codes for farming operations.

#### Livestock farm

112110 Beef cattle ranching and farming, including feedlots

112120 Dairy cattle and milk production

112210 Hog and pig farming

112310 Chicken egg production

112320 Broiler and other meat-type chicken production

112330 Turkey production

112340 Poultry hatcheries

112391 Combination poultry and egg production

112399 All other poultry production

112410 Sheep farming

112420 Goat farming

112510 Aquaculture

112991 Animal combination farming

115210 Support activities for animal production

#### Other animal specialties farm

112910 Apiculture

112920 Horse and other equine production

112930 Fur-bearing animal and rabbit production

112999 All other miscellaneous animal production

#### Field-crop farm

111110 Soybean farming

111120 Oilseed (except soybean) farming

111130 Dry pea and bean farming

111140 Wheat farming

111150 Corn farming

111190 Other grain farming

111211 Potato farming

111219 Other vegetable (except potato) and melon farming

111330 Non-citrus fruit and tree nut farming

111411 Mushroom production

111419 Other food crops grown under cover

111421 Nursery and tree production

111422 Floriculture production

111910 Tobacco farming

111940 Hay farming

111993 Fruit and vegetable combination farming

111994 Maple syrup and products production

111999 All other miscellaneous crop farming

115110 Support activities for crop production

#### Production cycle

Answer "Yes" or "No" to show if you have completed a production cycle on at least one of the commodities you produced.

You must have completed a production cycle to be eligible for AgriStability. We may waive this condition if you experienced a disaster.

A production cycle includes at least one of the following:

- growing and harvesting a crop
- rearing livestock
- buying and selling livestock in a fiscal year for feeding or finishing enterprises

You do not need to complete a production cycle to be eligible for AgriInvest.

### Contact person information

Fill in this area if you give permission to someone else (such as your spouse, common-law partner, or accountant) to provide or ask for more information about your AgriInvest form. We will call your contact person if we have a question. We will send correspondence to both you and your contact person.

Your contact person can:

- ask us questions about your account
- send us information or request adjustments to your information
- ask for copies of letters or statements we sent to you

Your contact person cannot:

- change your address for AgriInvest
- ask for an account transfer form for AgriInvest

Tick the box if you have a contact person.

Enter the first and last name of your contact person, their business name (if applicable), address, and telephone, cellphone, and fax numbers.

If you leave this area blank, we will contact you directly if we have a question.

For AgriStability, contact your provincial Administration if you want to add or change your AgriStability contact information.

### Federal public office holder or employee of Agriculture and Agri-Food Canada (AAFC)

If you or anyone involved in completing this form is a current or former federal public office holder or employee of AAFC, answer "Yes" to this question. If you are a member of a partnership and at least one of your partners is a current or former federal public office holder or employee of AAFC, answer "Yes."

## Identification

In the following sections of the form, only provide information about your main farming operation (Operation #1). Complete Form T1164 for each additional farming operation you have. Number each operation in the box at the top right-hand corner of each page.

Tick the "Sole proprietorship" or "Partnership" box.

### Fiscal period

Enter the fiscal period for your operation. Report the beginning and end of the farm's business year by the year, month, and day. Your farm's 2023 fiscal period must end in the 2023 tax year.

### Method of accounting

Use the same method of reporting (cash or accrual) for program purposes as you use for income tax. Enter either:

- code 1 for accrual method
- code 2 for cash method

### Was your farm involved in any of the following

Tick the applicable box(es) if your farm was:

- a member of a feeder association
- in a crop share arrangement as either a landlord or a tenant

For your main farming operation (Operation #1), enter this information on Form T1163. For your other operations, enter this information on Form T1164.

# Chapter 3 – Calculating your farming income or loss

These sections of the form are used to calculate your allowable net sales for AgriInvest. Allowable net sales are allowable commodity sales and program payments, less allowable purchases. For more information on allowable net sales and how we calculate benefits under AgriInvest, see the AgriInvest Program Handbook or go to **agriculture.canada.ca/agriinvest**.

We also use these sections to calculate the cash portion of your program year margin for AgriStability. For more information on how we calculate AgriStability margins, contact your provincial Administration at one of the numbers on page 3.

Complete Form T1163 for your main farming operation. If you have more than one farming operation, use Form T1164 for each additional operation. Instructions in this chapter apply to both forms.

To make sure you report your information correctly for AgriStability and AgriInvest, read the following instructions carefully.

## Commodity and Program payment code lists

Use the Commodity and Program payment code lists found at the back of this guide to report all income and expenses on Form T1163 or T1164. Codes may change from year to year. Check the lists to make sure you use the right code.

If you use the accrual method of accounting, report all your sales and your changes in opening and closing commodity inventories separately using the code for the commodity to report both entries.

## Income

An agricultural commodity is a plant or an animal produced in a farming business.

Some commodities that may be considered farming income for income tax purposes are not allowable for AgriStability and AgriInvest including:

- aquaculture
- trees and seedlings sold for use in reforestation
- wood sales
- peat moss
- wild game reserves
- cannabis (except for industrial hemp)

Where permitted by law, hunt farms (not wild game reserves) are eligible. For information on how to apply if you operate a hunt farm, contact your Administration.

If you do not produce any allowable commodities on your farm, use Form T2042 to report your farming income from non-allowable commodities to the CRA.

If you produce both allowable and non-allowable commodities on your farm, report the income from:

- Non-allowable commodities on line 9600, except for woodlots or cannabis (excluding industrial hemp). Report woodlot sales using code 259 and cannabis using code 382.
- Allowable commodities on the "Commodity sales and program payments" section of the form. Use the codes at the back of this guide. Report allowable commodity sales based on the point of sale conditions outlined on page 26.

Sales and purchases of supply managed commodities are not allowable for AgriInvest. You must produce allowable commodities in addition to your supply managed commodities to participate in AgriInvest. Enter both your supply managed and non-supply managed commodities on the "Commodity sales and program payments" section of the form. Use the codes found at the back of this guide.

If you have questions about whether a commodity you produce is allowable for AgriInvest, contact the federal Administration at **1-866-367-8506**. For AgriStability, contact your provincial Administration.

## Farming activities outside Canada

If you produce a commodity in Canada, then ship it outside of the country for further production, the income and expenses generated once the commodity leaves Canada are non-allowable for AgriStability and AgriInvest.

When shipping commodities outside Canada for further production, include the fair market value (FMV) of the commodity at the point it leaves Canada as allowable income using the code for the commodity.

If the commodity is returned to Canada for further production or sale, include the FMV of the commodity at the point it enters Canada as an allowable purchase using the code for the commodity.

If you purchase livestock, you must have made an appreciable contribution to the growth or its increase in value in Canada for the income and expenses to be considered allowable.

## Point of sale

AgriInvest benefits are based on allowable net sales, so you have to determine when the sale occurs. For AgriInvest, the point of sale for your allowable commodity is determined by the following conditions:

- you produce it on your farm
- it is separate and identifiable from other producers' commodities
- you bear full risk for it
- you have a separate billing or accounting transaction that shows the sale value and any deductions from that value

The point of sale is when you:

- can no longer identify your commodity as your own
- are no longer at risk for the value of the commodity

If your commodity sales meet these point of sale conditions, fill in the code, name, and gross sale amount of each commodity on the form.

**Example**
You have potato sales of $50,000, you fill in:

147 potatoes $50,000

If you received a cheque for a commodity sale that is net of expenses, report the sale to include the full value of the commodity.

**Example**
Your receipt from the processor shows:

| | | |
|---|---|---|
| | $10,000 | gross apple sales |
| – | $1,500 | pack-and-sell costs |
| | $8,500 | net sales |

Enter $10,000 as your gross apple sales, and $1,500 as an expense on "Line 9836 – Commissions and levies."

**Line 575 – Point of sale adjustments**

If your commodity sales include charges that were applied after the point of sale, adjust your sales to show the value of the commodity at the point of sale. Enter any amounts charged after the point of sale on "Line 575 – Point of sale adjustments." This will ensure that we calculate your allowable net sales correctly.

**Example**

Your cash ticket from the elevator shows:

| | | |
|---|---|---|
| | $7,000 | gross wheat sales |
| – | $1,500 | freight charges |
| – | $300 | elevation charges |
| | $5,200 | net sales |

Enter the gross wheat sales of $7,000 as income. Enter the freight charges of $1,500 and the elevation charges of $300 as a point of sale adjustment on line 575, under "Commodity purchases and repayment of program benefits" (not under "Allowable expenses"). You enter these charges on line 575 because you incurred these expenses after you delivered your grain to the elevator (for example after the point of sale).

## Payment in kind

A payment in kind occurs when you receive or give goods or services instead of money. For instance, to pay someone for a business expense, you may give them something you produced on your farm instead of money. When you do this, include the FMV of the goods or services in income. Use the appropriate code for the commodity. Enter the same amount as an expense.

If you received a payment in kind for a product you would normally have sold, include the FMV of the product in income.

If you were a landlord renting out land involved in sharecropping, we consider any payment in kind you received to be rental income.

**Example**

You owe your landlord $1,000 for rent. Instead of cash, you pay him by giving him $1,000 worth of seed. Enter the fair market value of the seed crops ($1,000) that you gave the landlord as a commodity sale. Enter the $1,000 on line 9811 as a rental expense.

## Gifts

In your income, include the FMV of livestock or other items you gave that you would normally have sold.

Once you give the livestock or other items away, you cannot deduct any more costs for raising or maintaining them.

## Crop share

If you are a tenant in a crop share, you are eligible to apply for AgriStability and AgriInvest.

If you are a landlord in a crop share, you are eligible for AgriStability and AgriInvest only if the crop share arrangement is considered a joint venture.

For AgriStability, your crop share arrangement is considered a joint venture if your share of the allowable expenses reported to the CRA is reasonable for your share of the allowable income.

For AgriInvest, your crop share arrangement is considered a joint venture if your share of allowable purchases reported to the CRA is reasonable for your share of the allowable income.

Eligible tenants and landlords report only their individual share of the allowable income and expenses.

**Example 1**

You are a tenant in a crop share and receive 60% of the income from the sale of your crop. Enter only your 60% share of the sales under "Commodity sales and program payments." Enter your 60% share of expenses under "Allowable expenses."

**Example 2**

You are an eligible landlord who receives 40% of the income from the sale of the crop. Enter only your 40% share of the sales under "Commodity sales and program payments." Enter your 40% share of expenses under "Allowable expenses."

## Commodity futures

You can report income from commodity futures as a commodity sale for AgriStability and AgriInvest purposes if the income is both:

- from a primary agricultural product that you produced on your farm
- considered a hedging strategy

Report commodity futures as follows:

- for the gross amount, enter the income as a commodity sale using the code for that commodity. Report related purchases as a commodity purchase using the code for that commodity.
- for the net amount, enter the net gain as a commodity sale using the code for that commodity. Report the net loss as a commodity purchase using the code for that commodity.

Report income from futures transactions involving commodities that you did not produce or that were not considered a hedging strategy as other farming income on line 9600. Enter losses as a non-allowable expense on line 9896.

## Grains, oilseeds, and special crops

If you sold grain directly or through an agency, include in income all the amounts you received from these sales.

### Storage and cash purchase tickets

When you delivered grain to a licensed public elevator or process elevator, you received a storage ticket, a cash purchase ticket, or a deferred cash purchase ticket.

If you received a **storage ticket**, a sale did not take place. Therefore, you do not have to include that amount in income.

However, if you received a **cash purchase ticket**, a sale did take place. Since we consider that you received a payment at the time you received the ticket, you must include the amount in income.

If you received a **deferred cash purchase ticket**, you may be able to defer the income until a later fiscal period. You can do this if the ticket provides for payment after the end of the year in which you delivered the grain. This carryover of income is only allowable in specific situations. For more information, see Interpretation Bulletin IT-184, Deferred cash purchase tickets issued for grain.

### Cash advances

Under the Agricultural Marketing Programs Act, you may be able to get advances for crops that someone stores in your name. We consider these advances to be loans. Do not include these payments in your income if you have not sold the crops. Include the full amount from the sale of your crops in your income for the tax year in which the sale occurs.

## Tree production

### Allowable tree production

Trees must be produced through farming activity to be allowable for AgriStability and AgriInvest. Farming activity for trees includes:

- planting
- nurturing
- harvesting

Operations must:

- pay significant attention to managing the growth, health, and quality of the trees
- generate normal input and harvesting costs

Allowable tree production includes regular seeding and harvesting of:

- trees
- shrubs

- herbaceous perennials
- annuals, including ornamental, fruit, and Christmas trees

Report income, expenses, and inventory of allowable tree production using the code for the commodity.

#### Non-allowable tree production

Trees produced or harvested for the following reasons are non-allowable for AgriStability and AgriInvest:

- firewood
- construction material
- poles or posts
- fibre, pulp and paper
- trees and seedlings destined for use in reforestation

Enter income from these non-allowable items on "Line 9600 – Other (specify)."

### Wood sales (including stumpage)

If you operated or regularly harvested a woodlot, use commodity code 259 to report the sale of trees, lumber, logs, poles, or firewood in your income. This income is non-allowable for AgriStability and AgriInvest.

From this income, you can deduct a type of capital cost allowance known as a depletion allowance. For more information, see Interpretation Bulletin IT-481, Timber Resource Property and Timber Limits.

If you earned the income by letting other people remove standing timber from your woodlot, the proceeds may be a capital receipt. A taxable capital gain or an allowable capital loss may result. For more information on capital gains and losses, see Chapter 6 and Guide T4037, Capital Gains.

For more information on the sale of wood, see Income Tax Folio S4-F11-C1, Meaning of Farming and Farming Business.

### Livestock

Include insurance payments you received for loss of livestock in the commodity sales column using the livestock commodity code.

#### Custom feedlot operators

For AgriStability, income and expenses may be allowable if you:

- grew (or purchased) the feed used in your custom feeding operation
- made an appreciable contribution to the growth and maturity of the livestock

For AgriInvest, income you earned from custom feeding is allowable based on the value of allowable commodities you grew (or purchased) and fed to custom fed livestock.

If your custom feeding invoices are itemized, enter:

- allowable feed and protein supplements as a prepared feed sale under "Commodity sales and program payments" using code 243
- other itemized charges under "Commodity sales and program payments" using code 576

If your custom feeding invoices are not itemized, enter:

- the amount invoiced as a prepared feed sale under "Commodity sales and program payments" using code 246. We will use 70% of this amount to calculate your allowable net sales.

#### PMU contract cancellation income

Income you received from the buy-out of pregnant mare urine (PMU) contracts is allowable if paid in lieu of the income you would have received for the sale of the product under the contract. Penalty fees and other compensation are non-allowable.

Use code 322 to report amounts you received for your Collection Agreement, Herd and Health payments, West Nile Reimbursement, and Equine Placement Fund.

Use "Line 9600 – Other (specify)" to report amounts you received for Business Planning Subsidy and capital costs.

### Canadian Food Inspection Agency (CFIA) – Destroying livestock

You have to include in income any payments you received under the Health of Animals Act for destroying animals.

Use the CFIA program payment codes to report CFIA payments you received. For more information on how to report your CFIA payments, see "Income from program payments" on page 32.

You can choose to deduct all or part of the payment as an expense in the year. However, if you choose to do this, you have to include in your income for your next fiscal period the amount you deduct in your 2023 fiscal period. If you deferred payments in your 2022 fiscal period, you have to include the deferred amounts as income in your 2023 fiscal period. Use the codes found in the "PDR/PFR/CFIA deferred livestock codes" chart on page 32 to report these amounts.

### Prescribed drought region (PDR) and Prescribed flood region (PFR)

The Livestock Tax Deferral provision allows you to sell part of your breeding herd due to drought or flooding in a prescribed drought or flood area. You would be permitted to defer a portion of your sales proceeds to the following fiscal period or a later year if the condition persists and your region is still a prescribed region.

To be able to do this, you must meet the following **two** conditions:

- your farming business was located in a PDR or PFR at some time during your 2023 fiscal period
- you reduced, by sale or other means, the number of breeding animals in your breeding herds by at least 15%

For a list of the prescribed regions of drought, flood or excessive moisture, contact the CRA or Agriculture and Agri-Food Canada or visit **canada.ca** and search for "Drought Watch" or "Livestock Tax Deferral Provision."

### Income deferral

The following animals kept for breeding that are over 12 months of age are considered breeding animals eligible for the income deferral:

- bovine cattle
- bison
- goats
- sheep
- deer, elk, and other similar grazing ungulates
- horses you breed to produce pregnant mare's urine that you sell

Eligibility for the income deferral includes:

- all horses over 12 months of age kept for breeding
- breeding bees not used mainly to pollinate plants in greenhouses and larvae of such bees. For the purposes of the income deferral rule, breeding bee stock is defined as follows:
  - at any time, a reasonable estimate of the quantity of your breeding bees held at that time in the course of carrying on a farming business using a unit of measurement that is accepted as an industry standard

The unit of measurement at the end of the year is the same as that used for the beginning of the year. A formula is used to calculate what you can defer for breeding bees.

To determine the size of your breeding herd at the end of your 2023 fiscal period, fill in the following chart.

### Breeding herd chart

**Part 1**

| | | | |
|---|---|---|---|
| How many of your female bovine cattle over 12 months of age held at the end of your 2023 fiscal period have given birth? | | | 1 |
| How many of your female bovine cattle over 12 months of age held at the end of your 2023 fiscal period have never given birth? | | | 2 |
| Enter one half of the amount from line 1 | | | 3 |
| Enter either the amount from line 2 or line 3, whichever is less | | | 4 |

**Part 2**

| | | | |
|---|---|---|---|
| How many breeding animals did you have at the end of your 2023 fiscal period? | | | 5 |
| Enter the amount from line 2 | 6 | | |
| Enter the amount from line 4 | 7 | | |
| Line 6 **minus** line 7 | | | 8 |
| Number of breeding animals in your breeding herd at the end of your 2023 fiscal period: line 5 **minus** line 8 | | | 9 |

If the amount from line 9 does **not** exceed 85% of the total number of animals in your breeding herd at the end of your 2022 fiscal period, you can defer part of the income received in 2023 from the sale of breeding animals.

Before you determine how much you can defer, you need to calculate a few amounts. First, determine your sales of breeding animals for your 2023 fiscal period **minus** any reserves you claimed for these sales.

A **reserve** is created when you sell property and do not receive the full proceeds at the time of the sale. Instead, the amount of proceeds is spread over a number of years, which allows you to defer reporting these proceeds to the year in which you receive them. For more information on reserves, see Interpretation Bulletin IT-154, Special Reserves.

When you have determined your sales of breeding animals, **subtract** from this amount the cost of breeding animals you bought in your 2023 fiscal period. The result is your net sales amount.

You then determine how much you can defer as follows:

- if the amount at line 9 is more than 70% and not more than 85% of your breeding herd at the end of your 2022 fiscal period, you can defer up to 30% of your net sales amount
- if the amount at line 9 is between 0% and 70% of your breeding herd at the end of your 2022 fiscal period, you can defer up to 90% of your net sales amount

You do not have to defer all of this income. You can include any part of it in your 2023 income. However, the deferred income must be reported in the fiscal period that ends in either:

- the year beginning after the period or periods when the region stops being a PDR or PFR
- the year when the farmer dies
- the first year when, at the end of that year, the farmer is a non-resident and has ceased to carry on business through a fixed place of business in Canada

If you want, you can elect to report the deferred income in the year after you deferred it.

Report the income you received from the sale of breeding animals as a commodity sale using the commodity code (see “Commodity list” on page 98). Report the amount you are deferring as a purchase using one of the deferred livestock codes listed below.

In the year that you must report the deferred income, report it under commodity sales using the same deferred livestock code you used before.

| PDR/PFR/CFIA deferred livestock codes | |
|---|---|
| Deferred bovine cattle | 150 |
| Deferred bison | 151 |
| Deferred goat | 152 |
| Deferred sheep | 153 |
| Deferred deer | 154 |
| Deferred elk | 155 |
| Deferred horse for PMU sales | 156 |
| Deferred other breeding animals | 157 |

If your farming business was not in a PDR or PFR at any time during your 2023 fiscal period, you cannot defer the amount you received when you sold breeding animals. Also, you must include in your 2023 income any unreported amounts you deferred in earlier years.

However, as long as your farming business was in a PDR or PFR at any time in your 2023 fiscal period, you do not have to include income you deferred in earlier years.

### Income earned from the use of commodities

Include income earned from the use of commodities with commodity sales, except for pollination services. For example, report income from stud fees with horse sales. However, enter income earned from pollination services using code 376.

## Income from program payments

Use the codes found in the Program payment list A or B to report your program payment. Using the correct code helps us calculate your benefits accurately and prevents processing delays.

Enter the program payment code, name, and amount under "Commodity sales and program payments." Find the Program payment lists beginning on page 101.

If you recorded program payments net of expenses in your books (for example, income minus expenses), report the full amount of the payment as income and the deductions as an expense.

**Example**

| | | |
|---|---|---|
| | \$6,000 | crop insurance proceeds |
| – | \$2,000 | premiums |
| | \$4,000 | net proceeds |

Enter \$6,000 as a program payment using code 401, "AgriInsurance (production/crop insurance) – Grains, oilseeds, and special crops."

Enter \$2,000 as an allowable expense, on "Line 9665 – Insurance premiums (crop or production)."

You should receive an AGR-1 slip, Statement of Farm-Support Payments, identifying all 2023 taxable farm-support program payments from which you received more than \$100. These include farm-support programs administered by the federal, provincial, territorial, and municipal governments, and by producer associations.

You have to include in income all taxable farm-support payments you received in your 2023 fiscal period, including amounts of \$100 or less.

If your farm is operated as a partnership, only one partner should attach the AGR-1 slip to his or her income tax return. However, if your partnership has to file a partnership information return, you should file the AGR-1 slip with that return.

If the annual period of the AGR-1 slip is not the same as the fiscal period of your farming operation, report only the part of the farm-support payments you earned during your normal fiscal period. For example, if your farming business has a fiscal period ending on June 30, 2023, and your AGR-1 slip shows income of \$10,000 in box 14, but you earned only \$6,000 of that income by June 30, 2023, include only \$6,000 in your income for your 2023 fiscal period. Include the remaining \$4,000 in your next fiscal period. However, include the AGR-1 slip issued for the 2023 calendar year with your 2023 income tax return or partnership information return.

The back of the AGR-1 slip contains information about how to report amounts that appear in the various boxes.

## Canadian Food Inspection Agency (CFIA) payments

Enter the portion of CFIA payments you received for:

- The loss of an allowable commodity using code 663, "CFIA payment for allowable commodities."
- The loss of a commodity that is non-allowable for AgriStability or AgriInvest using code 587, "CFIA payments – Compensation for non-allowable commodities." For example, a payment you received for the loss of trees destined for use in reforestation.
- The loss of a supply managed commodity using code 664, "CFIA payment for supply managed commodities."
- Costs not directly related to a commodity loss using code 665, "CFIA payment for other amounts." For example, a payment you received for the cost of carcass disposal.

## COVID-19 program payments

### Livestock set aside program

Use code 699 to report payments you received to help offset extra expenses because of limited processing capacity at packing plants.

### Mandatory isolation support for temporary foreign workers program

Use code 686 to report payments you received to help offset expenses you incurred because you had to isolate your temporary foreign workers for 14 days.

### Canada Emergency Wage Subsidy

To report payments you received to help you pay your employees' wages, use code 684 to report the portion related to arm's length salaries and code 685 to report the portion related to non-arm's length salaries.

### Temporary 10% wage subsidy

If you reduced the payroll deductions that you remitted, you have to report the amount that you reduced them by. Use code 684 to report the portion related to arm's length salaries and code 685 to report the portion related to non-arm's length salaries.

## Private insurance proceeds

For AgriStability, private insurance proceeds for price, revenue, production or margin loss are non-allowable in the program year if they are fully producer funded. For AgriInvest, these proceeds are included in the allowable net sales calculation. Private insurance proceeds include Global Ag Risk Solutions (GARS) payments.

Use the following codes to report private insurance payments:

- code 407 for private hail insurance payments
- code 661 for payments you received for revenue losses for allowable commodities (production/price/margin insurance)
- code 667 for livestock price insurance payments

Do not include private insurance payments with any AgriInsurance payments you received as AgriInsurance payments are included as allowable income in the program year margin for AgriStability.

### Private insurance proceeds to replace allowable commodities or allowable expense items

For AgriStability, private insurance payments to replace allowable commodities or allowable expense items are allowable in the program year. For AgriInvest, payments to replace allowable commodities are included in the allowable net sales calculation.

- Use code 681 for payments to replace allowable commodities, such as seed or feed.
- Use code 406 for payments to replace allowable expense items, such as fertilizer, chemicals, fuel or twine.

Report private insurance proceeds received for different types of compensation according to the invoice from your insurer.

**Example**
You received private insurance proceeds for $150,000 due to an outbreak of avian influenza in your flock. The payment included compensation for the depopulation of your barn and for feed you had to destroy. Your invoice from your insurer shows:

- $120,000 for depopulation
- $30,000 for destroyed feed

Enter $120,000 for the depopulation of your flock using code 661, Private insurance proceeds for allowable commodities (productions/price/margin insurance). Enter $30,000 for the destroyed feed using code 681, Private insurance proceeds for the replacement of allowable commodities.

### Payments from the AgriStability and AgriInvest programs

Do not report any government contributions you have withdrawn from Fund 2 of your AgriInvest account on this form.

Payments you receive from AgriStability (shown in box 14 of your AGR-1) are considered farming income. Enter these payments on "Line 9544 – Business risk management (BRM) and disaster assistance program payments."

If you received an AGR-1 slip with a negative amount in box 14, enter this amount on "Line 9896 – Other (specify)." You could have a negative amount if you were in an overpayment in one year and repaid the money the following year.

## Other farming income

The instructions for completing "Other farming income" apply to Forms T1163 and T1164.

### Rental income

Except for leases explained under line 9613 on page 35, you do not usually include rental income in your farming income. To determine your rental income, use Form T776, Statement of Real Estate Rentals. You will find this form in Guide T4036, Rental Income. Enter the amount of your net rental income on line 12600 of your income tax return.

However, for AgriStability and AgriInvest, landlords are eligible if the crop share arrangement is a joint venture. For more information, see "Crop share" on page 27.

If you were a landlord renting out land involved in sharecropping, we consider the payments you received, whether in kind or cash, to be rental income for tax purposes.

### Line 9540 – Other program payments

Include the total income you received from all other stabilization and farm subsidy programs made to farm producers under federal, provincial, municipal, territorial or joint programs that are not listed on Program payment list A or B (on pages 101 and 103) or under line 9544 (below).

If you received an overpayment from any of these programs, enter the amounts you repaid on "Line 9896 – Other (specify)." For more information, see page 56.

Do not include AgriInsurance (production/crop insurance) on this line.

### Line 9544 – Business risk management (BRM) and disaster assistance program payments

Enter any payments you received from federal or provincial BRM and disaster assistance programs (such as AgriStability, including Interim or Targeted Advance Payments).

If you received an overpayment from any of these programs, enter the amounts you repaid on "Line 9896 – Other (specify)." For more information, see page 56.

Do not include AgriInsurance (production/crop insurance) on this line.

### Line 9574 – Resales, rebates, GST/HST for allowable expenses

Enter the total resales and rebates of allowable expenses, including GST/HST rebates, unless you have already reduced your expenses by these amounts.

## Line 9575 – Resales, rebates, GST/HST for non-allowable expenses, and recapture of capital cost allowance (CCA)

Enter the total resales and rebates for non-allowable expenses, including GST/HST rebates, unless you have already reduced your expenses by these amounts.

### Recapture of capital cost allowance

Include in your income the amount of any recapture of CCA you have from selling depreciable property such as tools and equipment.

Fill in the "Calculation of capital cost allowance (CCA) claim" chart on Form T1175, Farming – Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses, to find out if you must report any recapture of CCA. For more information, see Chapter 4.

## Line 9601 – Agricultural contract work

Enter the total of your incidental farming income from such things as custom or contract work, harvesting, combining, crop dusting or spraying, seeding, drying, packing, cleaning, and treating seeds.

To report income you received from renting farm machinery, see "Line 9614 – Machine rentals" on page 36.

If you are a custom feedlot operator, see page 29 for information on reporting your custom feeding income.

## Line 9605 – Patronage dividends

Enter your total patronage dividends (other than those for consumer goods or services) that are received by eligible members of agricultural co-operatives on line 9605.

If you receive a patronage dividend in the form of "tax deferred co-operative shares," there is no need to immediately include it in income. Tax may be deferred to the year in which the shares are disposed of or deemed to be disposed of. The balance of the shares could then be carried forward and sheltered until actual or deemed disposition.

The temporary deferral of tax on patronage dividends paid by an agricultural co-operative corporation in the form of eligible shares is extended in respect of eligible shares issued before 2023.

## Line 9607 – Interest

Enter the total incidental interest earned on business accounts related to your farming business, not interest on personal accounts and investments.

## Line 9610 – Gravel

Enter the amounts you received from the sale of soil, sand, gravel, or stone. For some of these items, you can claim a depletion allowance.

## Line 9611 – Trucking (farm-related only)

Enter the amounts you received for trucking related to your farming business.

## Line 9612 – Resales of commodities purchased

Report the total sales of commodities that you did not produce on your farm. These are commodities that you bought for resale.

Enter the corresponding purchases you made in this fiscal period on "Line 9827 – Purchases of commodities resold." For more information, see page 53.

## Line 9613 – Leases (gas, oil well, surface, etc.)

If you received payments for leasing your farmland for petroleum or natural gas exploration, these payments will be either income or a capital receipt.

Include in your income the yearly amounts for rental, severance, or inconvenience from a surface rental agreement.

The first payment from these agreements is often larger than the rest of the annual payments. However, the agreement may not specify how much of the first payment is for such things as damage to land, land improvements, severance, inconvenience, or the first year's rent. When this happens, in the year you received the first payment, include in income an amount that is equal to the annual payment you will receive in the following years. The rest of the first payment is a payment for property. This may result in either a capital gain or loss. For more information on capital gains, see Chapter 6.

## Line 9614 – Machine rentals

Enter the amounts you received from renting your farm machinery.

## Line 9600 – Other (specify)

Enter the total amount of all other types of farming income not listed on the form. Then list the items on the blank lines provided under it.

Report all program non-allowable farming income including:

- aquaculture
- trees and seedlings sold for use in reforestation
- peat moss
- wild game reserves

Income from wood sales, as defined in "Wood sales (including stumpage)" on page 29, is also non-allowable but is reported using code 259.

Income from cannabis (except for industrial hemp) is also non-allowable but is reported using code 382.

The following paragraphs identify some of the other income items you can enter on line 9600.

### Return of fuel charge proceeds to farmers tax credit

This credit is considered to be government assistance that you received in the year and is taxable to you. Include the amount of the credit in your income in the same tax year you claimed the credit.

To calculate your credit, fill in Form T2043, Return of Fuel Charge Proceeds to Farmers Tax Credit.

### Air quality improvement tax credit

This credit is received immediately before the end of the tax year to which it relates and is considered government assistance. Government assistance is generally included in income. When you receive government assistance for the acquisition of a depreciable property, reduce the capital cost of that property by the amount of the assistance. For more information on government assistance, see "Grants, subsidies, and rebates" on page 79 and Interpretation Bulletin IT-273, Government Assistance – General Comments.

### Insurance proceeds

Enter the amount of any insurance proceeds you received as compensation for loss or damage to certain types of property. For example, you may have received insurance proceeds for damage to a building due to fire, or for the loss of livestock due to disease.

Enter the total insurance proceeds on this line if you are being reimbursed for either:

- the cost of non-depreciable property you previously deducted as a current expense
- the cost of property that was a saleable item, such as livestock

If the insurance proceeds compensated you for **damages** to depreciable property, and you used all of them to **repair** the property within a reasonable period of time, include the proceeds as income on this line. Claim a deduction for the same amount in the "Expenses" area on page 4 of the form. Claim repairs to depreciable property that is machinery on line 9760 and repairs to motor vehicles on line 9819. If you did not spend all of the insurance proceeds on repairs within a reasonable length of time, we consider the amounts you did not spend to be proceeds of disposition. For more information, see "Column 5 – Proceeds of dispositions in the year" on page 68.

**Insurance proceeds** that compensate you for replacement of **lost** or **destroyed** depreciable property are considered to be proceeds of disposition for that depreciable property. Do not include this type of insurance proceeds on line 9600. For more information, see Chapter 4. For information on how insurance affects the adjusted cost base of capital property, see Chapter 6.

Do not include insurance proceeds from federal, provincial, or municipal government programs. For the codes to use for government insurance programs, see the Program payment lists beginning on page 101.

### Miscellaneous

You can deduct 100% of the cost of property such as small tools if they cost less than $500. If you bought the property and you later sold that property, you have to include this amount as income you received from the sale.

Include in your income prizes you won from fairs or farming exhibitions. For more information, see Income Tax Folio S3-F9-C1, Lottery Winnings, Miscellaneous Receipts, and Income (and Losses) from Crime.

Enter resales and rebates of allowable expenses on line 9574.

### Temporary taxable benefits

You can include the Northern Business Relief Fund as well as the Canada Emergency Response Benefit (CERB) if you claimed the CERB to compensate for business income loss due to the COVID-19 pandemic.

For more information, go to **canada.ca/en/services/taxes/income-tax/personal-income-tax/covid19-taxes**.

## Summary of income

From the "Income" section of the form, enter the amount of Total A and the amount of Total B in the "Summary of income" table. Add the totals for your gross farming income. Gross farming income is your total farming income before you deduct expenses.

## Expenses

Use the Commodity and Program payment code lists found at the back of this guide to report your commodity purchases and repayment of program benefits in this section. If you have more than one farming operation, use Form T1164 for each additional operation.

Codes may change from year to year. Check the lists to make sure you use the right code.

If you use the accrual method of accounting, report all your changes in opening and closing commodity inventories separately, using the commodity code for both entries.

You cannot include expenses for your personal use of either of the following:

- property of your farming business
- partnership property or services

In addition, you cannot include any of the following as part of your expenses:

- the cost of saleable goods or services you, your family, or your partners and their families personally used or consumed, such as dairy products, eggs, fruit, vegetables, poultry, and meat
- donations to charities and political contributions
- interest and penalties you paid on your personal income tax
- most life insurance premiums (see "Line 9804 – Other insurance premiums" on page 46)

For AgriStability, there are two types of expenses:

- allowable expenses
- non-allowable expenses

Allowable expenses are the operating or input expenses you paid that directly relate to producing your commodities.

Non-allowable expenses are costs not directly related to producing your commodities. These include amounts paid for interest and capital-related expenses.

For AgriInvest, only allowable commodity purchases are used to calculate your allowable net sales.

### Current or capital expenses

Renovations and expenses that extend the useful life of your property or improve it beyond its original condition are usually capital expenses. However, an increase in a property's market value because of an expense is not a major factor in deciding whether the expense is capital or current. To decide whether an amount is a current expense or a capital expense, consider your answers to the questions in the following chart.

| Current or capital expenses | | |
|---|---|---|
| **Criteria** | **Capital expenses** | **Current expenses** |
| **Does the expense provide a lasting benefit?** | A capital expense generally gives a lasting benefit or advantage. For example, the cost of putting vinyl siding on the exterior walls of a wooden house is a capital expense. | A current expense is one that usually recurs after a short period. For example, the cost of painting the exterior of a wooden house is a current expense. |
| **Does the expense maintain or improve the property?** | The cost of a repair that improves a property beyond its original condition is probably a capital expense. If you replace wooden steps with concrete steps, the cost is a capital expense. | An expense that simply restores a property to its original condition is usually a current expense. For example, the cost of repairing wooden steps is a current expense. |
| **Is the expense for a part of a property or for a separate asset?** | The cost of replacing a separate asset within that property is a capital expense. For example, the cost of buying a compressor for use in your business operation is a capital expense. This is the case because a compressor is a separate asset, and is not a part of the building. | The cost of repairing a property by replacing one of its parts is usually a current expense. For instance, electrical wiring is part of a building. Therefore, an amount you spend to rewire is usually a current expense, as long as the rewiring does not improve the property beyond its original condition. |
| **What is the value of the expense?** (Use this test only if you cannot determine whether an expense is capital or current by considering the three previous tests.) | Compare the cost of the expense to the value of the property. Generally, if the cost is of considerable value in relation to the property, it is a capital expense. | This test is not a determining factor by itself. You might spend a large amount of money for maintenance and repairs to your property all at once. If this cost was for ordinary maintenance that was not done when it was necessary, it is a maintenance expense, and you deduct it as a current expense. |
| **Is the expense for repairs made to used property that you acquired intended to put it in suitable condition for use?** | The cost of repairing used property that you acquired to put it in a suitable condition for use in your business is considered a capital expense even though in other circumstances it would be treated as a current operating expense. | Where the repairs were for ordinary maintenance of a property you already had in your business, the expense is usually current. |
| **Is the expense for repairs made to an asset in order to sell it?** | The cost of repairs made in anticipation of selling a property, or as a condition of sale, is regarded as a capital expense. | Where the repairs would have been made anyway, but a sale was negotiated during the course of the repairs or after their completion, the expense is considered current. |

For more information, see Chapter 4 and Income Tax Folio S3-F4-C1, General Discussion of Capital Cost Allowance.

### Do not include any of the following in your expenses:

- salary, wages (including drawings) paid to self, partner(s), or both
- the cost of saleable goods or services you, your family, or your partners and their families used or consumed (including items such as food, home maintenance, and business properties)
- items such as dairy products, eggs, fruit, vegetables, poultry, and meat
- donations to charities and political contributions
- interest and penalties you paid on your income tax
- most life insurance premiums (for information on a limited exception, see "Line 9804 – Other insurance premiums" on page 46)
- the part of any expenses that can be attributed to non-business use of business property
- most fines and penalties imposed, under the law of Canada or a province or a foreign country

### Disability-related modifications

You can deduct expenses you incur for eligible disability-related modifications made to a building in the year you paid them. You can do this instead of adding them to the capital cost of your building. Eligible disability-related modifications include changes you make to accommodate wheelchairs, such as:

- installing hand activated power door openers

- installing interior and exterior ramps
- modifying a bathroom, an elevator, or a doorway

You can also deduct expenses paid to install or get the following disability-related devices and equipment:

- elevator car position indicators (such as braille panels and audio indicators)
- visual fire alarm indicators
- listening or telephone devices for people who have a hearing impairment
- disability specific computer software and hardware attachments

## Grants, credits, and rebates

Subtract, from the applicable expense, any grant, credit, and rebate you received.

If the grant, credit, and rebate are for a depreciable asset, subtract the amount of the rebate from the property's capital cost before calculating the capital cost allowance. For more information, see Chapter 4. If the asset qualifies for the investment tax credit, this reduction to the capital cost will also affect your claim. For more information, see Form T2038(IND), Investment Tax Credit (Individuals).

Input tax credits are considered government assistance. Include the amount you claimed on line 108 of your GST/HST return on line 9574 or 9575 only if you cannot apply the rebate, grant, or assistance you received to reduce a particular expense or an asset's capital cost.

### GST/HST input tax credits and exempt goods and services

GST/HST registrants may claim an **input tax credit** for the GST/HST they paid or owe for expenses used to provide taxable property and services at the rates of 0%, 5%, 13%, or 15%.

If you claim the GST/HST you paid or owe on your expenses as an input tax credit, reduce the amounts of the business expenses you claim by the amount of the input tax credit. Do this when the GST/HST for which you are claiming the input tax credit was paid or became payable, whichever is earlier. Enter the net expense figure on the appropriate line of Form T1163 or T1164.

Input tax credits you claim for the purchase of depreciable property used in your business will affect your claim for CCA. Include the amount you claimed on line 108 of your GST/HST return on line 9574 or 9575 only if you cannot apply the rebate, grant, or assistance you received to reduce a particular expense or an asset's capital cost.

For more information on how claiming the input tax credit for registrants will affect your CCA claim, see "Column 2 – Undepreciated capital cost (UCC) at the start of the year" on page 66.

Some purchases of property and services are exempt from GST/HST. Because you do not pay GST/HST on these purchases, there is no input tax credit to claim. Examples of **exempt** purchases of property include:

- insurance services sold by insurance companies, agents, or brokers
- most services provided by financial institutions, such as arranging loans or mortgages
- most health, medical, and dental services

Since you don't pay GST/HST on zero-rated purchases, there is no input tax credit to claim for these purchases. For examples of zero-rated property and services, see "GST/HST rates" on page 108.

For more information on claiming the input tax credits and the percentage of use in commercial activity, see GST/HST Memorandum 8.1, General Eligibility Rules, and GST/HST Memorandum 8.2, General Restrictions and Limitations.

Eligible registrants can file their GST/HST returns online by using GST/HST NETFILE or the "File a return" service in My Business Account at **canada.ca/my-cra-business-account**. For information about GST/HST, go to **canada.ca/gst-hst**.

## Prepaid expenses

A prepaid expense is an expense you paid for ahead of time. Under the accrual method of accounting, claim the expense you prepay in the year or years in which you get the related benefit. Suppose your fiscal year-end is December 31, 2023. On June 30, 2023, you prepay the rent on your building for a full year (July 1, 2023, to June 30, 2024). You can only deduct one half of this rent as an expense in 2023. You can deduct the other half as an expense in 2024.

Under the cash method of accounting, you cannot deduct a prepaid expense amount (other than for inventory) relating to a tax year that is two or more years after the year the expense is paid. However, you can deduct the part of an amount you paid in a previous year for benefits received in the current tax year. These amounts are deductible as long as you have not previously deducted them.

If you paid $600 for a three-year service contract for office equipment in 2023, you can deduct $400 in 2023. This represents the part of the expense that applies to 2023 and 2024. On your 2025 income tax return, you could then deduct the balance of $200 for the part of the prepaid lease that applies to 2025.

For more information, see Interpretation Bulletin IT-417, Prepaid Expenses and Deferred Charges.

### Business-use-of-home expenses

You can deduct expenses for the farming business use of a workspace in your home, if you meet **one** of these conditions:

- it is your principal place of business
- you use the space only to earn income from your farming business, and you use it on a regular and ongoing basis to meet your clients or customers

You can deduct part of your maintenance costs such as heating, home insurance, electricity, and cleaning materials. You can also deduct part of your property taxes, mortgage interest, and CCA.

If you rent your home, you can deduct the part of the rent and any expenses you incur that relate to the workspace. To calculate the part you can deduct, use a reasonable basis, such as the area of the workspace divided by the total area of your home.

The amount you can deduct for business-use-of-home expenses cannot be more than your net income from the farming business before you deduct these expenses. In other words, for income tax purposes, you cannot use these expenses to increase or create a farming business loss. If you claimed business-use-of-home expenses and you report a farming loss on line 9944, you must adjust your loss for income tax purposes at line 9934. For more information on how to make this adjustment, see the instructions for line 9934 on page 60.

The capital gain and recapture rules will apply if you deduct CCA on the business use part of your home and you later sell your home. For more information about these rules, see Chapters 4 and 6 as well as Guide T4037, Capital Gains.

Include your expenses for business-use-of-home on “Line 9896 – Other (specify)” of Form T1163 or T1164. For more information, see “Additional expenses (partnerships)” on page 21 and “Line 9934 – Adjustment to business-use-of-home expenses” on page 60.

**Example**
Marjorie calculates that $85 of her household electrical expense is for her farming business use. The total electrical expenses for her farm outbuildings are $1,200. She enters $1,200 on line 9799 and $85 on line 9896.

Business-use-of-home expenses are non-allowable expenses for AgriStability and AgriInvest.

For more information, see Income Tax Folio S4-F2-C2, Business Use of Home Expenses.

## Commodity purchases

Report the following as commodity purchases:

- feed
- seed
- plants
- transplants
- livestock
- marketable products

If you are an apple producer replacing damaged or dead trees, enter apple tree purchases using the code for apples. If you are buying trees to expand an orchard, enter this purchase as a capital expense.

Do not include the cost of seeds and plants you used in your personal vegetable or flower garden.

Include expenses you incurred from the use of commodities with the commodity purchases, except for pollination fees. For example, report stud fees with horse purchases. However, enter pollination fees using code 376.

If you made a payment in kind for a farming business commodity purchase, enter the value of the payment as a purchase. For more information, see “Payment in kind” on page 27.

If you are a tenant in a crop share, only include your share of the crop in your income or expenses.

### Livestock owners and custom feedlot operators with prepared feed purchases

If the ingredients on your purchase invoices of prepared feed and protein supplements are listed separately, enter:

- allowable commodities (such as grains, forage, and oilseeds) and protein supplements using code 046
- the remaining expenses (such as minerals and salts) using code 570

If the ingredients on your purchase invoices of prepared feed and protein supplements are not listed separately, enter your total purchase using code 571 (we will use 65% of this amount to calculate your allowable net sales).

### Livestock owners with custom feeding expenses

If the ingredients on your purchase invoices are listed separately, enter:

- allowable commodities (such as grains, forage, and oilseeds) and protein supplements using code 577
- the remaining expenses (such as minerals and salts) using code 572

If the ingredients on your purchase invoices are not listed separately, enter your total purchase using code 573 (we will use 70% of this amount to calculate your allowable net sales).

### Ranch fur operators with prepared feed purchases

If the ingredients on your purchase invoices of prepared feed and protein supplements are listed separately, enter:

- allowable commodities (such as grains, forage, and oilseeds) and protein supplements using code 046
- the remaining expenses (such as minerals and salts) using code 310

If the ingredients on your purchase invoices of prepared feed and protein supplements are not listed separately, enter your total purchases using code 574 (we will use 20% of this amount to calculate your allowable net sales).

### Livestock insurance premiums

Enter premiums you paid for private livestock insurance using "Line 9953 – Private insurance premiums for allowable commodities."

## Repayment of program benefits

If you had to repay a program benefit, report the repayment as a purchase using the code for the program. Amounts you repaid are shown in box 17 of your AGR-1 slip.

If you repay a program benefit from the programs listed on lines 9540 and 9544, enter the amounts you repaid on "Line 9896 – Other (specify)."

## AgriStability program – Allowable expenses

### Line 9661 – Containers and twine

Enter the total amount you paid for materials to package, contain, or ship your farm produce or products. If you operated a nursery or greenhouse, report the cost of your containers and pots for the plants you sold.

### Line 9662 – Fertilizers and soil supplements

Enter the total amount you paid for fertilizers and lime you used in your farming business.

If you used soil supplements or other growth media, report the amounts you paid for them here. Examples of soil supplements include mulch, sawdust, and weed-mats.

Report your expenses for water you purchased to produce your commodity (crop or livestock) if it was not included in your municipal taxes.

### Line 9663 – Pesticides and chemical treatments

Enter the total amount you paid for herbicides, insecticides, rodenticides, and fungicides.

Insecticides include chemicals for pest control purposes as well as any predators or parasites introduced for that use. Also report the total amount you paid for chemicals used in treating water, manure, or slurry, as well as those used in disinfecting equipment and facilities.

Report seed treatment expenses on this line if the treatment is listed separately from the seed purchase on your original invoice. If not listed separately, include the treatment as part of the commodity purchase.

## Line 9665 – Insurance premiums (crop or production)

Enter the total amount of premiums paid for crop or production insurance (AgriInsurance), including hail insurance on this line. Do not include premiums for Alberta Spring Price Endorsement. For information on other types of insurance premiums such as private, business related, or motor vehicle insurance, see "Line 9804 – Other insurance premiums" on page 46.

## Line 9713 – Veterinary fees, medicine, and breeding fees

Enter the total amount you paid for medicine for your animals, and for veterinary and breeding fees. Examples of such fees include the cost of artificial insemination, stud service and semen, embryo transplants, disease testing, and neutering or spaying.

## Line 9714 – Minerals and salts

Enter the total purchases of minerals, salts, vitamins, and premixes (which are mainly minerals and vitamins).

If you have purchased feed expenses, see page 40 for information on the codes you use to report these amounts.

## Line 9764 – Machinery (gasoline, diesel fuel, oil)

Enter the total amount you paid for fuel and lubricants for your machinery used in your farming operation.

## Line 9799 – Electricity

Only the part of your electricity costs that relates to your farming business is deductible. To determine the part you can deduct, keep a separate record of the amounts that apply to the farmhouse and other farm properties.

The business part of your electricity expense will depend on how much electricity is used for the barns and shops. Because the electricity for the farmhouse is a personal expense, you cannot deduct it unless you meet the conditions explained in "Business-use-of-home expenses" on page 40. Include your expenses for business-use-of-home on "Line 9896 – Other (specify)."

Do not include the electricity expense for a house that you rented to someone else. This is a rental expense, which you enter on Form T776, Statement of Real Estate Rentals.

## Line 9801 – Freight and shipping

Enter the amount you paid for shipping farm inputs to your operating site and shipping farm produce to market.

Enter amounts you paid for carcass disposal on this line.

If you were trucking for someone else, the trucking expenses are non-allowable for AgriStability. For more information on how to report these costs, see "Line 9798 – Agricultural contract work."

For information on how to report freight and shipping charged after the point of sale, see "Line 575 – Point of sale adjustments."

## Line 9802 – Heating fuel

Enter the total amount you paid for natural gas, coal, and oil to heat farm buildings. Also, enter your expenses for fuel used for curing tobacco, crop drying, or greenhouses.

You can deduct only the part of these costs that relate to your farming business. To determine the part you can deduct, keep a separate record of the amounts you paid for the farmhouse and other farm properties.

The business part of your heating fuel expense will depend on how much heating fuel you used for the barns and shops. Because the heating fuel for the farmhouse is a personal expense, you cannot deduct it unless you meet the conditions explained in "Business-use-of-home expenses" on page 40. Include your expenses for business-use-of-home on "Line 9896 – Other (specify)."

Do not include heating fuel expenses for a house that you rented to someone else. This is a rental expense, which you enter on Form T776, Statement of Real Estate Rentals.

## Line 9815 – Arm's length salaries

Enter the amount of gross wages you paid to your employees. Include the cost of room and board for hired help. If you hire temporary foreign workers, you may also include the costs related to transporting workers to your work site.

For AgriStability purposes, you may also include variable costs associated with disposable personal protective equipment for employees due to COVID-19, such as gloves, masks and sanitizer. Do not include costs incurred for improvements to capital items such as workplace modifications, additional housing or installing protective barriers. These improvements are more permanent and have long-term benefits that are considered non-allowable under the program.

Do not include salaries paid to related persons (see the definition below). If you paid salaries to related persons, see "Line 9816 – Non-arm's length salaries" on page 50.

Related persons are:

- individuals connected by blood relationship, marriage or common-law partnership, or adoption
- a corporation, and:
  - an individual, group of persons, or entity that controls the corporation
  - an individual, group of persons, or entity of a related group that controls the corporation
  - any individual related to a person described above

Salaries or drawings paid to yourself are not deductible for tax purposes.

As the employer, you must deduct your part of the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP) contributions and employment insurance premiums. You can also deduct workers' compensation amounts payable on employees' remuneration and Provincial Parental Insurance Plan (PPIP) premiums. The PPIP is an income replacement plan for residents of Quebec. For details, contact Revenu Québec. For information on making payroll deductions, go to **canada.ca/payroll**.

Do not deduct the amounts you withheld from your employees' remuneration since you already deducted them in the amount you claimed as wages.

You may have paid wages in kind to your employees. For example, you may have paid your employees by giving them livestock or grain instead of cash. If you did this:

- your employees include in their income the value of the livestock or grain
- you include the same amount in your gross sales for the year and deduct it as a wage expense

Keep a detailed record of the amounts you paid to each employee and the employee's name, address, and social insurance number.

## Line 9822 – Storage/drying

Enter the amount you paid for storing and drying commodities. For example, include:

- amounts paid for storage and drying services
- air treatment expenses
- purchase of germination inhibitors and other preservative agents

Enter electricity and heating fuel costs incurred in storage and drying commodities on lines 9799, "Electricity," and 9802, "Heating fuel," respectively.

## Line 9836 – Commissions and levies

Enter the amount you paid in commissions and levies incurred in the sale, purchase, or marketing of commodities. Also include levies paid to marketing boards, except those due to penalties or fines you incurred. Do not include commissions paid to a salesperson you contracted to market your product.

If you market fruit or vegetables through a co-op, enter your pack-and-sell expenses here, except pack-and-sell expenses incurred after the point of sale. Enter these amounts on "Line 575 – Point of sale adjustments."

### Line 9953 – Private insurance premiums for allowable commodities

Enter your private insurance premiums paid for allowable commodities such as livestock.

Enter premiums for hail insurance on "Line 9665 – Insurance premiums (crop or production)."

Do not include any premiums for:

- private insurance for non-allowable commodities
- business-related insurance
- motor vehicle insurance

For information on other types of insurance premiums, see "Line 9804 – Other insurance premiums" on page 46.

## AgriStability program – Non-allowable expenses

### Line 9760 – Machinery (repairs, licences, insurance)

Enter the total amount of repair, licence fee, and insurance premiums for your machinery. If you received insurance proceeds to help pay for repairs, see "Insurance proceeds" on page 36.

### Line 9765 – Machinery lease/rental

Enter the amount you paid for leasing machinery used to earn your farming income.

If you lease a passenger vehicle, see "Line 9829 – Motor vehicle interest and leasing costs" on page 53.

If you entered a lease agreement, you can choose to treat your lease payments as combined payments of principal and interest. However, you and the person from whom you are leasing must agree to treat the payments this way.

In this case, we consider that you have:

- bought the machinery rather than leased it
- borrowed an amount equal to the **fair market value** (see the definition on page 63) of the leased machinery

You can deduct the interest part of the payment as an expense. You can also claim capital cost allowance (CCA) on the machinery. For more information on CCA, see Chapter 4. You can make this choice as long as the machinery qualifies and the total fair market value (FMV) of all the machinery that is subject to the lease is more than $25,000. For example, a combine that you lease with a FMV of $35,000 qualifies. However, office furniture and automobiles often do not.

To treat your lease this way, attach one of the following forms with your income tax return for the year you make the lease agreement:

- Form T2145, Election in Respect of the Leasing of Property
- Form T2146, Election in Respect of Assigned Leases or Subleased Property

Both of these forms explain which property qualifies for this treatment.

### Line 9792 – Advertising and promotion costs

Enter the amount you paid for advertising and promoting your farm products.

If you market fruit or vegetables through a co-op, see "Line 9836 – Commissions and levies" for information on how to report your pack-and-sell expenses.

### Line 9795 – Building and fence repairs

Enter the amount you paid for repairs to fences and all buildings you used for farming, except your farmhouse. Do not include the value of your own labour. If the expenditure improved a fence or building beyond its original condition, the costs are capital expenditures. Add the expenditure to the cost of the asset or building on your capital cost allowance (CCA) charts on Form T1175, Farming – Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses. We explain the CCA charts in Chapter 4.

For more information on capital expenditures, see Income Tax Folio S3-F4-C1, General Discussion of Capital Cost Allowance.

> **Note**
> You may have received insurance proceeds to pay for the cost of repairs. If the insurance proceeds compensated you for damages to depreciable property such as buildings or fences, and you used all of them to repair the property within a reasonable period of time, you can claim a deduction for the amount spent on repairs on line 9795. However, you have to

include the insurance proceeds as income on line 9600. If you did not spend all the insurance proceeds on repairs within a reasonable length of time, include the remainder as proceeds of disposition in column 5 of Area A, “Calculation of capital cost allowance (CCA) claim,” on Form T1175. For more information, see “Column 5 – Proceeds of dispositions in the year” on page 67.

## Line 9796 – Land clearing and draining

Enter the total of the expenses listed below. In most cases, you can deduct the costs for:

- clearing the land of brush, trees, roots, and stones
- first ploughing of the land for farm use
- building an unpaved road
- installing land drainage

You do not have to deduct all of the costs in the year you paid them. If you paid all of the costs, you can deduct any part of them in the year you paid them. You can carry forward any part of the costs you did not deduct to another year. However, if you rented land to someone else, you cannot deduct the costs mentioned above. Instead, you may be able to do one of the following:

- add these costs to the cost of the land
- add these costs to the cost of the building if you plan to build on the land right away
- include these costs under Class 8 in the CCA charts on Form T776, Statement of Real Estate Rentals, if you installed a tile, plastic, or concrete land drainage system. In this case, you also need to add the costs for a tile, plastic or concrete land drainage system to Class 8 on your CCA charts on Form T2042. For more information, see Chapter 4

For more information, see Interpretation Bulletin IT-485, Cost of clearing or levelling land.

#### Improving land

You cannot deduct the cost of a paved road. Instead, you have to add this cost to Class 17 of your CCA charts on Form T1175. For more information, see Chapter 4.

You can deduct most of the cost to drill or dig water wells in the year you did the work. However, you have to add some of the costs to Class 8 on your CCA charts. The costs you add to Class 8 are those you incurred to purchase and install:

- the casing and cribwork for the well
- the system that distributes water, including the pump and pipes

You can deduct amounts you paid to have public utilities brought to your farm, as long as the installations remain the property of the utility.

You can deduct amounts you paid under the Canada Cooperatives Act to build a distribution system under a gas service contract.

## Line 9798 – Agricultural contract work

Enter the expenses you paid for custom and contract work, other than custom feeding. For example, you may have had a contract with someone who cleaned, sorted, graded, and sprayed the eggs your hens produced, or someone who had facilities to age the cheese you produced. You may have also contracted someone to do your harvesting, combining, crop dusting, or seed cleaning.

If you are a custom feedlot operator, see page 40 for information on reporting your custom feeding expenses.

For AgriStability, agricultural contract work is a non-allowable expense. However, if the charges on your invoice are listed separately, report amounts that are allowable expenses for AgriStability on their specific line.

For example, your invoice lists the costs charged for chemical, fuel, and salaries. Enter these amounts as follows:

- chemical on “Line 9663 – Pesticides and chemical treatments”
- fuel on “Line 9764 – Machinery (gasoline, diesel fuel, oil)”
- salaries on “Line 9815 – Arm’s length salaries”

Enter the remaining non-allowable amounts on line 9798.

## Line 9804 – Other insurance premiums

Enter the amount of business-related insurance premiums you paid to insure your farm buildings, farm equipment (excluding machinery and motor vehicles), and business interruption. Include premiums for Alberta Spring Price Endorsement on this line. For information on reporting premiums for hail insurance or livestock, see "Line 9665 – Insurance premiums (crop or production)" on page 42 and "Line 9953 – Private insurance premiums for allowable commodities" on page 44.

In most cases, you cannot deduct your life insurance premiums. However, if you use your life insurance policy as collateral for a loan related to your farming business, you may be able to deduct a limited part of the premiums you paid. For more information, see Interpretation Bulletin IT-309, Premiums on Life Insurance Used as Collateral.

In most cases, you cannot deduct the amounts you paid to insure personal property such as your home or car. However, if you used the personal property for your farming business, you can deduct the business part of these costs. For more information, see "Business-use-of-home expenses" on page 40, and "Line 9819 – Motor vehicle expenses" on page 50.

### Premiums to a private health services plan

You can deduct premiums paid to a private health services plan (PHSP) if you meet the following conditions:

- you are actively engaged in your business on a regular and continuous basis, individually or as a member of a partnership
- the premiums are paid to insure yourself, your spouse or common-law partner, or any member of your household
- in the year or previous tax year one of the following applies:
  - your net income from self-employment (excluding losses and PHSP deductions) is more than 50% of your total income*
  - your income from sources other than self-employment** is $10,000 or less

* To make this claim, calculate your **total income** as follows:

- the amount from line 15000 of your income tax return before you deduct any amounts for PHSPs; **minus**
- the amount you entered on lines 20700, 21200, 21700, 22100, 22900, 23100, and 23200 of your income tax return.

** To make this claim, calculate your income from sources **other than self-employment** as follows:

- the amount from line 15000 of your income tax return before you deduct any amounts for PHSPs; **minus**
- the amount you entered on lines 13500, 13700, 13900, 14100, 14300 (excluding business losses that reduced the net amount reported on those lines), 20700, 21200, 21700, 22100, 22900, 23100, and 23200 of your income tax return.

You cannot claim a deduction for PHSP premiums if another person deducted the amount, or if you or anyone else claimed the premiums as a medical expense. For your premiums to be deductible, your PHSP coverage has to be paid under a contract with **one** of the following:

- an insurance company
- a trust company
- a person or partnership in the business of administering PHSPs
- a tax-exempt trade union of which you or the majority of your employees are members
- a tax-exempt business organization or a tax-exempt professional organization of which you are a member

For more information on PHSPs, see Interpretation Bulletin IT-339, Meaning of 'private health services plan' (1988 and subsequent tax years), or go to **canada.ca/cra-private-health-services-plan**.

For the purposes of this claim, the following terms apply:

**Arm's length employees** are, generally, employees who are not related to you and who are not carrying on your business with you, for example, as your partners. For more information, see "Arm's length" on page 63.

**Qualified employees** are arm's length, full-time employees who have three months service since they last became employed with a business carried on by you, a business in which you are a majority interest partner, or a business carried on by a corporation affiliated with you. Temporary or seasonal workers are not qualified employees.

**Insurable persons** are people to whom coverage is extended and who are either:

- qualified employees

- people who would be qualified employees if they had worked for you for three months
- people carrying on your business (including yourself and your partners)

### How to calculate your maximum deduction for PHSPs

The following sections explain how to calculate your maximum PHSP deduction based on whether you had employees and whether you insured them throughout the year or for part of the year. Find the section that describes your situation.

> **Note**
> All PHSP deduction limits and calculated limits must include all applicable taxes as part of the total dollar amount.

### If you did not have any employees throughout 2023

Your PHSP deduction is restricted by an annual dollar limit. The limit is a maximum of:

- $1,500 for yourself
- $1,500 for your spouse or common-law partner and each household member that is 18 years of age or older at the start of the period they were insured
- $750 for each household member under the age of 18 at the start of the period

The maximum deduction is also limited by the number of days that person was insured. Calculate your allowable maximum for the year by using the following formula:

A ÷ 365 × (B + C), where:

A  is the number of days during the period of the year you insured yourself and your household members, if applicable

B  equals $1,500 × the number of household members 18 years of age or older insured during that period

C  equals $750 × the number of household members under the age of 18 insured during that period

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**Example 1**
Edwin was a sole proprietor who ran his farm alone in 2023. He had no employees and did not insure any of his household members. Edwin paid $2,000 for PHSP coverage in 2023. His coverage lasted from July 1 to December 31, 2023, (a total of 184 days).

Edwin's maximum allowable PHSP deduction is calculated as follows:

184 ÷ 365 × $1,500 = $756

Even though Edwin paid $2,000 in premiums in 2023, he can only deduct $756 because the annual limit is $1,500 and he was only insured for half of the year. If he had been insured for the entire year, his deduction limit would be $1,500.

**Example 2**
Bruce was a sole proprietor who ran his farm alone in 2023. He had no employees. From January 1 to December 31, he insured himself, his wife, and his two sons. Bruce paid $1,800 to insure himself, $1,800 to insure his wife, and $1,000 for each of his sons. One of his sons was 15 years old and the other turned 18 on September 1. Bruce's PHSP deduction is limited to the following amounts:

- $1,500 for himself
- $1,500 for his wife
- $750 for his 15-year-old son
- $750 for the son who turned 18 (this limit applies because he did not turn 18 until after the insured period began)

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### If you had employees throughout 2023

If you had at least one qualified employee (see the term defined on page 46) throughout all of 2023, and at least 50% of the insurable persons in your business were qualified employees, your claim for PHSP premiums is limited in a different way. Your limit is based on the lowest cost of equivalent coverage for each of your qualified employees.

Use the following steps to calculate your maximum allowable claim for the PHSP premiums paid for yourself, your spouse or common-law partner, and your household members.

For each of your qualified employees, calculate the following:

X × Y = Z, where:

X equals the amount you would pay to provide yourself, your spouse or common-law partner, and your household members with coverage equal to that provided to a particular employee, his or her spouse or common-law partner, and household members

Y equals the percentage of the premium you pay for that particular employee

Z equals your limit based on that particular employee

If you had more than one qualified employee, you have to do the X × Y = Z calculation for each employee. Your limit is then the least amount you calculate for each employee.

**Example 1**
You have one qualified employee. To provide yourself with coverage equal to his or hers, you pay a premium of $1,800. You pay 60% of your employee's premium. Your deduction limit for yourself is $1,080, calculated as follows:

$1,800 (amount X) × 60% (amount Y) = $1,080 (amount Z)

The maximum you can claim is $1,080, if you had only one qualified employee.

**Example 2**
You have three qualified employees, Jack, Jill, and Sue. The following table shows how much you would pay for coverage equivalent to each of theirs, and the percentage of each employee's premium you pay.

| Name of employee | Cost of equivalent coverage for yourself | % of the employee's premium you pay |
|---|---|---|
| Jack | $1,500 | 20% |
| Jill | $1,800 | 50% |
| Sue | $1,400 | 40% |

You have to do the following three calculations:

Jack: $1,500 (X) × 20% (Y) = $300 (Z)

Jill: $1,800 (X) × 50% (Y) = $900 (Z)

Sue: $1,400 (X) × 40% (Y) = $560 (Z)

Your limit is $300, the lowest of the amounts you calculated for the three employees.

**Note**
If you have a qualified employee with no coverage, you cannot claim your PHSP premiums as a deduction from self-employment income. However, you may be able to claim them as medical expenses.

If you had employees throughout 2023 but the number of **arm's length** employees you insured was less than 50% of all the insurable persons in your business, your maximum allowable deduction is the **lesser** of the following two amounts:

### Amount 1

Determine this amount by calculating:

A ÷ 365 × (B + C), where:

A is the number of days during the period of the year you insured yourself and your household members, if applicable, but insured less than 50% of your employees

B equals $1,500 × the number of household members 18 years of age or older insured during that period

C equals $750 × the number of household members under the age of 18 insured during that period

### Amount 2

If you had at least one qualified employee, Amount 2 is the lowest cost of equivalent coverage for each qualified employee, calculated by using the X × Y = Z formula in the previous example. If you did not have at least one qualified employee, the limit in Amount 1 will apply.

### If you had employees for part of the year

If you had at least one qualified employee for part of the year and your insurable arm's length employees represented at least 50% of all the insurable persons in your business, calculate your limit for **that** period by using the X × Y = Z formula of "If you had employees throughout 2023" on page 47.

For the rest of the year when you had no employees or when your insurable **arm's length** employees represented less than 50% of all the insurable persons in your business, your deduction limit for that remaining period is the **lesser** of Amount 1 and Amount 2, calculated in the same way as in the previous section.

### Undeducted premiums

If you deduct only part of your PHSP premium at line 9804 and you paid the premium in the year, you can include the undeducted balance when you calculate your non-refundable medical expense tax credit. For more information, see "Line 33099" in your Income Tax and Benefit Information.

## Line 9805 – Interest (real estate, mortgage, other)

You can deduct interest you incurred on money borrowed for farming business purposes or to acquire property for farming business purposes. However, there are limits on:

- The interest you can deduct on money you borrowed to buy a passenger vehicle or a zero-emission passenger vehicle. For more information, see "Line 9819 – Motor vehicle expenses" on page 50
- The amount of interest you can deduct for vacant land. Usually, you can only deduct interest up to the amount of income from the land that remains after you deduct all other expenses. You cannot use any remaining amounts of interest to create or increase a loss, and you cannot deduct them from other sources of income

You can report interest you paid on any real estate mortgage you incurred to earn farming income, but you cannot deduct the principal part of loan or mortgage payments. Do not deduct interest on money you borrowed for personal purposes or to pay overdue income taxes.

You may be able to report interest expenses for a property you used for farming business purposes, even if you have stopped using the property for such purposes because you are no longer in the farming business. For more information, see Income Tax Folio S3-F6-C1, Interest Deductibility, or call **1-800-959-5525**.

## Line 9807 – Memberships/subscription fees

Enter the amount of annual dues or fees you paid to keep your membership in a trade or commercial farming association. You cannot deduct club membership dues (including initiation fees) if the main purpose of the club is dining, recreation, or sporting activities.

You can also report fees for subscriptions to farming publications you use in your farming business.

Enter the amounts you paid for your AgriStability administrative cost share (ACS) and your fee on this line.

## Line 9808 – Office expenses

You can report the cost of office expenses. These include small items such as pens, pencils, paper clips, stationery, and stamps. Office expenses do not include items such as calculators, filing cabinets, chairs, and desks. These are capital items. For more information on capital property, see Class 14.1 (5%) on page 75.

## Line 9809 – Legal and accounting fees

Report the fees you incurred for external professional advice or services, including consulting fees.

You can report accounting and legal fees you incur to get advice and help in keeping your records. You can also report fees you incur for preparing and filing your income tax and GST/HST returns.

You can deduct accounting or legal fees you paid to have an objection or appeal prepared against an assessment for income tax, CPP or QPP contributions, or EI premiums. However, the full amount of these deductible fees must first be reduced by any reimbursement of these fees you have received. Report the difference on line 23200 of your income tax return. If you received a reimbursement in 2023 for the types of fees you deducted in a previous year, enter the amount you received on line 13000 of your 2023 income tax return.

You cannot report legal and other fees you incur to buy capital property. Instead, add these fees to the cost of the property. For more information on capital property, see Class 14.1 (5%) on page 75

For more information, see Interpretation Bulletin IT-99, Legal and Accounting Fees.

## Line 9810 – Property taxes

Enter the amount of land, municipal, and realty taxes you paid for property used in your farming business. Since the municipal tax for the farmhouse is a personal expense, you cannot report it unless you meet the conditions explained in "Business-use-of-home expenses" on page 40.

If you are repaying a loan for land drainage through your property tax payments to your township, you cannot include the amount you repaid as part of your property tax expense.

## Line 9811 – Rent (land, buildings, pastures)

Enter the amount of rent you paid for land, buildings, and pastures you used for your farming business.

If you farmed in a crop share and paid your landlord a share of the crop, only include your share of the crop in your income and expenses.

## Line 9816 – Non-arm's length salaries

Keep a detailed record of the amounts you paid to each related person. For a definition of related persons, see "Line 9815 – Arm's length salaries" on page 42.

As the employer, you must deduct your part of CPP or QPP contributions and employment insurance premiums. You can also deduct workers' compensation amounts payable on employees' remuneration and Provincial Parental Insurance Plan (PPIP) premiums. The PPIP is an income replacement plan for residents of Quebec. For details, contact Revenu Québec. For information on making payroll deductions, go to **canada.ca/payroll**.

Do not deduct the amounts you withheld from remuneration, since you already deducted them in the amount you claimed as wages. Do not include the cost of board.

The terms "salaries" and "wages" are used interchangeably in the description of this non-allowable expense.

You can deduct the wages you paid to your child, as long as you meet all of these conditions:

- you paid the wages by cheque, in cash or in kind
- the work your child did was necessary for you to earn farm income
- the wages were reasonable when you consider your child's age
- the amount you paid is what you would have paid someone else to do the same work

Keep documents to support the wages you paid to your child. If you paid your child by cheque, keep the cancelled cheque. If you paid cash, have your child sign a receipt.

If you paid wages in kind to non-arm's length employees (including your spouse or children), report such wages in the same manner that is described at "Line 9815 – Arm's length salaries" on page 42.

You can deduct wages you paid to your spouse or common-law partner, as long as that person is not a partner in your business and you follow the same rules that apply to wages paid to your child.

If you were a partner of a farm partnership that employed your or your partner's spouse or common-law partner, the farm partnership can deduct that person's wages if it incurred the expense to earn farming income and the wages were reasonable.

## Line 9819 – Motor vehicle expenses

### Business use of a motor vehicle or passenger vehicle (including zero-emission vehicles and zero-emission passenger vehicles)

If you use your motor vehicle or a passenger vehicle for personal and business use, you can deduct only the part of the expenses you paid to earn farming income. Farming business use includes things such as trips to pick up parts and farm supplies, or to deliver grain. You can deduct the full amount of parking fees related to your business activities and supplementary business insurance for your motor vehicle or passenger vehicle. If you did not live on your farm, the travel between the farm and your home is not considered business travel.

To support the amount you can deduct, keep a record of the total kilometres you drive and the kilometres you drive to earn income. Also, keep track of what it costs you to run and maintain the motor vehicle for your fiscal period.

#### What type of vehicle do you own?

The kind of vehicle you own can affect the expenses you can deduct. For income tax purposes, you should know the definitions of motor vehicles, zero-emission vehicles, passenger vehicles, and zero-emission passenger vehicles.

A **motor vehicle** is an automotive vehicle designed or adapted for use on highways and streets. A motor vehicle does not include a trolley bus or a vehicle designed or adapted to be operated only on rails.

A **zero-emission vehicle** and a **zero-emission passenger vehicle** are motor vehicles. For more information on these types of vehicles, see their definitions on page 63.

A **passenger vehicle** is a motor vehicle that is owned by the taxpayer (other than a zero-emission vehicle) or that is leased, and is designed or adapted primarily to carry people on highways and streets. It seats a driver and no more than eight passengers. Most cars, station wagons, vans, and some pick-up trucks are passenger vehicles.

Passenger vehicles and zero-emission passenger vehicles are subject to limits on the amount of CCA, interest, and leasing cost that may be deducted. They do **not** include:

- an ambulance
- a clearly marked police or fire emergency response vehicle
- a motor vehicle you bought to use more than 50% as a taxi, a bus used in the business of transporting passengers, or a hearse used in a funeral business
- a motor vehicle you bought to sell, rent, or lease in a motor vehicle sales, rental, or leasing business
- a motor vehicle (except a hearse) you bought to use in a funeral business to transport passengers
- a van, pick-up truck, or similar vehicle that seats no more than the driver and two passengers and that, in the tax year you bought or leased it, was used more than 50% to transport goods and equipment to earn income
- a van, pick-up truck, or similar vehicle that, in the tax year you bought or leased it, was used 90% or more to transport goods, equipment, or passengers to earn income
- a pick-up truck that, in the tax year you bought or leased it, was used more than 50% to transport goods, equipment, or passengers to earn or produce income at a remote work location or at a special work site that is at least 30 kilometres from the nearest community with a population of at least 40,000
- a clearly marked emergency medical service vehicle used to carry paramedics and their emergency medical equipment

If you own a passenger vehicle or a zero emission passenger vehicle (ZEPV), or you lease a passenger vehicle or a passenger vehicle that would otherwise qualify as a ZEPV, there may be a limit on the amounts you can deduct for CCA, interest, and leasing costs.

The following chart will help you to determine if you have a motor vehicle or a passenger vehicle. The chart does not cover every situation, but it gives some of the main definitions for vehicles bought or leased and used to earn self-employment income.

**Vehicle definitions**

| Type of vehicle | Seating (includes driver) | Business use in year bought or leased | Vehicle definition |
|---|---|---|---|
| Coupe, sedan, station wagon, sports car, or luxury car | 1 to 9 | 1% to 100% | passenger |
| Pick-up truck used to transport goods or equipment | 1 to 3 | more than 50% | motor |
| Pick-up truck (other than above) | 1 to 3 | 1% to 100% | passenger |
| Pick-up truck with extended cab used to transport goods, equipment, or passengers | 4 to 9 | 90% or more | motor |
| Pick-up truck with extended cab (other than above) | 4 to 9 | 1% to 100% | passenger |
| Sport-utility used to transport goods, equipment, or passengers | 4 to 9 | 90% or more | motor |
| Sport-utility (other than above) | 4 to 9 | 1% to 100% | passenger |
| Van or minivan used to transport goods or equipment | 1 to 3 | more than 50% | motor |
| Van or minivan (other than above) | 1 to 3 | 1% to 100% | passenger |
| Van or minivan used to transport goods, equipment, or passengers | 4 to 9 | 90% or more | motor |
| Van or minivan (other than above) | 4 to 9 | 1% to 100% | passenger |

Do not include any of the following:

- interest on the money you borrow for a motor vehicle
- leasing costs for a motor vehicle
- the capital cost allowance (CCA)

For more information on interest and leasing costs, see "Line 9829 – Motor vehicle interest and leasing costs" on page 53. For more information on CCA, see Chapter 4.

**Example**
Murray's farming business has a December 31 year-end. He owns a truck that is not a passenger vehicle. He uses the truck to pick up supplies and equipment. Murray kept the following records for his 2023 fiscal period:

| | |
|---|---|
| Farming business kilometres | 27,000 km |
| Total kilometres | 30,000 km |

**Expenses**:

| | |
|---|---|
| Gasoline and oil | $ 3,500 |
| Repairs and maintenance | $ 500 |
| Insurance | $ 1,000 |
| Licence and registration fees | $ 100 |
| Total expenses for the truck | $ 5,100 |

This is how Murray determines the motor vehicle expenses he can deduct in his 2023 fiscal period:

27,000 (business kilometres) ÷ 30,000 (total kilometres) × $5,100 = $4,590

Murray enters $4,590 on line 9819 of the form as motor vehicle expenses in his 2023 fiscal period. He calculates and deducts the interest on the loan to buy his truck separately on line 9829.

**Note**
You may have received insurance proceeds to pay for the cost of repairs. If the insurance proceeds compensated you for damages to a motor vehicle for which you claimed CCA, and you used all of them to repair the vehicle within a reasonable period of time, claim a deduction for the amount spent on repairs on line 9819. You must also include the insurance proceeds as income on line 9600. If you did not spend all the insurance proceeds on repairs within a reasonable length of time, include the remainder as proceeds of disposition in column 5 of Area A, "Calculation of capital cost allowance (CCA) claim," on Form T1175, Farming – Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses. For more information, see "Column 5 – Proceeds of dispositions in the year" on page 67.

For more information on motor vehicle expenses, see Interpretation Bulletin IT-521, Motor Vehicle Expenses Claimed by Self-Employed Individuals.

### Simplified logbook for motor vehicle expense provisions

Following a Federal initiative to reduce the paper burden on businesses, you can choose to maintain a full logbook for one complete year to establish a base year's business use of a vehicle.

After one complete year of keeping a logbook to establish the base year, you can use a three month sample logbook to extrapolate business use for the entire year, as long as the usage is within the same range (within 10%) of the results of the base year. Businesses will have to show that the use of the vehicle in the base year remains representative of its normal use.

### More than one vehicle

If you use more than one motor vehicle or passenger vehicle for your business, for each vehicle keep a separate record that shows the total personal use kilometres and business kilometres you drive, as well as the cost to run and maintain each vehicle. Calculate each vehicle's expenses separately.

For more information, see Interpretation Bulletin IT-521, Motor Vehicle Expenses Claimed by Self-Employed Individuals.

## Line 9820 – Small tools

If a tool costs you less than $500, you can report its full cost. If it costs you $500 or more, add the cost to your CCA charts on Form T1175 as Class 8 property.

Small tools that cost less than $500 are fully deductible in the year you buy them. You may claim them as an expense at line 9820 **or** claim CCA by including them in Class 12 (with a CCA rate of 100%). Either method is acceptable, but do not claim the amount twice. For more information on CCA, see Chapter 4.

## Line 9821 – Soil testing

Enter the amount of expenses you paid for testing soil samples.

## Line 9823 – Licences/permits

Enter the total of annual licence and permit fees that you paid to run your business.

## Line 9824 – Telephone

Do not deduct the basic monthly rate of your home telephone. However, you can deduct any long-distance telephone calls you made on your home telephone for farming business purposes.

If you have a separate telephone to use in your business and you use it for business calls only, you can deduct its basic monthly rate.

## Line 9825 – Quota rental (tobacco, dairy)

Enter the amount of expenses you paid for quota rentals in the fiscal period.

## Line 9826 – Gravel

Enter the amount of expenses you paid for gravel used to earn farming income in the fiscal period.

## Line 9827 – Purchases of commodities resold

Enter purchases of commodities that you bought for resale and then sold. Enter the corresponding sales of commodities purchased for resale on "Line 9612 – Resales of commodities purchased."

Enter purchases of commodities that you bought for resale but have not yet sold.

## Line 9829 – Motor vehicle interest and leasing costs

Enter the leasing costs for your motor vehicle or the interest on the money you borrowed for a motor vehicle.

If you used a **passenger vehicle** (see the definition on page 51) or a **zero-emission passenger vehicle** to earn farming income, there is a limit on the amount of interest you can deduct. Whether you use the cash or accrual method to determine your income, fill in the following chart to calculate the interest you can deduct. If you used your passenger vehicle or zero-emission passenger vehicle for both personal and farming business use, fill in the chart before you determine how much interest you can deduct as an expense.

**Interest chart**

| | | |
|---|---|---|
| Enter the total interest you paid (cash method) or that is payable (accrual method) in your fiscal period | $______ | A |
| $10* × ______, number of days in your fiscal period for which interest was paid or payable | $______ | B |
| Your available interest expense is either A or B, whichever amount is less | $______ | |

* For passenger vehicles bought:
from September 1, 1989, to December 31, 1996, and from 2001 to 2023, use $10; and from 1997 to 2000, use $8.33.

**Example**

Heather's farming business has a December 31 year-end. On January 1, 2023, she bought a new passenger vehicle that she uses for both personal and business use. She borrowed money to buy the vehicle, and the interest she paid in her 2023 fiscal period was $2,200. Since the car Heather bought is a passenger vehicle, there is a limit on the interest she can deduct.

Heather's available interest is either of these two amounts, whichever is less:

- $2,200 (the total interest she paid in her 2023 fiscal period)
- $3,650 ($10 × 365 days)

Heather drove 20,000 kilometres on farming business out of the total 25,000 kilometres she drove in her 2023 fiscal period. Here is how Heather determines the motor vehicle interest expenses she can deduct for her 2023 fiscal period:

20,000 (business kilometres) ÷ 25,000 (total kilometres) × $2,200 = $1,760

Heather enters $1,760 on line 9829, as motor vehicle interest for her 2023 fiscal period.

### Leasing costs for a passenger vehicle (or a vehicle that would qualify as a zero-emission passenger vehicle if you owned it)

You can report costs you incur to lease a passenger vehicle you use to earn income. Include these amounts on line 9819.

When you use a passenger vehicle to earn farming business income, there is a limit on the amount of the leasing costs you can deduct. This limit does not apply to zero-emission passenger vehicles. To calculate your eligible leasing costs, fill in the "Eligible leasing costs for passenger vehicles" chart.

If the lease agreement for your passenger vehicle includes items such as insurance, maintenance, and taxes, include them as part of the lease charges on line 1 when you fill in the chart.

> **Note**
> Generally, leases include taxes (GST/HST or PST), but not items such as insurance and maintenance. You have to pay these amounts separately. Include the taxes at line 1 of the chart, and list the items like insurance and maintenance on the appropriate lines on Form T1163.

For your 2023 fiscal period, use the GST rate of 5% or the applicable HST rate of your specific province to fill in the chart below.

The following example shows how to calculate the eligible leasing costs. In this chart, we use prescribed amounts. Prescribed means it is written in the law.

**Example**

On July 1, 2023, Meadow started leasing a car that is a passenger vehicle. She used the car to earn farming income. Her business has a December 31 fiscal year-end. The PST rate for her province is 8% and GST is 5%.

Meadow entered the following for 2023:

| | | | |
|---|---|---|---|
| Monthly lease payment | $ | 500 | |
| Lease payments for 2023 | $ | 3,000 | |
| Manufacturer's suggested list price | $ | 33,000 | |
| Number of days in 2023 she leased the car | | 184 | |
| Prescribed CCA capital cost limit | $ | 36,000 | |
| Prescribed CCA capital cost limit × Prescribed limit rate: 36,000× (100 ÷ 85) | $ | 42,353 | |
| Prescribed deductible leasing costs limit | $ | 950 | |
| GST and PST on $36,000 | $ | 4,680 | |
| GST and PST on $42,353 | $ | 5,506 | |
| GST and PST on $950 | $ | 124 | |
| Total lease charges incurred in 2023 fiscal period for the vehicle | $ | 3,000 | **1** |
| Total lease payments deducted in fiscal periods before 2023 for the vehicle | $ | 0 | **2** |
| Total number of days the vehicle was leased in 2023 and previous fiscal periods | | 184 | **3** |
| Manufacturer's list price | $ | 33,000 | **4** |
| The highest amount: line 4 or $47,859 ($42,353+ $5,506) × 85% | $ | 40,680 | **5** |
| ($1,074 × 184) ÷ 30 | $ | 6,587 | **6** |
| ($40,680 × $3,000) ÷ $40,680 | $ | 3,000 | **7** |

Meadow's eligible leasing cost is either line 6 or 7, whichever **amount is less**. In this case, her allowable claim is $3,000.

**Eligible leasing costs for passenger vehicles**

| | | |
|---|---|---|
| Total lease charges incurred in your 2023 fiscal period for the vehicle | $ | 1 |
| Total lease payments deducted before your 2023 fiscal period for the vehicle | $ | 2 |
| Total number of days the vehicle was leased in 2023 and before 2023 | | 3 |
| Manufacturer's list price | $ | 4 |
| The amount on line 4 or ($42,353* + GST** and PST**, or $42,353* + HST**), $ ________ × 85% = whichever is more | $ | 5 |
| [($950*** + GST** and PST**, or $950*** + HST**) × line 3] / 30 $ ________ – line 2: $ ________ = | $ | 6 |
| [($36,000**** + GST** and PST**, or $36,000**** + HST**) × line 1] / line 5 = | $ | 7 |
| **Eligible leasing cost: Line 6 or line 7, whichever is less** | $ | |

* For leases entered into in 2022, this amount is $40,000. For leases entered into before 2022, this amount is $35,294.

** Use a GST rate of 5% or the HST rate applicable to your province.

*** For leases entered into in 2022, this amount is $900. For leases entered into before 2022, this amount is $800.

**** For leases entered into in 2022, this amount is $34,000. For leases entered into before 2022, this amount is $30,000.

### Repayments and imputed interest

When you lease a passenger vehicle, you may have a repayment owing to you, or you may have imputed interest. If so, you will not be able to use the chart.

**Imputed interest** is interest that would be owing to you if interest were paid on the money you deposited to lease a passenger vehicle. Calculate imputed interest for leasing costs on a passenger vehicle only if **all** of the following apply:

- one or more deposits were made for the leased passenger vehicle
- one or more deposits are refundable
- the total of the deposits is more than $1,000

For more information, see Interpretation Bulletin IT-521, Motor Vehicle Expenses Claimed by Self-Employed Individuals.

### Joint ownership of a passenger vehicle or a zero-emission passenger vehicle

If you and another person own or lease a passenger vehicle or zero-emission passenger vehicle, the limits on CCA, interest, and leasing costs still apply. If you and another person own or lease a zero-emission passenger vehicle, only the limits on CCA and interest apply. The total amount you (as a joint owner) or any other owners deduct cannot be more than the amount one person owning or leasing the vehicle could deduct.

## Line 9936 – Capital cost allowance

Enter the amount of CCA you calculate on all the eligible assets used in your farming operation. To calculate your CCA claim, use the charts on Form T1175, Farming – Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses. For information on how to fill in these charts, see Chapter 4.

## Line 9937 – Mandatory inventory adjustments – prior year

If you included an amount for the mandatory inventory adjustment (MIA) on line 9942 in your 2022 fiscal period, enter the amount as an expense on line 9937 in your 2023 fiscal period. Do not include the valuation of inventories if you are using the accrual method of accounting. For information about the accrual method, see "Reporting methods" on page 10.

For more information on MIA, see "Line 9942 – Mandatory inventory adjustment – current year" on page 56.

## Line 9938 – Optional inventory adjustments – prior year

If you included an amount for the optional inventory adjustment (OIA) on line 9941 in your 2022 fiscal period, deduct the amount as an expense on line 9938 in your 2023 fiscal period. Do not include the valuation of inventories if you are using the accrual method of accounting. For information about the accrual method, see "Reporting methods" on page 10.

For more information on OIA, see "Line 9941 – Optional inventory adjustment – current year" on page 56.

### Line 9896 – Other (specify)

The expenses listed on the form are only the most common ones. If you have other farming expenses that are not listed on this form and are non-allowable for AgriStability, enter the total amount on line 9896. Then list the items on the blank lines provided under line 9896. For more information about other expenses, see Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income.

Enter any overpayments you repaid for any of the programs identified on lines 9540 and 9544.

### Summary of expenses

Copy Totals C, D, and E from the bottom of each of the three tables in the "Expenses" section of the form. Add the totals for your total expenses.

## Summary of income and expenses

### Line 9959 – Gross farming income

Enter your gross farming income from line 9959 on line 14099 of your income tax return. If you also completed Form T1164, add the totals from line 9959 on your Form T1163 and all your T1164 forms. Enter the result on line 14099 of your income tax return.

### Line 9969 – Net income (loss) before adjustments

If you are a partner of a partnership, this amount is the net farming business income of the partnership. If the amount is negative, enter the amount in brackets.

### Line 9940 – Other deductions

You can enter any business-use-of-home expenses that you are carrying forward from a previous fiscal period, as long as you meet **one** of the following conditions:

- the workspace is your principal place of business
- you use the space only to earn your farming business income, and you use it on a regular, ongoing basis to meet your customers

For more information, see "Adjustment to business-use-of-home expenses" on page 60.

### Line 9941 – Optional inventory adjustment – current year

If you want to include an inventory amount in income, read this section.

By making the OIA, you can include in your income an amount up to the fair market value (FMV) of your inventory minus the MIA. You can only make the OIA if you use the cash method. For the meaning of inventory and FMV, see "Line 9942 – Mandatory inventory adjustment – current year."

For the OIA, unlike for the MIA, the inventory does not have to be purchased inventory. It is the entire inventory you still have at the end of your 2023 fiscal period.

Enter the amount of your OIA on line 9941. You must deduct this amount as an expense in your next fiscal period.

### Line 9942 – Mandatory inventory adjustment – current year

The MIA decreases your net loss if you held inventory at the end of your fiscal period. Read this section even if you do not have to make the MIA. This section will show you how to determine the value of the farm inventory you bought and still have at the end of your 2023 fiscal period. You will need to know this value if you have to make the MIA this year or in the future.

You have to make the MIA if **all** of the following apply:

- you use the cash method to report your income
- you have a net loss on line 9969 of the form
- you bought inventory and still have it at the end of your 2023 fiscal period. This does not refer only to inventory you bought in 2023. It includes inventory you had previously bought and still owned at the end of your 2023 fiscal period

Your MIA is the **lesser** of these two amounts:

- the net loss before adjustments on line 9969
- the value of the purchased inventory you still have at the end of your 2023 fiscal period

To calculate your MIA, fill in Charts 1, 2, 3, and 4 on page 107. Once you have filled in Chart 4, enter the amount on line 9942. For more information, see Interpretation Bulletin IT-526, Farming – Cash method inventory adjustments.

In your next fiscal period, deduct from your farming income the MIA you add to your net loss in your 2023 fiscal period.

> **Note**
> If you bought a specified animal (as defined below) in a **non-arm's length transaction** (see the definition on page 63), we consider that you bought the animal in the same year and at the same price for which the seller bought it. A non-arm's length transaction is, for example, a transaction between members of a family, such as a husband and wife, or a parent and child.

To value your inventory, you need to know the meaning of the following terms:

**Inventory** is a group of items that a business holds and intends to consume or sell to its customers.

**Farm inventory** is tangible property that is:

- held for sale, such as harvested grain
- used in the production of saleable goods, such as seed and feed
- in the process of being produced, such as standing crops or feeder livestock

Seed you have already planted and fertilizer or chemicals you have already applied are no longer part of your inventory items but are included in the value of the standing crops that may be included in the OIA.

**Purchased inventory** is inventory you have bought and paid for.

**Specified animals** are horses. You may also elect to designate cattle you registered under the Animal Pedigree Act as specified animals. To make this choice, put a note on your income tax return saying you want to designate the animal this way. If you indicate on your return that it is a specified animal, we will continue to consider it as such until you sell it.

**Cash cost** is the amount you paid to buy your inventory.

**Fair market value (FMV)** – generally the highest dollar value you can get for your property. We define this term on page 63.

### Value of your purchased inventory

To value your purchased inventory, read the text that follows and the example of how to fill in the MIA charts. There are blank charts for you to use on page 107 of this guide. Keep these charts as part of your records.

Except for specified animals, you have to value any purchased inventory you bought before or during your 2023 fiscal period at the lesser of these amounts:

- the cash cost
- the FMV

To determine which amount is less, compare each item or group of items separately in the inventory.

Value the specified animals you acquired **in** your 2023 fiscal period and still have at the end of this period at **one** of the following amounts:

- the cash cost
- 70% of the cash cost
- any amount between these two amounts

Value the specified animals you acquired **before** your 2023 fiscal period and still have at the end of this period at **one** of the following amounts:

- the cash cost
- 70% of:
  - the value of the specified animals for MIA purposes as determined at the end of your 2022 fiscal period, **plus**
  - any amounts you paid in your 2023 fiscal period toward the purchase price
- any amount between these two amounts

**Example**

Doug started his farming business in 2020 and uses the cash method to report his income. His year-end is December 31. Doug shows a net loss of $55,000 in 2023 on line 9969. Doug has purchased inventory at the end of his 2023 fiscal period. This means he has to decrease his net loss by the MIA. Doug made a chart for the cash cost of his livestock that is purchased inventory at the end of his 2023 fiscal period.

| Livestock | | |
|---|---|---|
| **Year of purchase** | **Cost of purchase** | **Amount Doug paid by the end of his 2023 fiscal period** |
| 2023 | $30,000 | $25,000 |
| 2022 | $26,000 | $26,000* |
| 2021 | $22,000 | $22,000 |
| 2020 | $20,000 | $20,000 |

* For livestock bought in his 2022 fiscal period, Doug paid $19,000 in 2022 and $7,000 in 2023.

Doug's other inventory is fertilizer, seed, and fuel. The cash cost is the same as the fair market value for this inventory. Its value is as follows:

- $15,000 bought in his 2023 fiscal period
- $6,000 bought in his 2022 fiscal period
- $5,000 bought in his 2021 fiscal period

At the end of his 2023 fiscal period, Doug did not have any other inventory that he bought before his 2020 fiscal period.

Doug has registered his livestock under the Animal Pedigree Act. He wants to designate these animals as specified animals.

Doug fills in Chart 1 as follows:

**Chart 1**
**Cash cost of purchased inventory**

Doug enters the amount he paid by the end of his 2023 fiscal period for the specified animals he bought:

| Fiscal period | Cash cost | |
|---|---|---|
| in his 2023 fiscal period | $ 25,000 | 1 |
| in his 2022 fiscal period | $ 26,000 | 2 |
| in his 2021 fiscal period | $ 22,000 | 3 |
| in his 2020 fiscal period | $ 20,000 | 4 |
| before his 2020 fiscal period | $ 0 | 5 |

Doug enters the amount he paid by the end of his 2023 fiscal period for all other inventory he bought:

| | | |
|---|---|---|
| in his 2023 fiscal period | $ 15,000 | 6 |
| in his 2022 fiscal period | $ 6,000 | 7 |
| in his 2021 fiscal period | $ 5,000 | 8 |
| in his 2020 fiscal period | $ 0 | 9 |
| before his 2020 fiscal period | $ 0 | 10 |

Doug now knows the cash cost of his purchased inventory, including his specified animals. He uses these amounts to calculate the value of his purchased inventory at the end of his 2023 fiscal period. To do this, he fills in Charts 2, 3, and 4 as follows:

## Chart 2
## Value of purchased inventory for specified animals

The small letters in front of each line match the paragraphs at the end of this chart. These paragraphs explain how Doug calculates the number on each line.

| | | | |
|---|---|---|---|
| **Inventory bought in his 2023 fiscal period**<br>Doug enters an amount that is not more than the amount from line 1, but not less than 70% of this amount | a) | $ 20,000 | 11 |
| **Inventory bought in his 2022 fiscal period**<br>Doug enters an amount that is not more than the amount from line 2, but not less than 70% of the total of the value at the end of his 2022 fiscal period, plus any amounts he paid in his 2023 fiscal period toward the purchase price | b) | $ 14,210 | 12 |
| **Inventory bought in his 2021 fiscal period**<br>Doug enters an amount that is not more than the amount from line 3, but not less than 70% of the total of the value at the end of his 2022 fiscal period, plus any amounts he paid in his 2023 fiscal period toward the purchase price | c) | $ 7,546 | 13 |
| **Inventory bought in his 2020 fiscal period**<br>Doug enters an amount that is not more than the amount from line 4, but not less than 70% of the total of the value at the end of his 2022 fiscal period, plus any amounts he paid in his 2023 fiscal period toward the purchase price | d) | $ 4,802 | 14 |
| **Inventory bought before his 2020 fiscal period** | e) | $ 0 | 15 |

a) Doug chose $20,000, which is between the cash cost of $25,000 and $17,500 (70% of the cash cost).

b) Doug chose to value the inventory he bought in his 2022 fiscal period at 70% of the cash cost. Therefore, the value of this inventory at the end of his 2022 fiscal period was $13,300 ($19,000 × 70%). Remember, Doug paid $19,000 for these specified animals in 2022. He paid $7,000 in 2023.

For his 2023 fiscal period, Doug chose to value the inventory that he bought in his 2022 fiscal period at 70% of the total of the value at the end of the 2022 fiscal period plus any amounts that he paid in his 2023 fiscal period toward the purchase price. Therefore, the amount that he enters on line 12 is $14,210 [70% × ($13,300 + $7,000)]. He could choose any amount between the cash cost of $26,000 and the lowest acceptable inventory value of $14,210.

c) Doug chose to value the inventory that he bought in his 2021 fiscal period at 70% of the cash cost. Therefore, the value of this inventory at the end of his 2021 fiscal period was $15,400 ($22,000 × 70%).

For his 2022 fiscal period, Doug chose to value the inventory that he bought in his 2021 fiscal period at 70% of the total of the value at the end of his 2021 fiscal period. Therefore, the value of this inventory at the end of his 2022 fiscal period was $10,780 ($15,400 × 70%).

For his 2023 fiscal period, Doug chose to value the inventory that he bought in his 2021 fiscal period at 70% of the total of the value at the end of his 2022 fiscal period. Therefore, the amount he enters on line 13 is $7,546 ($10,780 × 70%). He could choose any amount between the cash cost of $22,000 and the lowest acceptable inventory value of $7,546.

d) Doug chose to value the inventory that he bought in his 2020 fiscal period at 70% of the cash cost. Therefore, the value of this inventory at the end of his 2020 fiscal period was $14,000 ($20,000 × 70%).

For his 2021 fiscal period, Doug chose to value the inventory that he bought in his 2020 fiscal period at 70% of the total of the value at the end of his 2020 fiscal period. Therefore, the value of this inventory at the end of his 2021 fiscal period was $9,800 ($14,000 × 70%).

For his 2022 fiscal period, Doug chose to value the inventory that he bought in his 2020 fiscal period at 70% of the total of the value at the end of his 2021 fiscal period. Therefore, the value of this inventory at the end of his 2022 fiscal period was $6,860 ($9,800 × 70%).

For his 2023 fiscal period, Doug chose to value the inventory that he bought in his 2020 fiscal period at 70% of the total of the value at the end of his 2022 fiscal period. Therefore, the amount he enters on line 14 is $4,802 ($6,860 × 70%). He could choose any amount between the cash cost of $20,000 and the lowest acceptable inventory value of $4,802.

e) Doug had not purchased any specified animals before his 2020 fiscal period.

### Chart 3
### Value of purchased inventory for all other inventory

| | | |
|---|---|---|
| **Inventory bought in his 2023 fiscal period:** Doug enters the amount from line 6 or the fair market value, whichever is less | $ 15,000 | **16** |
| **Inventory bought in his 2022 fiscal period:** Doug enters the amount from line 7 or the fair market value, whichever is less | $ 6,000 | **17** |
| **Inventory bought in his 2021 fiscal period:** Doug enters the amount from line 8 or the fair market value, whichever is less | $ 5,000 | **18** |
| **Inventory bought in his 2020 fiscal period:** Doug enters the amount from line 9 or the fair market value, whichever is less | $ 0 | **19** |
| **Inventory bought before his 2020 fiscal period**: Doug enters the amount from line 10 or the fair market value, whichever is less | $ 0 | **20** |

### Chart 4
### Calculation of MIA

| | | | |
|---|---|---|---|
| Doug enters the amount of his net loss from line 9969 | | $ 55,000 | **21** |
| Doug enters the value of his inventory from Charts 2 and 3: | | | |
| ■ the amount from line 11 | $ 20,000 | | |
| ■ the amount from line 12 | $ 14,210 | | |
| ■ the amount from line 13 | $ 7,546 | | |
| ■ the amount from line 14 | $ 4,802 | | |
| ■ the amount from line 15 | $ 0 | | |
| ■ the amount from line 16 | $ 15,000 | | |
| ■ the amount from line 17 | $ 6,000 | | |
| ■ the amount from line 18 | $ 5,000 | | |
| ■ the amount from line 19 | $ 0 | | |
| ■ the amount from line 20 | $ 0 | | |
| Total value of inventory | $ 72,558 | $ 72,558 | **22** |
| MIA – Doug enters the amount from line 21 or line 22, whichever is less | | $ 55,000 | **23** |

The MIA that Doug uses for his 2023 fiscal period will be the same amount that he deducts from his farming income when he calculates his income for his next fiscal period.

Enter the amount from line 23 of Chart 4 on line 9942 of Form T1163.

## Partnership information – Your share of amount C

Enter your share of amount C or the amount from your T5013 slip. Fill in the "Partnership information" chart on your form. For more information, see page 61.

## Line 9951 – Return of fuel charge proceeds to farmers tax credit allocated to you in the year

This credit is considered to be government assistance that you received in the year and is taxable to you. Include in your income the amount of the credit allocated to you by the partnership (amount 5C of your Form T2043) in the same tax year in which you claimed the credit.

## Line 9934 – Adjustment to business-use-of-home expenses

If you have claimed business-use-of-home expenses (including a carryforward from a previous year claimed on line 9940) in arriving at your net income (loss), and the amount on line 9944 is negative (a loss), you must make an adjustment on line 9934. Enter the lesser of the following amounts:

- the expenses you claimed from the business use of your home, including current-year expenses and any expenses you are carrying forward from previous years
- the amount of your loss on line 9944

This does not mean that you cannot use your claim for business-use-of-home expenses. In a future year, you can use any expense you could not deduct in your 2023 fiscal period, as long as you meet one of these conditions:

- the workspace is your principal place of business
- you use the space only to earn your farming business income, and you use it on a regular and ongoing basis to meet your customers

Use the chart on Form T1175 to calculate your allowable claim for business-use-of-home expenses. Be sure to include any part of the CCA that you claimed for the business use of your home.

For more information, see Income Tax Folio S4-F2-C2, Business Use of Home Expenses.

### Line 9974 – GST/HST rebate for partners received in the year

If you received a GST/HST rebate for partners, enter the amount of the rebate that relates to eligible expenses other than CCA on line 9974, in the section "Summary of income and expenses" of Forms T1163 or T1164 in the year you receive the rebate.

In the chart "Partnership information," show the full names of the other partners, as well their percentages of ownership shares in the partnership.

### Line 9946 – Net farming income (loss)

Enter your net farming income or loss on this line of your form. Also enter it on line 14100 of your return if:

- your fiscal year-end is December 31, 2023
- you did not file Form T1139, Reconciliation of 2022 Business Income for Tax Purposes, with your 2022 income tax return

If you have more than one farming operation or additional expenses that apply to partnerships, add the amounts from line 9946 of Form T1163 and Form T1164. Enter the total of these amounts on line 14100 of your income tax return.

If you have a loss, enter the amount in brackets. For more information about losses, see Chapter 5.

You may have to adjust the figure from line 9946 before entering it on your income tax return. You may have filed Form T1139, Reconciliation of 2022 Business Income for Tax Purposes, with your 2022 income tax return. If so, you may have to complete the same form for 2023. To find out if you have to file Form T1139, and calculate the amount of income to report on your 2023 income tax return, see Form T1139, Reconciliation of 2023 Business Income for Tax Purposes.

## Partnership information chart

### Partnership name

Enter the partnership's name.

### Your percentage of the partnership

Fill in this chart if you are a member of a partnership.

Enter your own percentage share of the partnership.

Fill in all other partners' information on the lines below.

### AgriStability and AgriInvest participant identification number (PIN)

Enter the PIN (if available) for each individual partner, corporate or co-operative partner.

### Partners' names

Fill in the first and last names of each individual partner. If a corporation or co-operative is a partner, enter the name of the corporation or co-operative. If another partnership is a partner, list the names of the partners in that partnership.

### Percentage (%) share

Enter each partner's percentage share based on the allocation of partnership net income or loss reported to us unless one of the following conditions is met:

- interest has been paid on the partners' capital
- salaries have been paid to partners

In these cases, exclude these amounts when you determine the partner's percentage share.

If another partnership is a partner, determine the beneficial ownership of each individual partner. See the following example.

**Example**
The Fred and Mary Smith Partnership (a 50/50 partnership) owns 60% of the Sunny Skies Partnership. Therefore, Fred and Mary Smith would each have a 30% beneficial ownership in the Sunny Skies Partnership.

# Chapter 4 – Capital cost allowance (CCA)

## Find out what capital cost allowance is

You might acquire a depreciable property, such as a building, machinery, or equipment, to use in your farming business.

You cannot deduct the cost of the property when you calculate your net farming income for the year.

However, since these properties may wear out or become obsolete over time, you can deduct their cost over a period of several years. The deduction is called capital cost allowance (CCA).

You can usually claim CCA on a property when it becomes **available for use**.

To calculate your CCA claim, you will need to know the meaning of the following terms.

**Accelerated investment incentive property (AIIP)** – Property that is eligible for an enhanced first-year allowance that is subject to the CCA rules. The property may be eligible if it is acquired after November 20, 2018, and becomes available for use before 2028. For more information on AIIP, go to **canada.ca/taxes-accelerated-investment-income**.

**Arm's length** refers to a relationship or a transaction between unrelated persons who act in their own separate interests. An arm's length transaction is generally a transaction that reflects ordinary commercial dealings between parties acting in their own separate interests.

For more information, see Income Tax Folio S1-F5-C1, Related Persons and Dealing at Arm's Length.

**Related persons** are not considered to deal with each other at arm's length. Related persons include individuals connected by blood relationship, marriage, common-law partnership or adoption (legal or in fact). A corporation and another person or two corporations may also be related persons.

For more information, see Income Tax Folio S1-F5-C1, Related Persons and Dealing at Arm's Length.

**Unrelated persons** may not be dealing with each other at arm's length at a particular time. Each case will depend upon its own facts. The following criteria will generally be used to determine if the parties to a transaction are **not** dealing at arm's length:

- whether there is a common mind that directs the bargaining for the parties to a transaction
- whether the parties to a transaction act in concert without separate interests; ("acting in concert" means, for example, that parties act with considerable interdependence on a transaction of common interest)
- whether there is de facto control of one party by the other because of, for example, advantage, authority or influence

For more information, see Income Tax Folio S1-F5-C1, Related Persons and Dealing at Arm's Length.

**Available for use** – Property **other** than a building usually becomes available for use on the earlier of:

- the date you first use it to earn income
- the second tax year after the year you acquire the property
- the time just before you dispose of the property
- the time the property is delivered or made available to you and is capable of producing a saleable product or service
- the time the property is delivered and is capable of performing the function for which it was acquired only in respect of property acquired by you in the course of carrying on your farming or fishing business

**Example**
If you buy a tractor and the seller delivers it to you in 2022, but it was not in working order until 2023, you cannot claim CCA on it until 2023. However, if you buy a tractor and the seller delivers it to you in working order in 2022, but you did not use it until 2023; you can still claim CCA in 2022 because it was available for use.

A **building** or **part** of a building usually becomes available for use on the earlier of the following dates:

- the date you start using 90% or more of the building in your business
- the second tax year after the year you acquire the building
- the time just before you dispose of the building

A building or part of a building you are **constructing**, **renovating**, **or altering** usually becomes available for use on the earlier of the following dates:

- the date you complete the construction, renovation, or alteration
- the date you start using 90% or more of the building in your business
- the second tax year after the year you acquire the building
- the time just before you dispose of the building

**Capital cost** – generally the taxpayer's full cost of acquiring the property. The capital cost of a property is usually the total of the following:

- the purchase price not including the cost of land, which is not depreciable (see "Land" on page 67)
- the part of your legal, accounting, engineering, installation, and other fees that relate to buying or constructing the property (not including the part that applies to land)
- the cost of any additions or improvements you made to the property after you acquired it, if you did not claim these costs as a current expense (such as modifications to accommodate persons with disabilities)
- for a building, soft costs (such as interest, legal and accounting fees, and property taxes) related to the period you are constructing, renovating, or altering the building, if these expenses have not been deducted as current expenses

**Depreciable property** – the property on which you can claim CCA. It is usually capital property from a business or property. The capital cost can be written off as CCA over a number of years. You usually group depreciable properties into classes. Diggers, drills, and tools that cost $500 or more belong in Class 8. You have to base your CCA claim on the rate assigned to each class of property.

For the most common classes of depreciable properties you could use in your farming operation, see "Classes of depreciable property" on page 72, and the "Capital cost allowance (CCA) rates" chart on page 105.

**Fair market value (FMV)** – generally, the highest dollar value that you can get for your property in an open and unrestricted market between an informed and willing buyer and an informed and willing seller who are dealing at arm's length with each other.

**Non-arm's length** generally refers to a relationship or transaction between persons who are related to each other.

However, a non-arm's length relationship might also exist between unrelated individuals, partnerships or corporations, depending on the circumstances. For more information, see the definition of "Arm's length."

**Proceeds of disposition** – the amounts you receive, or that we consider you to have received, when you dispose of your property (usually the selling price of the property). Proceeds of disposition is also defined to include, amongst other things, compensation you received for depreciable property that has been destroyed, expropriated, damaged, or stolen.

**Undepreciated capital cost (UCC)** – generally, the amount left after you deduct CCA from the capital cost of a depreciable property. Each year, the CCA you claim reduces the UCC of the property.

**Zero-emission passenger vehicle (ZEPV)** – means an automobile that is owned by the taxpayer and is included in Class 54 (but would otherwise be included in Class 10 or 10.1). The rules that apply to the definition of passenger vehicles apply to zero-emission passenger vehicles. A ZEPV does not include a leased passenger vehicle, but other vehicles that would otherwise qualify as a ZEPV if owned by the taxpayer are subject to the same leasing deduction restrictions as passenger vehicles.

**Zero-emission vehicle (ZEV) –** is a motor vehicle that is owned by the taxpayer and where all of the following conditions are met:

- is a plug-in hybrid with a battery capacity of at least 7kWh or is either fully:
  - electric
  - powered by hydrogen
- is acquired, and becomes available for use, after March 18, 2019, and before 2028
- has not been used or acquired for use for any purpose before it was acquired by the taxpayer
- is a vehicle in respect of which an amount has not been deducted as CCA and a terminal loss has not been claimed by another person or partnership

  **Note**
  If the property was acquired after March 1, 2020, it may have been used, but a vehicle that was subject to a prior CCA or terminal loss claim cannot have been acquired by the taxpayer on a tax-deferred "rollover" basis nor previously owned or acquired by the taxpayer or a non-arm's length person or partnership.

- is a vehicle for which:
  - an election has not been made to forgo the Class 54 or 55 treatment
  - assistance has not been provided by the Government of Canada under the new incentive announced on March 19, 2019

## How much CCA you can claim

The CCA you can claim depends on the type of property you own and the date you acquired it. Group the depreciable property you own into classes. A specific rate of CCA generally applies to each class.

We explain the most common classes of property in "Classes of depreciable property" on page 72. We list most of the classes and their rates in the "Capital cost allowance (CCA) rates" chart on page 105.

Base your CCA claim on your fiscal period ending in 2023, and not the calendar year.

### Basic information about CCA

To decide whether an amount is a current expense or a capital expense, see the "Current or capital expenses" chart on page 37.

For the most part, use the declining balance method to calculate your CCA, as it is the most common one. This means that you apply the CCA rate to the **capital cost** (see the definition on page 63). Over the life of the property, the rate is applied against the remaining balance. The remaining balance declines each year that you claim CCA.

**Example**
Last year, Abeer bought a building for $60,000 to use in her business. On her income tax return for last year, she claimed CCA of $1,200 on the building. This year, Abeer bases her CCA claim on her balance of $58,800 ($60,000 – $1,200).

You do not have to claim the maximum amount of CCA in any given year. You can claim any amount you like, from zero to the maximum allowed for the year. If you do not have to pay income tax for the year, you may not want to claim CCA. Claiming CCA reduces the balance of the class by the amount of CCA claimed. As a result, the amount of CCA available for you to claim in future years will be reduced.

In the year you acquire a depreciable property, you can usually claim CCA only on one-half of your net additions to a class. We explain this half-year rule in "Column 15 – Adjustment for current-year additions subject to the half-year rule" on page 70. The available-for-use rules may also affect the amount of CCA you can claim. For more information, see "Available for use" on page 62.

You cannot claim CCA on most land or on living things such as trees, shrubs, or animals. However, you can claim CCA on timber limits, cutting rights, and wood assets. For more information, see Interpretation Bulletin IT-481, Timber Resource Property and Timber Limits, and IT-501, Capital Cost Allowance – Logging Assets, and its Special Release, Archived IT-501SR.

If you receive income from a quarry, sand, or gravel pit, or a woodlot, you can claim a type of allowance known as a depletion allowance. For more information, see Income Tax Folio S4-F11-C1, Meaning of Farming and Farming Business, and Interpretation Bulletin IT-492, Capital cost allowance – Industrial mineral mines.

If you claim CCA and you later dispose of the property, you may have to add an amount to your income as a recapture of CCA. Alternatively, you may be able to deduct an additional amount from your income as a terminal loss. For more information, see "Column 7 – UCC after additions and dispositions" on page 68.

If you used depreciable property in 2023 that you used in your farming business before January 1, 1972, fill in "Area A – Part XVII properties (acquired before 1972)" on Form T1175, Farming – Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses.

If you are a member of a partnership, you cannot separately claim CCA for depreciable property owned by the partnership. Instead, the partnership can deduct CCA when calculating its net income or loss for the year. The partnership's net income or loss is then allocated to the partners and the partner's share is shown on the partner's T5013 slip, Statement of Partnership Income. If the partnership does not need to file a partnership information return, you will not get a T5013.

**You were asking?**

**Q.** How do I calculate my CCA claim if I start a business and my first fiscal period is from June 1, 2023, to December 31, 2023?

**A.** Since your fiscal period is less than 365 days, you must prorate your CCA claim. Calculate your CCA using the rules we discuss in this chapter. However, base your CCA claim on the number of days in your fiscal period compared to 365 days.

In this case, your fiscal period is 214 days. Suppose you calculate your CCA to be \$3,500. The amount of CCA you can claim is \$2,052 (\$3,500 × 214 ÷ 365).

### Immediate expensing incentive

The immediate expensing incentive has the following characteristics:

- An eligible person or partnership (EPOP) (see definition in Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income) may deduct the full cost of designated immediate expensing properties (DIEPs) up to \$1.5 million per tax year, subject to specific limitations.
- The deduction applies only to immediate expensing property (see definition in Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income) that you designated as a DIEP on the prescribed form you must file with the minister by the due date.
- The deduction is available only for the year when the property becomes available for use
- The deduction is limited to \$1.5 million per tax year:
  - The \$1.5 million may be shared among associated members of a group. Each member must file an agreement on the prescribed form assigning a percentage to one or more of them for the year
  - The limit is also prorated for tax years shorter than 365 days
  - If the capital cost of the DIEP is more than \$1.5 million and is included in more than one CCA class, the EPOP can decide which CCA class the immediate expensing deduction is attributed to
- The deduction is limited to the amount of income earned (before deducting CCA) from the business or property for which the DIEP is used

EPOPs with less than \$1.5 million of eligible capital costs can't carry forward any unused annual immediate expensing limit.

As a result of this new CCA incentive, columns 4, 6, 8, 9, 10, 11 and 12 have been added to Area A of Form T1175. For more information on how this could affect your CCA calculations, go to **canada.ca/en/department-finance/news/2022/02/expansion-of-the-eligibility-for-tax-support-for-business-investments**.

## Form T1175, Farming – Calculation of Capital Cost Allowance (CCA) and Business-use-of-home Expenses

### Business-use-of-home expenses

Use this section on Form T1175 to list your expenses and any amount of CCA for the business use of your home. Include these expenses and any amount of CCA for business-use-of-home expenses on "Line 9896 – Other (specify)" in the "Expenses" section of Form T1163 or Form T1164. You can also report any business-use-of-home expense carryforward from a previous year on the chart. This chart is for information purposes and to help you make an adjustment at line 9934 if you have a loss in the year. For more information on this adjustment, see page 60.

### Area A – Calculation of CCA claim

Use Area A on Form T1175 to calculate your CCA deduction. Add amounts ii and iii of the charts and enter the result on line 9936 in the "Expenses" section of Form T1163 or Form T1164. If any part of the CCA is for business-use-of-home expenses, enter that part in the "Business-use-of-home expenses" section. For more information, see above.

### Column 1 – Class number

Enter in this column the class numbers of your properties. If this is the first year you are claiming CCA, see "Column 3 – Cost of additions in the year" below before completing column 1. If you claimed CCA last year, you can get the class numbers of your properties from last year's form.

We discuss the more common types of depreciable properties in "Classes of depreciable property" on page 72, and we list most of the classes and their rates in the "Capital cost allowance (CCA) rates" chart on page 105.

### Column 2 – Undepreciated capital cost (UCC) at the start of the year

If this is the first year you are claiming CCA, skip this column. Otherwise, enter in this column the UCC for each class at the end of last year. Enter these amounts from column 19 from your 2022 form.

From your UCC at the start of 2023, subtract any investment tax credit (ITC) you claimed or were refunded in 2022. Also, subtract any 2022 ITC you carried back to a year before 2022.

In 2022, you may have received a GST/HST input tax credit for a passenger vehicle you used less than 90% of the time for your business. In this case, subtract the amount of the credit you got from your 2023 opening UCC. For more information, see "Grants, subsidies, and rebates" on page 79.

> **Note**
> In 2023, you may be claiming, carrying back, or getting a refund of an ITC. If you still have depreciable property in the class, you have to adjust, in 2024, the UCC of the class to which the property belongs. To do this, subtract the amount of the credit from the UCC at the start of 2024. When there is no property left in the class, report the amount of the ITC as income in 2024.

### Column 3 – Cost of additions in the year

If you acquire or make improvements to depreciable property in the year, we consider them to be additions to the class in which the property belongs. You should:

- fill in Areas B and C on your form, if applicable, as explained on page 66
- for each class, enter in column 3 of Area A's calculation table the amounts from column 5 for each class in Areas B and C

If a chart asks for the personal part of a property, this refers to the part you use personally, separate from the part you use for business. For example, if you use 25% of the building you live in for your farming business, your personal part is the remaining 75%.

Do not include the value of your labour in the cost of a property you build or improve. Include the cost of surveying or valuing a property you acquire. Remember that a property usually has to be **available for use** (see the definition on page 62) in the year before you can claim CCA.

If you received insurance proceeds to reimburse you for the **loss or destruction** of depreciable property, enter the amount you spent to **replace** the property in column 3 of Area A, as well as in Area B or C, whichever applies.

Include the amount of insurance proceeds considered as **proceeds of disposition** in column 5 of Area A, as well as in column 4 of Area D or E, whichever applies.

If you replaced lost or destroyed property, special rules for replacement property may apply. The replacement property must be acquired within two years of the end of the tax year in which it was lost or destroyed. For more information, see Income Tax Folio S3-F3-C1, Replacement Property.

To find out if any of these special situations apply, see "Special situations" on page 77.

> **Note**
> If you acquired a Class 14.1 property through a non-arm's length transfer, enter only 75% of the capital cost of the property if the following conditions apply:
>
> - the property or a similar property was previously an eligible capital property owned by you or by a person or partnership not dealing at arm's length with you
> - the UCC was increased in respect of an earlier disposition of the property or similar property by yourself or the non-arm's length person or partnership

## Area B – Equipment additions in the year

List the details of all equipment (including motor vehicles) you acquired or improved in 2023. Group the equipment into the applicable classes, and put each class on a separate line.

Equipment you acquire to use in your business to earn income can include:

- cement mixer, snow blower and lawn mower, machinery, motor vehicles
- material for fishing

Enter on line 9925 the total business part of the cost of the equipment.

## Area C – Building additions in the year

List the details of all buildings you acquired or improved in 2023. Group the buildings into the applicable classes and put each class on a separate line.

Enter on line 9927 the total business part of the cost of the buildings. The cost includes the purchase price of the building, and any related expenses you should add to the capital cost of the building, such as legal fees, land transfer taxes, and mortgage fees.

### Land

Generally, land is not a depreciable property. Therefore, you cannot claim CCA on its cost. If you acquire a farm property that includes both land and a building, enter in column 3 of Area C only the cost that relates to the building. To calculate the building's capital cost, you have to split any fees that relate to buying the property between the land and the building. Related fees may include legal and accounting fees.

Calculate the part of the related fees you can include in the capital cost of the building as follows:

(building value ÷ total purchase price) × legal, accounting or other fees = the part of the fees you can include in the building's cost

You do not have to split a fee if it relates only to the land, or only to the building. In this case, you would add the amount of the fee to the cost to which it relates; either the land or the building.

## Area F – Land additions and dispositions in the year

Enter on line 9923 the total cost of acquiring land in 2023. The cost includes the purchase price of the land plus any related expenses you should add to the capital cost of the land, such as legal fees, land transfer taxes, and mortgage fees.

You cannot claim CCA on land. Do not enter this amount in column 3 of Area A.

## Area H – Quota additions and dispositions in the year

Enter on line 9929 the total cost of acquiring quotas in 2023.

### Column 4 – Cost of additions from column 3 that are DIEPs

For each class, enter in column 4 the amount that you designate as immediate expensing property (see definition in Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income) from the total cost included in column 3. The cost of DIEPs is included in column 3 in the total cost of additions in the year and shown separately in column 4. If you are part of an associated group of EPOPs, fill in Area G of your form as explained below.

Remember that property has to be **available for use** in the year before you can claim CCA.

## Area G – Agreement between associated eligible persons or partnerships (EPOPs)

Fill in this area if you are associated in the tax year with one or more EPOPs and you entered into an agreement with them under subsection 1104(3.3) of the Income Tax Regulations. The agreement assigns a percentage to one or more of you in the tax year so you can share the immediate expensing limit. For this agreement, individuals and partnerships are considered to be corporations.

List in the table the names of the associated EPOPs, including your business, their identification number and the percentage the agreement assigned to each of them.

Calculate the immediate expensing limit allocated to you by multiplying $1.5 million by the percentage assigned to your business in column 3. Enter the result at amount iv of Form T1175.

If the total percentage assigned in column 3 exceeds 100%, the immediate expensing limit of the associated group is zero.

### Column 5 – Proceeds of dispositions in the year

Enter the details of your 2023 dispositions on your form, as explained below.

If you disposed of depreciable property in the current tax year, you should:

- complete, for each class, Areas D and E, if applicable
- enter in column 5 of the calculation table in Area A the amounts for each class from column 5 of Areas D and E

When completing the tables in Areas D and E, enter in column 3 of the table the lesser of:

- your proceeds of disposition minus any related expenses
- the capital cost of the property

> **Note**
> If you dispose of Class 14.1 property and that property was eligible capital property before January 1, 2017, include only 75% of the lesser of the proceeds of disposition and the capital cost of the property. For more information on transitional rules for former eligible capital property, go to **budget.gc.ca/2016/docs/tm-mf/notes-en.html**.

If you received insurance proceeds to reimburse you for the loss or destruction of depreciable property, enter the amount you paid to **replace** the property in column 3of Area A, as well as in Area B or C, whichever area applies.

Include the amount of insurance proceeds considered as **proceeds of disposition** in column 5 of Area A, as well as in column 4 of Area D or E, whichever applies. This could include compensation you receive for property that someone destroys, expropriates, steals, or damages.

> **Note**
> For more information, see "Insurance proceeds" on page 36.

If you dispose of a property for proceeds that are more than it cost you to acquire it (or you receive insurance proceeds for a property that was lost or destroyed that exceed the cost of the property), you will have a capital gain and possibly a recapture of CCA. You may be able to postpone or defer recognition of a capital gain or recapture of CCA in computing income if, among other things, the property disposed of is replaced within certain specified time limits. For more information, see "Replacement property" on page 83 and Income Tax Folio S3-F3-C1, Replacement Property.

Special rules may apply if you dispose of a building for less than both its UCC and your capital cost. If this is the case, see "Special rules for disposing of a building in the year" on page 81. If you dispose of a depreciable property for more than its cost, you will have a capital gain. For more information on capital gains, see Chapter 6. You cannot have a capital loss when you sell depreciable property. However, you may have a terminal loss. For an explanation of terminal losses, see "Terminal loss" below.

For more information on proceeds of disposition, see Income Tax Folio S3-F4-C1, General Discussion of Capital Cost Allowance.

## Area D – Equipment dispositions in the year

List the details of all equipment (including motor vehicles) you disposed of in your 2023 fiscal period. Group the equipment into the applicable classes and put each class on a separate line. Enter on line 9926 the total business part of the proceeds of disposition of the equipment.

## Area E – Building dispositions in the year

List all buildings and leasehold interests you disposed of in the current tax year. Group the buildings and leasehold interests into the applicable classes, and put each class on a separate line. Enter at line 9928 the total amount for the rental portion from the proceeds of disposition of the buildings and leasehold interests.

## Area F – Land additions and dispositions in the year

Enter on line 9924 the total of all amounts you received or will receive for disposing of land in the fiscal period.

## Area H – Quota additions and dispositions in the year

Enter on line 9930 the total of all amounts you received or will receive for disposing of quotas in the fiscal period.

### Column 6 – Proceeds of dispositions of DIEP

Enter in column 6 the total proceeds of disposition from column 5 of any DIEP that was acquired in the year.

Proceeds of dispositions of DIEP are included in column 5 in the total proceeds of dispositions in the year and shown separately in column 6.

### Column 7 – UCC after additions and dispositions

The UCC amount for column 7 is the initial UCC amount at the start of the year in column 2 **plus** the cost of additions in column 3 **minus** the proceeds of dispositions in column 5.

You cannot claim CCA when the amount in column 7 is:

- negative (see "Recapture of CCA" below)
- positive and you do not have any property left in that class at the end of your 2023 fiscal period (see "Terminal loss" below)

In either case, enter "0" in column 19.

#### Recapture of CCA

If the amount in column 7 is negative, you have a recapture of CCA. Enter your recapture on line 9600 in the "Income" section of Form T1163 or T1164.

A recapture of CCA can happen if the proceeds from the sale of depreciable property are more than the total of the following amounts:

- the UCC of the class at the start of the period
- the capital cost of any new additions during the period

A recapture of CCA can also occur, for example, when you get a government grant or claim an investment tax credit.

In some cases, you may be able to postpone a recapture of CCA. For example, you may sell a property and replace it with a similar one, someone may expropriate your property, or you may transfer property to a corporation, a partnership, or your child.

#### Terminal loss

If the amount in column 7 is positive and you no longer own any property in that class, you may have a terminal loss. More precisely, you may have a terminal loss when, at the end of a fiscal period, there is no longer any property in the class, but there is still an amount you have not deducted as CCA. You can usually subtract this terminal loss from your gross farming income in the year you disposed of the depreciable property. Enter your terminal loss on line 9896 in the "Expenses" section of Form T1163 or T1164.

For more information on recapture of CCA and terminal loss, see Income Tax Folio S3-F4-C1, General Discussion of Capital Cost Allowance.

> **Note**
> The rules for recapture of CCA and terminal loss do not apply to passenger vehicles in Class 10.1, unless they are DIEPs. To calculate your CCA claim, see the comments in "Column 16 – Base amount for CCA" on page 71.

### Column 8 – UCC of DIEP

Enter in column 8 the cost of DIEP additions from column 4 **minus** the proceeds of dispositions of DIEP from column 6. If the result of column 4 **minus** column 6 exceeds the amount from column 7, enter in column 8 the amount from column 7. If the amount from column 7 is negative, enter "0."

Since immediate expensing is only available for DIEP that becomes available in the year, there can be no UCC of DIEP from the previous year.

### Column 9 – Immediate expensing amount for DIEPs

Enter the immediate expensing amount you choose to apply to each class.

The total immediate expensing amount must be equal to or less than the lesser of the following amounts:

- $1.5 million, if you are not associated with any other EPOP in the year
- the UCC of the DIEP before any CCA deductions in the year
- the amount of income, if any, before any CCA deductions, earned from the source of income that is a business or property for which the relevant DIEP is used for the tax year

### Column 10 – Cost of remaining additions after immediate expensing

Column 10 represents the cost of additions after applying the immediate expensing deduction to DIEP. The column includes the cost of properties that are not immediate expensing property, are immediate expensing property not designated, or are DIEPs that are more than the immediate expensing deduction for the fiscal period for each class.

To calculate this amount, **subtract** the immediate expensing amount in column 9 from the total cost of additions in column 3.

### Column 11 – Cost of remaining additions from column 10 that are AIIPs or ZEVs

For each class, enter from column 10 the total cost of properties that are accelerated investment incentive properties (AIIPs) or properties included in Classes 54 to 56 that you acquired during the year. They are included in column 10 and shown separately in column 11.

An AIIP generally means a property, other than zero-emission vehicles and automotive equipment included in Classes 54 to 56, acquired after November 20, 2018, and that becomes available for use before 2028.

If you did not acquire any AIIPs, ZEVs or Class 56 properties, enter "0" in this column.

For more details, see "Class 54 (30%) and Class 55 (40%) – Zero-emission vehicles" on page 76, "Class 56 (30%)" on page 78 and "Accelerated investment incentive property (AIIP) " on page 62.

### Column 12 – Remaining UCC after immediate expensing

Column 12 represents the remaining portion of UCC after applying the immediate expensing deduction. The remaining portion of UCC will be used to calculate the regular CCA deduction.

**Subtract** the amount in column 9 from the amount in column 7 and enter the difference.

### Column 13 – Proceeds of dispositions available to reduce additions of AIIPs and ZEVs

This column calculates the adjustments under certain circumstances to the additions for the year where there is also a disposition in the year.

When an AIIP and a non-AIIP of the same class are purchased during the year and a disposition occurs, the disposition first reduces the UCC of the non-AIIP before reducing the UCC of the AIIP.

To determine which part of your proceeds of dispositions, if any, will reduce the cost of your AIIP, ZEV or Class 56 additions, take the proceeds of disposition in column 5 **minus** the cost of remaining additions in the year in column 10 **plus** the cost of remaining additions of AIIPs, ZEVs or Class 56 properties in column 11. If the result is negative, enter "0."

If you did not acquire any AIIPs, ZEVs or Class 56 properties, you do not need to use this column.

### Column 14 – UCC adjustment for current-year additions of AIIPs and ZEVs

This column calculates the enhanced UCC amount used to determine the additional CCA for AIIPs, ZEVs or Class 56 properties.

For this column, reduce the cost of AIIP, ZEV or Class 56 additions in column 11 by the proceeds of disposition available to reduce the AIIP, ZEV or Class 56 additions as calculated in column 13. **Multiply** the result by the following factor:

- 1 for Classes 43.2 and 53
- 1 1/2 for Class 55
- 2 1/3 for Classes 43.1, 54 and 56
- 0 for property in Classes 12, 13, 14, and 15, as well as properties that are Canadian vessels included in paragraph 1100(1)(v) of the Income Tax Regulations
- 1/2 for the remaining AIIPs

These factors will change for properties that become available for use after 2023 and the incentive is completely phased out for properties that become available for use after 2027.

If you did not acquire any AIIPs, ZEVs or Class 56 properties, enter "0" in this column.

### Column 15 – Adjustment for current-year additions subject to the half-year rule

Generally, in the year you acquire or make additions to a property, you can usually claim CCA on half of your net additions. We call this the half-year rule. You calculate your CCA only on the net adjusted amount. For example, if before November 20, 2018, you acquired a property for $30,000, you would base your CCA claim on $15,000 ($30,000 × 50%) in the year you acquired the property. However, the half-year rule does not apply to AIIPs, ZEVs or Class 56 properties.

Calculate the net first-year additions that are subject to the half-year rule by taking the cost of remaining additions in column 10 **minus** AIIP, ZEV and Class 56 additions in column 11 **minus** proceeds of dispositions in column 5. Enter 50% of the result in column 15. If the result is negative, enter "0."

There are circumstances where the half-year rule does not apply. For example, in a **non-arm's length** transaction (see the definition on page 63) you may buy depreciable property that the seller continuously owned from the day that is at least 364 days before the end of your 2023 fiscal period to the day the property was acquired. However, if you transfer personal property, such as a car or a personal computer, into your business, the half-year rule applies to the particular property transferred.

Also, some properties are not subject to the half-year rule. Some examples are those in Classes 13, 14, 23, 24, 27, 34, and 52, as well as most of those in Class 12, such as small tools. The half-year rule **does not apply** when the available for use rules discussed on page 63 denies a CCA claim until the second tax year after you acquire the property.

For more information on the special rules that apply to Class 13, see Interpretation Bulletin IT-464, Capital Cost Allowance – Leasehold Interests. For more information on the half-year rule, see Income Tax Folio S3-F4-C1, General Discussion of Capital Cost Allowance.

### Column 16 – Base amount for CCA

The base amount for CCA is the remaining UCC amount after additions, dispositions and the current-year adjustments. This is the amount in column 12 **plus** the amount in column 14 **minus** the amount in column 15. The CCA rate is applied to this amount.

For a Class 10.1 vehicle you disposed of in your 2023 fiscal period, you may be able to claim 50% of the CCA that would be allowed if you still owned the vehicle at the end of your 2023 fiscal period. This is known as the **half-year rule on sale**.

You can use the half-year rule on sale if, at the end of your 2022 fiscal period, you owned the Class 10.1 vehicle you disposed of in 2023. If this applies to you, enter 50% of the amount from column 2 (for Class 10.1 vehicles) in column 16.

### Column 17 – CCA rate (%)

Enter the prescribed CCA rate (percentage) for each property class you have listed in column 1.

For information on certain kinds of property, see "Classes of depreciable property" on page 72. For a list of rates, see "Capital cost allowance (CCA) rates" on page 105.

### Column 18 – CCA for the year

In column 18, enter the CCA you want to deduct for 2023. You can claim the CCA for the year up to the maximum amount allowed. In Area A, you calculate the maximum amount for column 18 by multiplying the amount in column 16 by the amount in column 17, then adding the amount in column 9.

In your first year of business, you may have to prorate your CCA claim. See "You were asking?" on page 65.

Add the amounts in column 18 and enter the total on amount ii. For Part XVII assets, add the amounts in column 6 and enter the total on amount iii. Enter the total of amounts ii and iii, **minus** any CCA for business-use-of-home expenses, on line 9936 of the "Expenses" section of Form T1163 or T1164. If you are a co-owner, enter only your share of the CCA. To find out how to calculate your CCA claim if you are using the property for both business and personal use, see "Personal use of property" on page 78. Enter any CCA for business-use-of-home expenses on page 1 of Form T1175. For more information, see "Business-use-of-home expenses" on page 65.

### Column 19 – UCC at the end of the year

The final result in column 19 is the UCC at the end of the year. This is the result of the UCC after additions and dispositions in column 7, **minus** the amount for CCA claimed for the year in column 18. The amount in column 19 is the starting UCC balance you will use when you calculate your CCA claim next year. Next year, enter this amount in column 2. If you have a terminal loss or a recapture of CCA, enter "0" in column 19.

The example at the end of this chapter sums up CCA.

## Classes of depreciable property

In this part, we discuss the more common classes of depreciable farm property and the rates that apply to each class.

### Class 1 (4%)

A **building** may belong to Class 1, 3, or 6, depending on what the building is made of and the date you acquired it. You also include in these classes the parts that make up the building, such as:

- electrical wiring
- lighting fixtures
- plumbing
- sprinkler systems
- heating equipment
- air-conditioning equipment (other than window units)
- elevators
- escalators

**Note**
Land is not depreciable property. Therefore, when you acquire property, only include the cost related to the building in Area A and Area C. Enter on line 9923 in Area F the cost of all land additions in 2023. For more information, see "Area F – Land additions and dispositions in the year" on page 67 and "Column 3 – Cost of additions in the year" on page 66.

For more information, see Interpretation Bulletin IT-79, Capital Cost Allowance – Buildings or Other Structures.

Class 1 includes most buildings acquired after 1987, unless they specifically belong in another class. Class 1 also includes the cost of certain additions or alterations you made to a Class 1 building or certain buildings of another class after 1987.

The CCA rate for eligible **non-residential buildings** acquired by a taxpayer after March 18, 2007, and used in Canada to manufacture or process goods for sale or lease, includes an additional allowance of 6% for a total rate of 10%. The CCA rate for **other** eligible **non-residential buildings** includes an additional allowance of 2% for a total rate of 6%.

To be eligible for one of the additional allowances, you must elect to put a building in a separate class. To make the election, attach a letter to your return for the tax year in which you acquired the building. If you do not file an election to put it in a separate class, the 4% rate will apply.

The additional allowance applies to buildings acquired after March 18, 2007, (including a new building, if any part of it is acquired after March 18, 2007, when the building was under construction on March 19, 2007) that have not been used or acquired for use before March 19, 2007.

To be eligible for the 6% additional allowance, at least 90% of a building (measured by square footage) must be used in Canada for the designated purpose at the end of the tax year. Manufacturing and processing buildings that do not meet the 90% use test will be eligible for the additional 2% allowance if at least 90% of the building is used in Canada for non-residential purposes at the end of the tax year.

### Class 3 (5%)

Most buildings acquired before 1988 are included in Class 3 or Class 6.

If you acquired a building before 1990 that does not fall into Class 6, you can include it in Class 3 with a CCA rate of 5% if one of the following applies:

- you acquired the building under the terms of a written agreement entered into before June 18, 1987
- the building was under construction by you, or for you, on June 18, 1987

Include in Class 3 the cost of any additions or alterations made after 1987 to a Class 3 building that does not exceed the lesser of the following two amounts:

- $500,000
- 25% of the building's capital cost (including the cost of additions or alterations to the building included in Class 3, Class 6, or Class 20 before 1988)

Any amount that exceeds the lesser amount above is included in Class 1.

### Class 6 (10%)

Include a building in Class 6 with a CCA rate of 10% if it is made of frame, log, stucco on frame, galvanized iron, or corrugated metal. In addition, **one** of the following conditions has to apply:

- you acquired the building before 1979
- the building is used to gain or produce income from farming
- the building has no footings or other base supports below ground level

If any of the above conditions apply, you also add the full cost of all additions and alterations to the building to Class 6.

If none of the above conditions apply, include the building in Class 6 if one of the following conditions applies:

- you entered into a written agreement before 1979 to acquire the building, and the footings or other base supports of the building were started before 1979
- you started construction of the building before 1979 (or it was started under the terms of a written agreement you entered into before 1979), and the footings or other base supports of the building were started before 1979

Also include in Class 6 certain greenhouses and fences.

For additions or alterations to such a building:

- add to Class 6 the first $100,000 of additions or alterations made after 1978
- add to Class 3:
  - the part of the cost of all additions or alterations over $100,000 made after 1978 and before 1988
  - the part of the cost of additions or alterations over $100,000 made after 1987, but only up to $500,000 or 25% of the cost of the building, whichever is less
- add to Class 1 any additions or alterations over these limits

For more information, see Interpretation Bulletin IT-79, Capital Cost Allowance – Buildings or Other Structures.

### Class 8 (20%)

Class 8 with a CCA rate of 20% includes certain property that is not included in another class. Examples are furniture, appliances, and tools costing $500 or more per tool, some fixtures, machinery, outdoor advertising signs, refrigeration equipment, and other equipment you use in the business.

Photocopiers and electronic communications equipment, such as fax machines and electronic telephone equipment, are also included in Class 8.

> **Note**
> If this equipment costs $1,000 or more, you can elect to have it included in a separate class. The CCA rate will not change but a separate CCA deduction can now be calculated for a five-year period. When all the property in the class is disposed of, the UCC is fully deductible as a terminal loss. Any UCC balance remaining in the separate class at the end of the fifth year has to be transferred back to the general class in which it would otherwise belong. To make an election, attach a letter to your income tax return for the tax year in which you acquired the property.

Include data network infrastructure equipment and systems software for that equipment acquired before March 23, 2004, in Class 8. If acquired after March 22, 2004, include it in Class 46. See “Class 46 (30%)” on page 76.

Include buildings you use to store fresh fruit or vegetables at a controlled temperature, by or for the persons by whom they were grown, in Class 8 instead of Class 1, Class 3, or Class 6. Also include in Class 8 any buildings you use to store silage.

### Class 10 (30%)

Class 10 with a CCA rate of 30% includes general purpose electronic data processing equipment (commonly called computer hardware) and systems software for that equipment, including ancillary data processing equipment, if you acquired them either:

- before March 23, 2004
- after March 22, 2004, and before 2005, and you made an election

Class 10 also includes motor vehicles, as well as some passenger vehicles.

Include your passenger vehicle in Class 10 unless it meets a Class 10.1 condition. List each Class 10.1 vehicle separately.

Eligible zero-emission vehicles (see definition on page 63) are included in Class 54.

## Class 10.1 (30%)

Your **passenger vehicle** (see the definition on page 51) can belong in either Class 10 or Class 10.1.

To determine the class your passenger vehicle belongs in, you have to use the cost of the vehicle before you add the GST/HST or the PST.

Include your passenger vehicle in Class 10.1 if you bought it in 2023 and it cost more than $36,000 before tax. List each Class 10.1 vehicle separately.

The capital cost limits for a Class 10.1 passenger vehicle are as follows: $30,000 for vehicles acquired before 2022, $34,000 for vehicles acquired in 2022 and $36,000 for vehicles acquired in 2023, plus the GST/HST or PST.

**Note**
Use the GST rate of 5% and the appropriate PST rate for your province or territory. If your province is a participating province, use the appropriate HST rate. For more information on the GST and the HST, see Guide RC4022, General Information for GST/HST Registrants.

**Example**
Vivienne owns a farming business. On June 21, 2023, she bought two passenger vehicles to use in her farming business. The PST rate for her province is 8%. Vivienne kept the following records for 2023:

| | Cost | GST | PST | Total |
|---|---|---|---|---|
| Vehicle 1 | $37,000 | $1,850 | $2,960 | $41,810 |
| Vehicle 2 | $28,000 | $1,400 | $2,240 | $31,640 |

Vivienne puts Vehicle 1 in Class 10.1, since she bought it in 2023 and it cost her more than $36,000. Before Vivienne enters an amount in column 3 of Area B, she has to calculate the GST and PST on $36,000. She does this as follows:

- GST at 5% of $36,000 = $1,800
- PST at 8% of $36,000 = $2,880

Therefore, Vivienne's capital cost is $40,680 ($36,000 + $1,800 + $2,880). She enters this amount in column 3 of Area B.

Vivienne puts Vehicle 2 into Class 10, since she bought it in 2023, and it did not cost her more than $36,000. Vivienne's capital cost is $31,640 ($28,000 + $1,400 + $2,240). She enters this amount in column 3 of Area B.

Under the immediate expensing rules, if you dispose of a passenger vehicle acquired after April 18, 2021, to a person or partnership with whom you deal at arm's length, and its cost exceeds the prescribed amount ($30,000 for vehicles acquired after 2000 and before January 1, 2022, $34,000 for vehicles acquired after December 31, 2021, and before January 1, 2023; or $36,000 for vehicles acquired after December 31, 2022), the proceeds of disposition will be adjusted based on a factor equal to the prescribed amount as a proportion of the actual cost of the vehicle.

Eligible zero-emission vehicles (see the definition on page 63) are included in Class 54.

## Class 12 (100%)

Class 12 includes property such as tools, medical or dental instruments, and kitchen utensils that cost less than $500 and were acquired on or after May 2, 2006.

Class 12 includes china, cutlery, linen, and uniforms. It also includes video cassettes, video laser discs, and digital video disks that you rent and do not expect to rent to any one person for more than 7 days in a 30-day period.

Most small tools in Class 12 **are not** subject to the half-year rule. They are fully deductible in the year of purchase. If the tool costs $500 or more, include it in Class 8 with a CCA rate of 20%.

Class 12 tools that **are** subject to the half-year rule include dies, jigs, patterns, moulds or lasts, and the cutting or shaping part of a machine. For more information, see Income Tax Folio S3-F4-C1, General Discussion of Capital Cost Allowance.

Include in Class 12 with a CCA rate of 100% computer software that is not systems software. Software in Class 12 **is** subject to the half-year rule.

Class 12 specifically excludes electronic communication devices and electronic data processing equipment.

### Class 14 (5%)

Class 14 includes patents, franchises, concessions, or licences for a limited period. Your CCA is whichever of the following amounts is less:

- the total of the capital cost of each property spread out over the life of the property
- the undepreciated capital cost to the taxpayer as of the end of the tax year of property of that class

### Class 14.1 (5%)

Starting January 1, 2017, include in Class 14.1 property that:

- is goodwill
- was eligible capital property immediately before January 1, 2017, and is owned at the beginning of that day
- is acquired after 2016, other than:
  - property that is tangible or corporeal property
  - property that is not acquired for the purpose of gaining or producing income from business
  - property in respect of which any amount is deductible (other than as a result of being included in Class 14.1) in computing the income from the business
  - an interest in a trust
  - an interest in a partnership
  - a share, bond, debenture, mortgage, hypothecary claim, note, bill or other similar property
  - property that is an interest in, or for civil law a right in, or a right to acquire, a property described in any of the above sub-bullets

Examples for farming are milk and egg quotas.

For tax years that end prior to 2027, properties included in Class 14.1 that were acquired before January 1, 2017, will be depreciable at a CCA rate of 7% instead of 5%. Transitional rules will apply.

Properties that are included in Class 14.1 and acquired after 2016 will be included in this class at a 100% inclusion rate with a 5% CCA rate on a declining-balance basis and the existing CCA rules will normally apply.

For more information about the new Class 14.1 and the transitional rules, see "Explanatory Notes – Eligible Capital Property" at **budget.gc.ca/2016/docs/tm-mf/notes-en.html**.

> **Note**
> Property in this new Class 14.1 is excluded from the definition of capital property for GST/HST purposes.

### Class 43.1 (30%) and Class 43.2 (50%) – Clean energy equipment

To support investment in clean technologies, the CCA Classes 43.1 and 43.2 are expanded by:

- including new types of property (for example, pumped hydroelectric storage equipment)
- broadening the eligibility for certain existing property types (for example, ground source heat pump systems)

This applies to property that is acquired and that becomes available for use after April 18, 2021, where it has not been used or acquired for use for any purpose before April 19, 2021.

Also, for property that becomes available for use after 2024, access to Classes 43.1 and 43.2 for certain fossil-fuelled and low efficiency waste-fuelled electrical generation equipment is restricted by:

- removing some property that are currently included in these classes (for example, fossil fuelled cogeneration systems)
- narrowing the eligibility by imposing heat rate thresholds for others (for example, producer gas generating equipment)

Classes 43.1 and 43.2 include air-source heat pumps primarily used for space and water heating. This applies to property you acquired after April 6, 2022, and that has not been used or acquired for use before April 7, 2022.

These properties may benefit from the enhanced first-year CCA that currently provides full expensing of the property in the year of acquisition, subject to a gradual phase out for property that becomes available for use after 2023 and before 2028.

For more information, see Income Tax Folio S3-F8-C2, Tax Incentives for Clean Energy Equipment.

For more information on the enhanced first-year CCA, go to **canada.ca/taxes-accelerated-investment-income**.

## Class 45 (45%)

Include general-purpose electronic data processing equipment (commonly called computer hardware) and systems software for that equipment, including associated data processing equipment, in Class 45 with a CCA rate of 45% if you acquired them after March 22, 2004, and before March 19, 2007.

**Note**
If you acquired the equipment or software before 2005 and made the separate Class 8 election, as discussed in the Class 8 note, the property does not qualify for the 45% rate.

## Class 46 (30%)

Include in Class 46 with a CCA rate of 30% data network infrastructure equipment and systems software for that equipment if they were acquired after March 22, 2004. If they were acquired before March 23, 2004, include them in Class 8. See "Class 8 (20%)" on page 73.

## Class 50 (55%)

Include in Class 50 with a CCA rate of 55% property acquired after March 18, 2007, that is general-purpose electronic data processing equipment and systems software for that equipment, including ancillary data processing equipment.

Do not include property that is included in Class 52 or that is mainly or is used mainly as:

a) electronic process control or monitor equipment

b) electronic communications control equipment

c) systems software for equipment referred to in a) or b)

d) data handling equipment (other than data handling equipment that is ancillary to general-purpose electronic data processing equipment)

## Class 52 (100%)

Include in Class 52 with a CCA rate of 100% (with no half-year rule) general purpose electronic data processing equipment (commonly called computer hardware) and systems software for that equipment, including ancillary data-processing equipment if acquired after January 27, 2009, and before February 1, 2011.

Do not include property that is mainly or is used mainly as:

a) electronic process control or monitor equipment

b) electronic communications control equipment

c) systems software for equipment referred to in a) or b)

d) data handling equipment (other than equipment that is ancillary to general-purpose electronic data processing equipment)

To qualify for this rate the asset must also meet the following conditions:

- be located in Canada
- not have been used, or acquired for use, for any purpose before it was acquired by the taxpayer
- be acquired by the taxpayer either:
  - for use in a business carried on by the taxpayer in Canada or to earn income from property located in Canada
  - for lease by the taxpayer to a lessee for the lessee to use in a business the lessee carried on in Canada or to earn income from property located in Canada

## Class 54 (30%) and Class 55 (40%) – Zero-emission vehicles

There are two CCA classes for zero-emission vehicles (see the definition on page 63) acquired after March 18, 2019. Class 54 was created for zero-emission vehicles that would otherwise be included in Class 10 or 10.1, with the same CCA rate of 30%. Class 55 was created for zero-emission vehicles otherwise included in Class 16 with the same CCA rate of 40%. The CCA still applies on a declining-balance basis.

An enhanced first-year CCA deduction with the following phase-out period is available:

- 100% after March 18, 2019, and before 2024

- 75% after 2023 and before 2026
- 55% after 2025 and before 2028

For the enhanced first-year allowance, the following steps should be taken before calculating the CCA:

- increase the net capital cost addition to the new class for property that became available for use before 2028 as follows:
  - For Class 54, increase the capital cost addition by an amount equal to:
    - 2 1/3 times the net addition to the class for property that became available for use before 2024
    - 1 1/2 times the net addition to the class for property that became available for use in 2024 or 2025
    - 5/6 times the net addition to the class for property that became available for use after 2025 and before 2028
  - For Class 55, increase the capital cost addition by an amount equal to:
    - 1 1/2 times the net addition to the class for property that became available for use before 2024
    - 7/8 times the net addition to the class for property that became available for use in 2024 or 2025
    - 3/8 times the net addition to the class for property that became available for use after 2025 and before 2028
- suspend the existing CCA half-year rule

Multiply the result by the prescribed CCA rate of 30% for Class 54 and 40% for Class 55.

The CCA will be applicable on any remaining balance in these classes using the specific rate for the class.

A taxpayer may elect to not include in Class 54 or 55 a vehicle that would otherwise be a zero-emission vehicle or a zero-emission passenger vehicle. When such an election is filed, the vehicle will no longer be considered to be a zero-emission vehicle or a zero-emission passenger vehicle. As a result, the vehicle will be included in its usual CCA Class 10, 10.1 or 16 as the case may be. Such vehicles will not qualify for the enhanced first-year CCA under the ZEV rules. However, those vehicles that will be included in Class 10, 10.1 or 16, may be eligible for the immediate expensing incentive or enhanced CCA under the AIIP rules.

The election must be filed with the minister of national revenue in your income tax and benefit return for the tax year in which the vehicle is acquired. There is no provision for late-filing or amended elections.

### Class 54 (30%)

Include in Class 54 zero-emission vehicles that are not included in Class 16 or 55 and would normally be included in Class 10 or 10.1.

There is a limit of $61,000 (plus federal and provincial sales taxes) on the capital cost for each zero-emission passenger vehicle in Class 54. Class 54 may include both zero-emission vehicles that do and do not exceed the prescribed threshold. However, unlike Class 10.1, Class 54 does not establish a separate class for each vehicle whose cost exceeds the threshold.

If a zero-emission vehicle is disposed of to a person or partnership with whom you deal at arm's length, and its cost exceeds the prescribed amount ($55,000 for vehicles acquired after March 18, 2019, and before January 1, 2022; $59,000 for vehicles acquired after December 31, 2021, and before January 1, 2023; or $61,000 for vehicles acquired after December 31, 2022), the proceeds of disposition will be adjusted based on a factor equal to the prescribed amount as a proportion of the actual cost of the vehicle. For dispositions made after July 29, 2019, the actual cost of the vehicle will also be adjusted for the payment or repayment of government assistance.

**Example**

| | **First-year enhanced allowance** |
|---|---|
| Acquisition cost | $65,000 |
| First-year CCA | $61,000 × 100% = $61,000 |
| Undepreciated capital cost (UCC) | $61,000 – $61,000 = 0 |
| Proceeds of disposition | $30,000 |
| Part of proceeds of disposition to be deducted from the UCC | $30,000 × ($61,000 ÷ $65,000) = $28,154 |

### Class 55 (40%)

Include in Class 55 zero-emission vehicles that would normally be included in Class 16.

### Class 56 (30%)

Include in Class 56 (CCA rate of 30%) zero-emission automotive equipment and vehicles (other than motor vehicles) that do not currently benefit from the accelerated rate provided by Classes 54 and 55. To be included in this class, such property needs to be acquired after March 1, 2020, and becomes available for use before 2028.

The enhanced first-year CCA deduction for this class applies only for the tax year in which the equipment or vehicle first becomes available for use. The deduction is subject to the following phase-out period:

- 100% on or after March 2, 2020, and before 2024
- 75% after 2023 and before 2026
- 55% after 2025 and before 2028

To be eligible for the enhanced first-year allowance, a vehicle or equipment must be automotive (that is, self-propelled) and fully electric or powered by hydrogen. Vehicles or equipment that are powered partially by electricity or hydrogen (which includes hybrid vehicles and vehicles that require human or animal power for propulsion) are not eligible.

Class 56 captures automotive equipment that is not designed for use on highways or streets such as zero-emission aircraft, watercraft, trolley buses and railway locomotives. Additions or alterations may qualify if they convert automotive equipment (other than a motor vehicle) into a zero-emission property.

The CCA is deductible on any remaining balance in the class on a declining-balance basis at the CCA rate of 30%.

You may elect to not include the vehicle or equipment in Class 56. As a result, the property is then included in the class for which it would otherwise be eligible.

Class 56 excludes property in respect of which CCA or a terminal loss has previously been claimed by another person or partnership where the equipment was acquired by the taxpayer on a tax-deferred "rollover" basis or it was previously owned or acquired by the taxpayer or a non-arm's length person or partnership.

## Special situations

### Personal use of property

If you buy property for business and personal use, you can show the business part of the property in Area B or C in one of two ways:

- If your business use stays the same from year to year, enter the total cost of the property in column 3, the personal part in column 4, and the business part in column 5. To calculate the CCA you can claim, enter the amount from column 5 in column 3 of Area A
- If your business use changes from year to year, enter the total cost of the property in column 3 and column 5, and enter "0" in column 4

Enter in column 3 of Area A the amount from column 5 of Area B or Area C and calculate the CCA amount (business and personal) in column 18. The amount in column 19 (UCC at the end of the year) of Area A is equal to the amount in column 7 **minus** the amount in column 18.

When you claim CCA, you will have to calculate the allowable part you can claim for business use.

**Example**
Jennifer owns a business. She bought a car in 2023 that she uses for both personal and business use. The car cost $20,000, including all charges and taxes. Therefore, she includes the car in Class 10. Her business use this year was 12,000 kilometres of the total 18,000 kilometres driven. She calculates her CCA on the car for 2023 as follows:

She enters $20,000 in column 3 and column 5 of Area B. She also enters $20,000 in column 3 of Area A. By completing the other columns in the chart, she calculates a CCA claim of $3,000. Because Jennifer used her car partly for personal use, she calculates her CCA claim as follows:

12,000 (business kilometres) ÷ 18,000 (total kilometres) × $3,000 = $2,000

Jennifer enters $2,000 on line 9936 in the "Expenses" section of Form T1163 or T1164.

**Note**
The capital cost limits on a Class 10.1 vehicle (a passenger vehicle) still apply when you split the capital cost between business and personal use. For more information, see "Class 10.1 (30%)" on page 74.

## Changing from personal to business use

If you bought a property for personal use and started using it in your farming business in your current tax year, there is a change in use. You need to determine the capital cost for business purposes at the moment of this change in use.

If the fair market value (FMV) of a depreciable property (such as equipment or a building) is less than its original cost when you change its use, the amount you enter in column 3 of Area B or C is the FMV of the property (excluding the land value if the property is land and a building). If the FMV is more than the original cost of the property (excluding the land value if the property is land and a building) when you change its use, use the following chart to determine the amount to enter in column 3 of Area B or Area C.

Enter the FMV of the property in column 3 of Area B or C, whichever applies, if, at the time of change in use, the FMV of the depreciable property is less than its original cost.

When you start using your property for your farming business use, you are considered to have disposed of it. If the FMV of the property is more than its cost, you may have a capital gain unless you file an election. For more information on capital gains, see Chapter 6. Use the following chart to determine the amount to enter in column 3 when the FMV is more than its original cost.

**Capital cost calculation – Change in use**

| | | | | | | |
|---|---|---|---|---|---|---|
| Actual cost of the property | | | | | $ | **1** |
| FMV of the property | $ | **2** | | | | |
| Amount from line 1 | $ | **3** | | | | |
| Line 2 **minus** line 3 (if negative, enter "0") | $ | **4** | | | | |
| Enter all capital gains deductions claimed for the amount from line 4* | $ | | × 2 | = | $ | **5** |
| Line 4 **minus** line 5 (if negative, enter "0") | $ | | × 1/2 | = | $ | **6** |
| Capital cost (line 1 **plus** line 6) | | | | | $ | **7** |

Enter the capital cost of the property from line 7 in column 3 of Area B or C.

* Enter the amount that relates only to the depreciable property.

**Note**
We consider that you acquire the land for an amount equal to its FMV when you change its use. Include this amount on "Line 9923 – Total cost of all land additions in the year" in Area F.

## Grants, subsidies, and rebates

You should subtract from the applicable expense any rebate, grant, or assistance you received. Enter the net expense on the appropriate line of your form.

When you receive a grant, subsidy, or rebate from a government or a government agency to buy depreciable property, subtract the amount of the grant, subsidy, or rebate from the property's capital cost. Do this before you enter the capital cost in column 3 of Area B or C. If you receive a grant, subsidy or rebate for a property after the year you disposed of the property, subtract the amount of the grant, subsidy or rebate from the UCC of the class in which the property was included.

If you made a repayment of a grant, subsidy or rebate received for a property that you were legally required to make, add the amount you repaid to the property's capital cost. Do this before you enter the capital cost in column 3 of Area B or C. If you repaid this amount after the year you disposed of the property, add the amount to the UCC of the class in which the property was included.

If the rebate is more than the remaining undepreciated capital cost in the particular class, add the excess to income on line 9574 or 9575.

You may have paid GST or HST on some of the depreciable property you acquired for your business. If so, you may have also received an input tax credit from us. Subtract the input tax credit from the property's capital cost. Do this before you enter the capital cost in column 3 of Area B or C, whichever applies. If you get an input tax credit for a passenger vehicle you use in your business, use one of these methods:

- For a passenger vehicle you used **90% or more** of the time for your business, subtract the amount of the credit from the vehicle's cost before you enter its capital cost in column 3 of Area B
- For a passenger vehicle you used **less than 90%** of the time for your business, do not make an adjustment in 2023. Instead, subtract the amount of the credit from your beginning UCC in 2024

For information on claiming input tax credits for the GST/HST you paid to buy a passenger vehicle, see GST/HST Memorandum 8.2, General Restrictions and Limitations.

Input tax credits are considered government assistance. Include the amount you claimed on line 108 of your GST/HST return on line 9574 or 9575 only if you cannot apply the rebate, grant, or assistance you received to reduce a particular expense or an asset's capital cost.

You may get an incentive from a non-government agency to buy depreciable property. For example, you may receive a tax credit that you can use to reduce your income tax payable.

For more information about government assistance, see Interpretation Bulletin IT-273, Government Assistance – General Comments.

## Non-arm's length transactions

When you acquire depreciable property in a **non-arm's length** (see the definition on page 63) transaction, there are special rules for determining the property's cost. These special rules do not apply if you acquire the property because of someone's death.

You can acquire depreciable property in a non-arm's length transaction from:

- an individual resident in Canada
- a partnership with at least one partner who is an individual resident in Canada
- a partnership with at least one partner who is another partnership

If you pay **more** for the property than the seller paid for it, calculate the capital cost as follows:

**Capital cost calculation**
**Non-arm's length transaction – Resident of Canada**

| | | | | | |
|---|---|---|---|---|---|
| The seller's cost or capital cost | | | | $ | 1 |
| The seller's proceeds of disposition | $ | 2 | | | |
| Amount from line 1 | $ | 3 | | | |
| Line 2 **minus** line 3 (if negative, enter "0") | $ | 4 | | | |
| Enter any capital gains deduction claimed for the amount from line 4 | $ | | × 2 | = $ | 5 |
| Line 4 **minus** line 5 (if negative, enter "0") | $ | | × 1/2 | = $ | 6 |
| **Capital cost** Line 1 **plus** line 6* | | | | $ | 7 |

* Enter this amount in column 3 of either Area B or C, whichever applies. Do not include the cost of the related land. Include the cost of the related land on "Line 9923 – Total cost of all land additions in the year" in Area F of your form.

We consider that you acquire the land for an amount equal to its FMV when you change its use. Include this amount on line 9923 in Area F.

You can also acquire depreciable property in a non-arm's length transaction from:

- a corporation
- an individual who is not a resident of Canada
- a partnership with no partners who are individuals resident in Canada or with no partners that are other partnerships

If you pay **more** for the property than the seller paid for it, calculate the capital cost as follows:

**Capital cost calculation**
**Non-arm's length transaction – Non-resident of Canada**

| | | | | | |
|---|---|---|---|---|---|
| The seller's cost or capital cost | | | | $ | 1 |
| The seller's proceeds of disposition | $ | 2 | | | |
| Amount from line 1 | $ | 3 | | | |
| Line 2 **minus** line 3 (if negative, enter "0") | $ | | × 1/2 | = $ | 4 |
| **Capital cost** Line 1 **plus** line 4* | | | | $ | 5 |

* Enter this amount in column 3 of either Area B or C, whichever applies. Do not include the cost of the related land. Include the cost of the related land on "Line 9923 – Total cost of all land additions in the year" in Area F of your form.

If you acquire depreciable property in a non-arm's length transaction and pay less for it than the seller paid, your capital cost is the same amount as the seller paid. The difference between what you paid and what the seller paid is considered to be deducted as CCA. Enter the amount you paid in column 3 of Area A. Enter the same amount in Area B or C, whichever applies.

**Example**
Rachel bought a pickup truck for $4,000 from her father, Marcus, in her 2023 fiscal period. Marcus paid $10,000 for the truck in 2013. Since the amount Rachel paid is less than the amount Marcus paid, we consider Rachel's cost to be $10,000. We also consider Rachel to have deducted CCA of $6,000 in the past ($10,000 – $4,000).

Rachel fills in the CCA chart as follows:

- in Area B, she enters $10,000 in column 3, "Total cost"
- in Area A, she enters $4,000 in column 3, "Cost of additions in the year," as the addition for her 2023 fiscal period

There is a limit on the cost of a passenger vehicle you buy in a non-arm's length transaction. The cost is the **lesser of:**

- the FMV when you buy it
- $36,000 **plus** any GST/HST or PST you would pay on $36,000 if you bought it in your 2023 fiscal period
- the seller's cost amount of the vehicle when you buy it

The cost amount can vary depending on what the seller used the vehicle for before you bought it. If the seller used the vehicle to earn income, the cost amount would be the UCC of the vehicle when you buy it. If the seller did not use the vehicle to earn income, the cost amount will usually be the original cost of the vehicle.

For more information on non-arm's length transactions, see the Income Tax Folio S1-F5-C1, Related Persons and Dealing at Arm's Length.

## Special rules for disposing of a building in the year

If you disposed of a building in the current tax year, special rules may apply, making the proceeds of disposition an amount other than the actual proceeds of disposition. This happens when you meet **both** of the following conditions:

- you disposed of the building for an amount less than both its cost amount, as calculated below, and its capital cost to you
- you, or a person with whom you do not deal at **arm's length** (see the definition on page 63), owned the land that the building is on, or the land next to it, that was necessary for the building's use

To calculate the **cost amount**:

- if the building was the only property in the class, the cost amount is the undepreciated capital cost (UCC) of the class before you disposed of the building
- if more than one property is in the same class, you have to calculate the cost amount of each building as follows: (capital cost of the building ÷ capital cost of all property in the class not previously disposed of) × UCC of the class = cost amount of the building

**Note**
If a building acquired in a non-arm's length transaction was previously used for something other than producing income, the capital cost of the property will need to be recalculated to determine the cost amount of the building.

For more information on proceeds of disposition, see Income Tax Folio S3-F4-C1, General Discussion of Capital Cost Allowance.

If you disposed of a building under these conditions and you or a person with whom you do not deal at arm's length disposed of the land in the same year, calculate your deemed proceeds of disposition as shown in Calculation A, on page 82.

If you, or a person with whom you do not deal at arm's length did not dispose of the land in the same year as the building, calculate your deemed proceeds of disposition as shown in Calculation B, on page 83.

### Calculation A
### Land and building disposed of in the same year

| | | | | | |
|---|---|---|---|---|---|
| 1. | FMV of the building when you disposed of it | | | $ | 1 |
| 2. | FMV of the land just before you disposed of it | | | $ | 2 |
| 3. | Line 1 **plus** line 2 | | | $ | 3 |
| 4. | Seller's adjusted cost base of the land | $ | 4 | | |
| 5. | Total capital gains (without reserves) from any disposition of the land (such as a change in use) by you, or by a person not dealing at arm's length with you, in the three-year period before you disposed of the building, to you or to another person not dealing at arm's length with you | $ | 5 | | |
| 6. | Line 4 **minus** line 5 (if negative, enter "0") | $ | 6 | | |
| 7. | Line 2 or line 6, whichever amount is less | | | $ | 7 |
| 8. | Line 3 **minus** line 7 (if negative, enter "0") | | | $ | 8 |
| 9. | Cost amount of the building just before you disposed of it | $ | 9 | | |
| 10. | Capital cost of the building just before you disposed of it | $ | 10 | | |
| 11. | Line 9 or line 10, whichever amount is **less** | $ | 11 | | |
| 12. | Line 1 or line 11, whichever amount is **more** | | | $ | 12 |
| | **Deemed proceeds of disposition of the building** | | | | |
| 13. | Line 8 or line 12, whichever amount is **less** (enter the amount from line 13 in column 3 of Area E, and include it in column 5 of Area A) | | | $ | 13 |
| | **Deemed proceeds of disposition of the land** | | | | |
| 14. | Proceeds of disposition of the land and the building | | | $ | 14 |
| 15. | Amount from line 13 | | | $ | 15 |
| 16. | Line 14 **minus** line 15 (include this amount on line 9924 of Area F) | | | $ | 16 |

If you have a terminal loss on the building, include it on line 9896 in the "Expenses" section of your form.

| Calculation B<br>Land and building disposed of in different years | | | |
|---|---|---|---|
| Cost amount of the building just before you disposed of it | $ | | 1 |
| FMV of the building just before you disposed of it | $ | | 2 |
| Line 1 or line 2, whichever amount is more | | $ | 3 |
| Actual proceeds of disposition, if any | | $ | 4 |
| Line 3 **minus** line 4 | | $ | 5 |
| Amount from line 5 | $ × 1/2 = | $ | 6 |
| Amount from line 4 | | $ | 7 |
| **Deemed proceeds of disposition for the building** | | | |
| Line 6 **plus** line 7 (enter this amount in column 3 of Area E and include it in column 5 of Area A) | | $ | 8 |
| If you have a terminal loss on the building, include it on line 9896 in the "Expenses" section of your form. | | | |

Usually, you can deduct 100% of a terminal loss, but only 50% of a capital loss. Calculation B makes sure you use the same percentage to calculate both a terminal loss on a building and a capital loss on land. As a result of this calculation, you add 50% of the amount on line 5 to the actual proceeds of disposition from the building. For more information, see "Terminal loss" on page 69.

## Replacement property

In some cases, you can postpone or defer including a capital gain or recapture of CCA in calculating income. You might sell a business property and replace it with a similar one, or your property might be stolen, destroyed, or expropriated, and you replace it with a similar one. To defer reporting the gain or recapture of CCA, you (or a person related to you) must acquire the replacement property within the specified time limits and use the new property for the same or similar purpose.

For more information, see Income Tax Folio S3-F3-C1, Replacement Property.

You can also defer a capital gain or recapture of CCA when you transfer property to a corporation, a partnership, or your child. For more information on transferring farm property to your child, see page 93.

For more information on transfers to a corporation or a partnership, see:

- Information Circular IC76-19, Transfer of Property to a Corporation Under Section 85
- Interpretation Bulletin IT-291, Transfer of Property to a Corporation Under Subsection 85(1)
- Interpretation Bulletin IT-378, Winding-up of a Partnership
- Interpretation Bulletin IT-413, Election by Members of a Partnership Under Subsection 97(2)

## Details of equity

### Line 9931 – Total business liabilities

A liability is a debt or an obligation of a business. Total business liabilities are the total of all amounts your business owes at the end of its fiscal period.

Total business liabilities include:

- accounts payable
- notes payable
- income taxes and taxes payable
- unpaid salaries, wages, and benefits
- interest payable
- deferred or unearned revenues
- loans payable
- mortgages payable
- any other outstanding balance related to the business

### Line 9932 – Drawings in 2023

A drawing is any withdrawal of cash (including salaries) or other assets, or services of a business by the proprietor or partners. This includes transactions by the proprietor or partners (or family members) like withdrawing cash for non-business use and using business assets and services for personal use. Include the cost or value of the personal use of business assets or services in your drawings for the year.

### Line 9933 – Capital contributions in 2023

A capital contribution is cash or other assets you added to the farming business during its fiscal period. This includes personal funds you added to the business account, business debts you paid with personal funds, and personal assets you transferred to the farming business.

The following example summarizes this chapter on CCA.

**Example**

In 2023, Trevor bought a building to use for his farming business. The total cost was $95,000 (the $90,000 total purchase price and the $5,000 total expenses connected with the purchase), as follows:

| | |
|---|---|
| Building value | $ 75,000 |
| Land value | $ 15,000 |
| Total purchase price | $ 90,000 |
| **Expenses connected with the purchase** | |
| Legal fees | $ 3,000 |
| Land transfer taxes | $ 2,000 |
| Total fees | $ 5,000 |

Trevor's farming business has a December 31 year-end. In 2023, Trevor's farming income was $6,000 and his expenses were $4,900. Therefore, his net income before deducting CCA was $1,100 ($6,000 – $4,900).

Before Trevor can fill in his CCA schedule, he has to calculate the capital cost of the building. Since land is not depreciable farm property, he has to calculate the part of the expenses connected with the purchase that relates only to the building. To do this, he has to use the following formula:

($75,000÷ $90,000) × $5,000 = $4,166.67

This $4,166.67 represents the part of the $5,000 in legal fees and land transfer taxes that relates to the purchase of the building, while the remaining $833.33 relates to the purchase of the land. Therefore, the capital cost of the building is:

| | |
|---|---|
| Building value | $ 75,000.00 |
| Related expenses | $ 4,166.67 |
| Capital cost of the building | $ 79,166.67 |

Trevor enters $79,166.67 in column 3 of Area C and $15,833.33 ($15,000 + $833.33) on line 9923 of Area F as the capital cost of the land.

**Note**

Trevor did not own farm property before 2023. Therefore, he has no UCC to enter in column 2 of Area A.

Trevor acquired his farm property in 2023. Therefore, he is subject to the half-year rule that we explain under "Column 15 – Adjustment for current-year additions subject to the half-year rule" on page 70.

# Chapter 5 – Farm losses

When your farming business expenses are more than your farming business income in a year, you have a net loss. However, before you can calculate your net farm loss for the year, you may have to increase or decrease the loss by certain adjustments explained in "Line 9941 – Optional inventory adjustment – current year" on page 56 and "Line 9942 – Mandatory inventory adjustment – current year" on page 56.

If you show a net farm loss for the year, read this chapter for information on how to treat your loss. For more information on farm losses, see Income Tax Folio S4-F11-C1, Meaning of Farming and Farming Business.

The amount of the net farm loss you can deduct depends on the nature and extent of your business. Your farm loss may be one of the following:

- fully deductible
- restricted (partly deductible)
- non-deductible

## Fully deductible farm losses

If you made your living from farming, we consider farming to be your main source of income. As long as farming was your main source of income, you can deduct the full amount of your net farm loss from other income. Farming can still be your main source of income even if your farm did not show a profit. Other income could come from investments, part-time employment, and so on.

To determine if farming was your main source of income, you need to consider such factors as:

- gross income
- net income
- capital invested
- cash flow
- personal involvement
- your farm's ability to make a profit (both actual and potential)
- plans to maintain or develop your farm and how you carried them out

Although you may have been a partner in a farming business, you still have to determine if farming was your own main source of income.

When farming is your main source of income and you show a net farm loss in 2023, you may have to reduce the loss when you have other income in 2023. Any loss that is left is your farm loss for 2023.

**Example**
Rick's farming business, which is his main source of income, has a December 31 fiscal year-end. His farm loss before adjustments is $50,000. He wants to reduce his loss by the optional inventory adjustment (OIA). Rick kept the following records for 2023:

| | |
|---|---|
| Net farm loss before adjustments | $ 50,000 |
| Optional inventory adjustment | $ 15,000 |
| Other income | $ 2,000 |

To reduce the loss amount, Rick adds back his OIA. He determines his farm loss for 2023 as follows:

| | |
|---|---|
| Farm loss before adjustments | ($50,000) |
| **Add** optional inventory adjustment | $ 15,000 |
| Farm loss after adjustments | ($35,000) |
| **Add** other income | $ 2,000 |
| Farm loss for 2023 | ($33,000) |

### Applying your 2023 farm loss

You may have a farming loss in 2023. If you do, you can carry it back for up to 3 years or carry it forward for up to 20 years for all non-capital losses incurred after 2005. In both cases, you can deduct it from all your sources of income in those years.

If you choose to carry back your 2023 farm loss to your 2020, 2021, or 2022 income tax returns, complete Form T1A, Request for Loss Carryback. Attach the completed form to your 2023 Income Tax and Benefit Return or to your request for an adjustment and send it to your tax centre. You can also send the form on its own. Do not file an amended return for the year to which you apply the loss.

### Applying your farm losses from years before 2023

The 20-year carryforward is only allowed for losses starting January 1, 2006, and onward. You may be able to apply farm losses you had in any year from 2006 to 2022 on your 2023 income tax return. You can apply these losses if you did not already deduct them and you have net income in 2023. To apply these losses to 2023, you have to apply the loss from the earliest year first. Enter the amount you wish to deduct on line 25200 on your income tax return.

## Restricted farm losses (partly deductible)

You may have run your farm as a business. For your farm to be considered a business, you must have carried on activities with the intention of making a profit and there must be evidence to support that intention.

However, if farming was neither your main source of income (for example, you did not rely on farming alone to make your living) nor was it your main source of income in addition to some other subordinate source of income (for example, where the other source of income was a side-line employment or business), you may only be able to deduct a part of your net farm loss.

Each year you have a farm loss, review your situation carefully to see if farming was either your main source of income or it was your main source of income in addition to some other subordinate source of income. It is important to do this, since a farming loss may be restricted in one year, but not in another year.

### How to calculate your restricted farm loss

If farming was neither your main source of income nor your main source of income in addition to some other subordinate source of income and you had a net farm loss, the loss you can deduct depends on the amount of your net farm loss.

For tax years that end after March 20, 2013, the annual maximum deduction used in the calculation for restricted farm losses is $17,500.

When your net farm loss is $32,500 or more, you can deduct $17,500 from your other income. The rest of your net farm loss is your restricted farm loss.

When your net farm loss is less than $32,500, the amount you can deduct from your other income is the **lesser of**:

a) your net farm loss for the year

b) $2,500 **plus** 50% × (your net farm loss **minus** $2,500)

The amount remaining is your restricted farm loss.

**Note**
When the farm loss you deduct is different from your actual farm loss because of the restricted farm loss calculation, you should indicate this on your income tax return on line 14099, "Farming Income." For example, you can do this by noting "restricted farm loss," "RFL," or "Section 31" to the left of line 14099.

**Example**
Sharon ran a cattle farm with the intention of making a profit. However, farming was neither her main source of income, nor her main source of income in addition to some other subordinate source of income in 2023. In 2023, she had employment income and a net farm loss of $9,200, which she calculated on line 9946 in the "Summary of income and expenses" section of Form T1163.

The part of Sharon's net farm loss that she can deduct from her other income in 2023 is either amount A or amount B, whichever is **less**:

a) $9,200

b) $2,500 **plus** 50% × ($9,200 – $2,500)
$2,500 **plus** 50% × $6,700

Therefore, B = ($2,500 + $3,350) = $5,850.

Because Sharon can only deduct either A or B, whichever amount is **less**, she enters $5,850 on line 14100 of her income tax return and deducts this amount from her other income in 2023. Her restricted farm loss is the amount that remains, which is $3,350 ($9,200 **minus** $5,850). Sharon prints "Section 31" to the left of line 14099 on her income tax return to show that the loss she is deducting is the result of a restricted farm loss calculation.

### Applying your 2023 restricted farm loss

You can carry back your 2023 restricted farm loss up to 3 years. You can also carry it forward up to 20 years.

The amount you deduct in any year cannot be more than your net farming income for that year. If you have no net farming income in any of those years, you cannot deduct any restricted farm loss.

To carry back your 2023 restricted farm loss to your 2020, 2021, or 2022 income tax returns, use Form T1A, Request for Loss Carryback. Attach the completed form to your 2023 Income Tax and Benefit Return or to your request for an adjustment and send it to your tax centre. You can also send the form on its own. Do not file an amended return for the year to which you would like the loss applied.

### Applying your restricted farm losses from years before 2023

The 20-year carryforward is only allowed for losses starting January 1, 2006, and onward. If you have net farming income in 2023, you may be able to apply restricted farm losses you had in any year from 2006 to 2022 on your 2023 income tax return. You can apply these losses as long as you did not already deduct them from your farming income. Also, you can only apply them up to the amount of your net farming income in 2023. You have to apply the loss from the earliest year before you apply the losses from other years. Claim this amount on line 25200 of your income tax return.

You may have sold farmland at a time when you had restricted farm losses you did not claim. When this happens, you may be able to reduce the amount of your capital gain from the sale. In this case, see "Restricted farm losses" on page 91.

## Non-deductible farm losses

If you did not run your farm as a business, you cannot deduct any part of your net farm loss.

The size and scope of your farm may make it impossible for the farm to make a profit, either now or in the near future. In this case, you cannot deduct your farm loss. We consider this kind of farm to be personal. Therefore, any farm expenses are personal expenses.

## Non-capital losses

You may have incurred a loss in 2023 from a business other than farming. If this loss is more than your other income for the year, you may have a non-capital loss. Use Form T1A, Request for Loss Carryback, to calculate your 2023 non-capital loss.

You can carry back your non-capital loss up to 3 years. Non-capital losses incurred after 2005 can be carried forward up to 20 years.

If you choose to carry back your 2023 non-capital loss to your 2020, 2021, or 2022 income tax returns, complete Form T1A. Attach the completed form to your 2023 Income Tax and Benefit Return or to your request for an adjustment and send it to your tax centre. You can also send the form on its own. Do not file an amended return for the year to which you apply the loss.

For more information about non-capital losses, see Interpretation Bulletin IT-232, Losses – Their Deductibility in the Loss Year or in Other Years. You can view carry-over amounts using My Account at **canada.ca/my-cra-account** or Represent a Client at **canada.ca/taxes-representatives**.

# Chapter 6 – Capital gains

This chapter explains the capital gains rules for people who farm. General capital gains rules are covered in Guide T4037, Capital Gains.

Throughout this chapter, we use the terms **sell**, **sold**, **buy**, or **bought**. These words describe most capital transactions. However, the information in this chapter also applies to deemed dispositions or acquisitions. When reading this chapter, you can use the terms **sold** instead of **disposed of,** and **bought** instead of **acquired**, if they more clearly describe your situation.

List the dispositions of all your properties on Schedule 3, Capital Gains (or Losses) in 2023. You can get this schedule and other forms and publications at **canada.ca/cra-forms**, or by calling **1-800-959-5525**.

You may be in a partnership and receive a T5013 slip, Statement of Partnership Income. If the partnership has a capital gain, it will allocate part of that gain to you. The gain will show on the partnership's financial statements or on your T5013 slip.

## Find out what a capital gain is

You have a capital gain when you sell, or are considered to have sold, a capital property for **more than** its adjusted cost base **plus** the outlays or expenses you incurred to sell the property. To calculate your capital gain, subtract the adjusted cost base of your property from the proceeds of disposition. From this amount, subtract any outlays or expenses you incurred when selling your property.

In most cases, capital property includes land, buildings, and equipment that you used in your farming business. Therefore, capital property includes depreciable and non-depreciable property.

You must include your taxable capital gain in income. Not all your capital gain is taxable. For 2023, generally, your taxable capital gain is one-half of your capital gain.

A disposition of depreciable property may result in a recapture of capital cost allowance (CCA). We explain recapture on page 69.

## Find out what a capital loss is

You have a capital loss when you sell, or are considered to have sold, non-depreciable capital property for **less** than its adjusted cost base **plus** the outlays or expenses you incurred to sell the property. To calculate your capital loss, subtract the adjusted cost base of your property from the proceeds of disposition. From this amount, subtract any outlays or expenses you incurred when selling your property.

Not all your capital loss is deductible. For 2023, your allowable capital loss is one-half of your capital loss. You can only deduct an allowable capital loss from a taxable capital gain.

A loss on a disposition of depreciable property may only result in a terminal loss. We explain terminal loss on page 69.

Before you can determine your capital gain or capital loss, you will need to know the following terms.

**Proceeds of disposition** – in most cases means the sale price of the property, see page 63.

**Adjusted cost base (ACB)** – the original cost of the property (including amounts you paid to buy it, such as commissions and legal fees). ACB includes other costs such as the cost of any additions, or the cost to renovate or improve the property.

**Outlays and expenses** – amounts you incurred to sell your property. They include costs such as commissions, surveyors' fees, transfer taxes, and advertising costs.

**Fair market value (FMV)** – generally the highest dollar value you can get for your property. We define this term on page 63.

## How to calculate your capital gain or loss

To calculate your capital gain or loss, use the following formula:

| | | |
|---|---|---|
| Proceeds of disposition | $ | 1 |
| Adjusted cost base | $ | 2 |
| Line 1 **minus** line 2 | $ | 3 |
| Outlays and expenses | $ | 4 |
| Capital gain (loss) = Line 3 **minus** line 4 | $ | 5 |

**Note**
You have to calculate the capital gain or loss on each property separately.

### If you sold in 2023 capital property that you owned before 1972

If you did, you have to apply a special set of rules when you calculate your capital gain or loss because you did not have to pay tax on capital gains before 1972. To help you calculate your gain or loss from the sale of property you owned before 1972, use Form T1105, Supplementary Schedule for Dispositions of Capital Property Acquired Before 1972.

### Disposing of farmland that includes your principal residence

Your home is usually your principal residence. If your home was your principal residence for every year you owned it, you generally do not pay tax on any capital gains when you dispose of it. Therefore, if you sold farmland that included your home in 2023, only part of the gain is taxable.

The sale must be reported, along with any principal residence designation, on Schedule 3, Capital Gains (or Losses) in 2023, under "Qualified farm or fishing property" or "Real estate, depreciable property, and other properties." The CRA can accept a late designation in certain circumstances, but a penalty may apply.

For information on change in use rules or on deemed dispositions from a full or partial change of use of a property, see Guide T4037, Capital Gains.

You can choose one of two methods to determine your taxable capital gain. Try both methods to see which one is best for you.

The land on which your home is located can be part of your principal residence. Usually, the amount of land that you can consider as part of your principal residence is limited to one half hectare (1.24 acres). If you can show that you need more land to use and enjoy your home, you can consider more than 1.24 acres as part of your principal residence. For example, this may happen if the minimum lot size imposed by a municipality at the time you bought the property is larger than one half hectare.

### Method 1

Separately calculate the capital gain on your principal residence and each of your farm properties. To do this, apportion the proceeds of disposition, the ACB, and any outlays and expenses between:

- your principal residence
- each of your farm properties

Then, calculate the **taxable** capital gain on your principal residence, if any, and each of the farm properties.

Value the land that is part of your principal residence at one of the following two amounts, whichever is **more**:

- the fair market value (FMV) of the land
- the FMV of a comparable residential building site in the area

> **Note**
> If your home was **not** your principal residence for every year you owned it, there could be a capital gain on it you have to include in your income. Form T2091(IND), Designation of a Property as a Principal Residence by an Individual (Other Than a Personal Trust), will help you calculate the number of years you are entitled to designate your home as your principal residence and calculate the part of your gain, if any, that is taxable. For more information on how to report the disposition of your principal residence, see Guide T4037, Capital Gains.

**Example**

On February 1, 2023, Helena sold her 32-acre farm, which included her principal residence. One acre of land is part of her principal residence. Helena has these details:

| | |
|---|---|
| **Value of land when she purchased her farm** | |
| FMV of similar farmland per acre | $ 3,750 |
| FMV of a typical residential building site in the area | $ 15,000 |
| **Value of land when she sold her farm** | |
| FMV of similar farmland per acre | $ 6,250 |
| FMV of a typical residential building site in the area | $ 25,000 |
| **Adjusted cost base – actual purchase price** | |
| Land | $ 120,000 |
| House | $ 60,000 |
| Barn | $ 16,000 |
| Silo | $ 4,000 |
| **Total** | **$ 200,000** |
| **Proceeds of disposition – actual sale price** | |
| Land | $ 200,000 |
| House | $ 75,000 |
| Barn | $ 20,000 |
| Silo | $ 5,000 |
| **Total** | **$ 300,000** |

| **Proceeds of disposition** | **Principal residence** | **Farm properties** | **Total** |
|---|---|---|---|
| Land | $ 25,000* | $175,000 | $200,000 |
| House | $ 75,000 | | $ 75,000 |
| Barn | | $ 20,000 | $ 20,000 |
| Silo | | $ 5,000 | $ 5,000 |
| | **$100,000** | **$200,000** | **$300,000** |
| **Minus ACB:** | | | |
| Land | $ 15,000* | $105,000 | $120,000 |
| House | $ 60,000 | | $ 60,000 |
| Barn | | $ 16,000 | $ 16,000 |
| Silo | | $ 4,000 | $ 4,000 |
| | **$ 75,000** | **$125,000** | **$200,000** |
| **Gain on sale** | $ 25,000 | $ 75,000 | $100,000 |
| **Minus:** Gain on principal residence** | $ 25,000 | | $ 25,000 |
| **Capital gain** | **$ 0** | **$ 75,000** | **$ 75,000** |
| **Taxable capital gain** | | (1/2 × $75,000) | **$ 37,50** |

* Helena uses the value of a typical residential building site for the land that is part of her principal residence, because the FMV of a typical site in the area is more than the FMV of one acre of farmland.

** Because Helena's home was her principal residence during all the years she owned it, the capital gain is not taxable.

### Method 2

Determine the capital gain on your land and your principal residence. Then subtract $1,000 from the gain. Subtract an additional $1,000 for each year after 1971 that the property was your principal residence and you were a resident of Canada. Using Method 2, you can reduce a gain to nil, but you cannot create a loss.

To calculate your capital gain, use the following formula:

| | | |
|---|---|---|
| Proceeds of disposition | $ | A |
| Adjusted cost base | $ | B |
| Line A **minus** line B | $ | C |
| Outlays and expenses | $ | D |
| Capital gain before reduction (Line C **minus** line D) | $ | E |
| Method 2 reduction | $ | F |
| Capital gain after reduction (Line E **minus** line F) | $ | G |

**Note**

Transfer the entries from lines A, B, D, and G to the relevant columns on Schedule 3, Capital Gains (or Losses) in 2023, under "Qualified farm or fishing property" or "Real estate, depreciable property, and other properties."

If you choose this method, attach a letter to your income tax return that includes the following information:

- a statement by you that you sold your farm and are electing under subparagraph 40(2)(c)(ii) of the Income Tax Act

- a description of the property you sold
- the number of years after 1971 that the farmhouse was your principal residence during which you were a resident of Canada (if you purchased your farm after 1971, give the date you purchased it)

As proof of the value of your property, regardless of the method you choose, keep documents that have the following information:

- a description of the farm, including the size of the buildings and construction type
- the cost of the property and the date of purchase
- the cost of any additions or improvements you made to the property
- the assessment for property tax purposes
- any insurance coverage
- the type of land (arable, bush, or scrub)
- the type of farm operation

For more information, see Income Tax Folio S1-F3-C2, Principal Residence.

## Restricted farm losses

You may have a capital gain from farmland you sell in 2023. You may also have restricted farm losses from previous years you have not yet used. In this case, you can deduct part of these losses from the gain. The part you can deduct is the property taxes and the interest on money you borrowed to buy the land, if you included these amounts in the calculation of the restricted farm loss in question.

You cannot use the restricted farm loss to create or increase a capital loss on the sale of your farmland.

## Qualified farm or fishing property and cumulative capital gains deduction

The following is a list of updated definitions effective January 1, 2014:

- the new definition **qualified farm or fishing property** (QFFP) replaced the two previous definitions:
  - qualified farm property (QFP)
  - qualified fishing property (QXP)
- the new definition **interest in family-farm or family-fishing partnership** replaced the two previous definitions:
  - interest in family-farm partnership
  - interest in family-fishing partnership
- the new definition **share of the capital stock of a family-farm or family-fishing corporation** replaced the two previous definitions:
  - share of the capital stock of a family-farm corporation
  - share of the capital stock of a family-fishing corporation

### Find out what a qualified farm or fishing property is

QFFP is certain property you or your spouse or common-law partner own. It is also certain property owned by a family-farm or family-fishing partnership in which you or your spouse or common-law partner holds an interest. We define spouse and common-law partner in the Federal Income Tax and Benefit Information.

Qualified farm or fishing property includes:

- a real property, such as land and buildings
- a share of the capital stock of a family-farm or family-fishing corporation you or your spouse or common-law partner owns
- an interest in a family-farm or family-fishing partnership that you or your spouse or common-law partner owns
- a property included in Class 14.1 used in the course of carrying on a farming or fishing business, such as milk and egg quotas

## Cumulative capital gains deduction

If you have a taxable capital gain from the sale of QFFP, you may be able to claim a capital gains deduction.

For dispositions in 2023, the maximum base capital gains deduction for qualifying properties is $971,190.

The lifetime capital gains exemption (LCGE) for QFFP sold after April 20, 2015, increased to $1,000,000. The additional deduction is the difference between $500,000 (50% of $1,000,000) and the amount of the existing maximum base capital gains deduction for qualifying properties of $485,595 (50% of $971,190) for 2023. The value of this new deduction will phase out as the maximum base capital gains deduction for qualifying properties increases through indexation.

This additional deduction for taxable capital gains from the disposition of QFFP can only be used after the existing maximum base capital gains deduction that applies to both QFFP and qualified small business corporation shares ($485,595 for 2023) is used.

Existing rules on the base capital gains deduction also apply to the additional deduction for taxable capital gains from the disposition of QFFP.

Where a trust determines and designates an amount as a beneficiary's taxable capital gain from the disposition of QFFP after April 20, 2015, the beneficiary is deemed to have a taxable capital gain of that amount from the disposition of QFFP after April 20, 2015. Therefore the additional deduction for taxable capital gains from the disposition of QFFP is available to the beneficiary.

For more information on how to calculate your capital gains deduction, see Form T657, Calculation of Capital Gains Deduction for 2023, and Form T936, Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 2023.

You may be a member of a partnership that sold capital property. In this case, the partnership would allocate any taxable capital gains or allowable capital losses to the partners. If you are allocated a share of a taxable capital gain on QFFP, you may be entitled to claim a capital gains deduction.

The LCGE rules on certain farming or fishing property, shares or interests include taxpayers involved in a combination of farming and fishing businesses.

- Property held directly or through a partnership:
  - Where an individual carries on a farming or fishing business as a sole proprietor, or through a partnership, in order to be eligible for the LCGE, the qualifying property must be used mainly in a farming business or a fishing business. Eligibility for the LCGE extends to property of an individual used mainly in a combination of farming and fishing.
- Shares or partnership interests:
  - In order for an individual's shares in a family corporation or interest in a family partnership to qualify for the LCGE, all or substantially all (generally interpreted as 90% or more) of the fair market value of the property of the entity must be property used mainly in a farming business or a fishing business. A property held by a family-farm corporation or partnership that is used in a combination of farming and fishing must be used mainly in farming in order to count towards the "all or substantially all" test. A similar rule applies for a property held by a family-fishing corporation or partnership.
  - Eligibility for the LCGE extends to an individual's shares in a corporation, or interest in a partnership, where the corporation or partnership carries on both a farming business and a fishing business. In particular, if a property of the corporation or partnership is used mainly in either business, or is used mainly in a combination of farming and fishing, the property will count towards the "all or substantially all" test.
  - Also, throughout any 24-month period ending before that time, more than 50% of the fair market value of the property of the entity was attributable to property. That property must have been used principally in the course of carrying on a farming or fishing business in Canada in which a qualified user was actively engaged on a regular and continuous basis, by the following:
    - you, your spouse or common-law partner, or any of your parents or children (we define children on page 93)
    - the beneficiary of a personal trust, or the spouse or common-law partner, parent, or child of such a beneficiary
    - a family-farm or family-fishing corporation where any of the above persons owns a share of the corporation
    - a family-farm or family-fishing partnership where any of the above persons (except a family-farm or family-fishing corporation) owns an interest in the partnership

# Real property or property included in Class 14.1

Real property or property included in Class 14.1 is qualified farm or fishing property only if it is used to carry on a farming or fishing business in Canada by **any** of the following:

- you, your spouse or common-law partner, or any of your parents or children (we define children on page 93)

- the beneficiary of a personal trust, or the spouse or common-law partner, parent, or child of such a beneficiary
- a family-farm or family-fishing corporation where any of the above persons owns a share of the corporation
- a family-farm or family-fishing partnership where any of the above persons (except a family-farm or family-fishing corporation) owns an interest in the partnership

We will consider real property or property included in Class 14.1 to be used to carry on a farming or fishing business in Canada if you meet the following conditions:

- throughout the 24 months before the sale, you, your spouse or common-law partner, any of your children, or parents, a personal trust from which one of these persons acquired the property, or a family-farm or family-fishing partnership (in which any of these persons has an interest) must have owned the property
- you meet **one** of the following two conditions:
  - While the property was owned by any of the above persons in at least two years; the property or the property it replaced was mainly used in a farming or fishing business in Canada in which any of the above persons was actively engaged on a regular and ongoing basis. Also, while the property was owned by any of the above persons in at least two years; the person's gross income from the business was larger than the person's income from all other sources in the year.
  - Family-farm or a family-fishing partnership or corporation used the property for at least 24 months, to carry on a farming or fishing business in Canada. Also, during this time, you, your spouse or common-law partner, any of your children, or your parents must have been actively engaged on a regular and ongoing basis in the business.

### Real property or property included in Class 14.1 bought before June 18, 1987

You may have bought or entered into an agreement to buy real property or property included in Class 14.1 before June 18, 1987. We consider you to have used this property in carrying on a farming business in Canada if you meet **one** of the following conditions:

- In the year you disposed of it, the property or the one it replaced was used in a farming business in Canada by any of the above persons, a family-farm partnership, a corporation, or by a personal trust from which one of the above individuals acquired the property.
- The property, or the property it replaced, was used in a farming business in Canada for at least five years by any of the above persons, a family-farm partnership, or corporation, or by a personal trust from which one of the above individuals acquired the property. During this time, the property was owned by any of the above persons or a family-farm partnership or corporation.

## Transfer of farm or fishing property to a child

You may be able to transfer Canadian farm or fishing property to your child. When you do this, you can postpone tax on any taxable capital gain and any recapture of capital cost allowance until the child sells the property. To do this, **both** of these conditions have to be met:

- your child was a resident of Canada just before the transfer
- the farm or fishing property was land in Canada, or depreciable property in Canada of a prescribed class, in respect of a farming or fishing business carried on in Canada, and has been used in the business in which you, your spouse or common-law partner, or any of your children were actively engaged on a regular and ongoing basis before the transfer

The rules on intergenerational transfers of certain farming and fishing property from an individual to the individual's child include taxpayers involved in a combination of farming and fishing businesses.

Where an individual carries on a farming or fishing business as a sole proprietor, or through a partnership, in order to be eligible for the intergenerational transfer, the qualifying property must be used mainly in a farming business or a fishing business. Eligibility for the intergenerational transfer extends to property of an individual used mainly in a combination of farming and fishing.

Your **children** include:

- your natural child, your adopted child, or your spouse's or common-law partner's child
- your grandchild or great-grandchild
- your child's spouse or common-law partner
- another person who is wholly dependent on you for support and who is, or was immediately before the age of 19, in your custody and under your control

The following types of property qualify for this transfer:

- farmland
- depreciable property, including buildings

Furthermore, a share of the capital stock of a family-farm or family-fishing corporation and an interest in a family-farm or family-fishing partnership also qualify for this transfer if your child is a resident of Canada just before the transfer.

The rules on intergenerational transfers of certain farming and fishing property from an individual to the individual's child include taxpayers involved in a combination of farming and fishing businesses.

- Shares or partnership interests:
  - In order for an individual's shares in a family corporation or interest in a family partnership to qualify for the intergenerational transfer, all or substantially all (generally interpreted as 90% or more) of the fair market value of the property of the entity must be property used mainly in a farming business or a fishing business. Eligibility for the intergenerational transfer extends to an individual's shares in a corporation, or interest in a partnership, where the corporation or partnership carries on both a farming business and a fishing business. In particular, if a property of the corporation or partnership is used mainly in either business, or is used mainly in a combination of farming and fishing, the property will count towards the "all or substantially all" test.

For most property, the transfer price can be any amount between the ACB and its FMV. For depreciable property, the transfer price can be any amount between its undepreciated capital cost (UCC) and its FMV.

**Example**
Wade wants to transfer these farm properties to Vicky, his 19-year-old daughter.

| | | |
|---|---|---|
| Land | ACB | $ 85,000 |
| | FMV at the time of transfer | $ 100,000 |
| Combine | FMV | $ 9,000 |
| | UCC at the time of transfer | $ 7,840 |

Therefore, Wade can transfer the following:

- the land at any amount between $85,000 (ACB) and $100,000 (FMV)
- the combine at any amount between $7,840 (UCC) and $9,000 (FMV)

If Wade transfers the land at a price equal to its ACB and the combine at a price equal to its UCC, he postpones any taxable capital gain and any recapture of capital cost allowance (CCA). Also, if he does this, we consider that Wade's proceeds of disposition and the amounts Vicky paid to acquire the properties are $85,000 for the land and $7,840 for the combine. When Vicky disposes of the land and the combine, she includes in her income any taxable capital gain and recapture that Wade postpones.

## Transfer of farm or fishing property to a child if a parent dies in the year

We allow a tax-free transfer of a deceased taxpayer's Canadian farm or fishing property to a child if **all** of these conditions are met:

- the child was resident in Canada just before the parent's death
- the property was used mainly in a farming or fishing business on a regular and ongoing basis by the deceased, the deceased's spouse or common-law partner, or any of the children before the parent's death
- the property was transferred to the child no later than 36 months after the parent's death. In some cases, we may allow the transfer even if it took place later than 36 months after the parent's death

**Note**
The rules under "Transfer of farm or fishing property to a child" may also apply in this section if the deceased's legal representative doesn't elect to have paragraph 70(9.01)(b) of the Income Tax Act apply in respect of the property.

The following types of farm or fishing property qualify for this transfer:

- land and buildings, or other depreciable property used mainly in a farming or fishing business
- a share of the capital stock of a family-farm or family-fishing corporation, and an interest in a family-farm or family-fishing partnership

For most property, the transfer price can be any amount between the ACB and its FMV.

For depreciable property, the transfer price can be an amount between the property's FMV and a special amount. For more information, see Chapter 4, "Deemed disposition of property," in Guide T4011, Preparing Returns for Deceased Persons.

The deceased's legal representative can elect, under paragraph 70(9.01)(b), to choose the amount in the year of death. We consider the child to acquire these properties at the amount chosen.

Similar rules apply for property that a deceased person leased to the family-farm or family-fishing corporation or partnership.

If a child gets a farm or fishing property from a parent and the child later dies, the property can be transferred to the surviving parent based on the same rules.

Shares or other property of a family-farm or family-fishing holding corporation can also be transferred based on the same rules, from a spouse or common-law partner trust to a child of the settlor. The settlor is the person who sets up a trust, or the person who transfers property to a trust.

For more information on these transfers, see Interpretation Bulletin IT-349, Intergenerational Transfers of Farm Property on Death.

## Transfer of farm or fishing property to a spouse or common-law partner

A farmer can transfer farm property to a spouse or common-law partner or to a spousal or common-law partner trust during the farmer's lifetime. At the time of transfer, the farmer can postpone any taxable capital gain or recapture of CCA.

If the spouse or common-law partner later disposes of the property, the farmer, not the spouse or common-law partner generally has to report any taxable capital gain. This rule applies where the farmer is living at the time the spouse or common-law partner sells the property. However, there are exceptions to this rule. For more information, see Interpretation Bulletin IT-511, Interspousal and Certain Other Transfers and Loans of Property.

A transfer of farm property can also occur after the farmer dies. For more information, see Chapter 4, "Deemed disposition of property," in Guide T4011, Preparing Returns for Deceased Persons.

The rollover provisions available for farm properties also apply to land and depreciable property used mainly in a woodlot farming business. They will apply where the deceased, the deceased's spouse or common-law partner, or any of the deceased's children were engaged in the woodlot operation as required by a **prescribed forest management plan** for the woodlot.

## Other special rules

You may also be able to postpone paying tax on capital gains in the following situations.

### Reserves

When you dispose of a capital property, you usually receive full payment at that time. However, sometimes you receive the amount over a number of years. Generally, a reserve allows you to defer reporting part of the capital gain to the year in which you receive the proceeds.

For example, you may sell a capital property for $50,000 and receive $10,000 at the time of the sale. You receive the remaining $40,000 over four years. In this situation, you can claim a reserve. However, there is a limit to the number of years you can do this.

For more information on reserves, see Guide T4037, Capital Gains, and Form T2017, Summary of Reserves on Dispositions of Capital Property.

### Exchanges or expropriations of property

There are special rules that apply when you dispose of a property and replace it with a similar one, or when someone expropriates your property. For more information, see Income Tax Folio S3-F3-C1, Replacement Property.

## Information reporting related to reportable transactions and notifiable transactions

If you are a taxpayer, advisor or promoter who engages in or who is entitled to certain fees in relation to certain tax avoidance transactions, you are subject to new reporting requirements.

## Reportable transactions

Effective for transactions entered into after June 21, 2023, a transaction is reportable if it is an avoidance transaction as defined in subsection 237.3(1), previously 245(3), of the Income Tax Act and has at least one (previously two) of the following three characteristics:

- the advisor or promoter has or had an entitlement to contingent fee arrangements
- the advisor or promoter has or had confidential protection with respect to the transaction
- the taxpayer, advisor or promoter (including any non-arm's length parties) has or had contractual protection for the transaction (other than as a result of certain types of fees or, for transactions entered into after 2022, because it concerns contractual protection offered in the context of normal commercial transactions to a wide market)

To learn more about these hallmarks, go to **canada.ca/mandatory-disclosure-rules**.

> **Note**
> The definition of **tax benefit** under subsection 245(1) was amended to include tax attributes that have not yet become relevant to the calculation of tax. This is important in determining whether there is an avoidance transaction for the purposes of the reportable transaction rules.

A reportable transaction does not include a transaction that is, or is part of, a series of transactions that includes the acquisition of a tax shelter or issuance of a flow-through share for which an information return has been filed with the minister of national revenue under subsection 237.1(7) or 66(12.68), respectively. This is the case unless it is reasonable to conclude that one of the main reasons for the acquisition of a tax shelter, or the issuance of a flow through-share, was to avoid the reportable transactions provisions under section 237.3.

## Notifiable transactions

You have to report **notifiable transactions**. The minister of national revenue has the authority to designate, with the agreement of the minister of finance, a transaction or a series of transactions as notifiable. Reporting requirements (and any exceptions to the rule) similar to those for reportable transactions entered into after June 21, 2023, apply with the inclusion of a prescribed form. A notifiable transaction is a transaction that is the same as, or much like, a designated transaction, or a transaction in a series of transactions that is the same as, or much like, a designated series of transactions. This applies to notifiable transactions entered into after June 21, 2023.

For a list of notifiable transactions designated by the minister of National Revenue, go to **canada.ca/notifiable-transactions**. You can subscribe to CRA's electronic mailing list at **canada.ca/cra-email-lists** to receive an email when the minister designates new notifiable transactions.

## Filing requirements

For reportable transactions and notifiable transactions entered into after June 21, 2023, you have to file Form RC312, Reportable Transaction and Notifiable Transaction Information Return. You must send it to us within 90 days of the earlier of the day the business or a person transacting for it:

- becomes contractually obligated to enter into the reportable or notifiable transaction
- enters into the reportable or notifiable transaction

An extended reassessment period may apply under paragraphs 152(4)(b.5) and 152(4)(b.6) of the Income Tax Act.

For reportable transactions entered into before June 22, 2023, you have to file a previous version of Form RC312by June 30 of the calendar year following the calendar year in which the transaction first becomes reportable.

File this return separately from your tax return. Before you file it, make a copy for your records. Send the original return, amended return, and any other information to:

**Winnipeg Tax Centre**
**Data Assessment and Evaluation Programs**
**Validation and Verification Section**
**Foreign Reporting Returns**
**66 Stapon Road**
**Winnipeg MB R3C 3M2**

### Penalties

Failure to report could result in suspension of the tax benefit and a penalty.

For transactions entered into after June 21, 2023, penalties will apply for each failure to report a reportable transaction or a notifiable transaction:

- to persons who enter into such transactions or for whom a tax benefit results from such transactions
- to advisors and promoters of such transactions and persons who do not deal at arm's length with them and who are entitled to a fee for the transactions

# Commodity list

| Commodity | Code |
|---|---|
| **Grains, oilseeds, and special crops** | |
| Barley | 003 |
| Beans (dry edible) | 004 |
| Borage | 006 |
| Buckwheat | 007 |
| Camelina | 282 |
| Canadian Wheat Board payments | 002 |
| Canary seed | 008 |
| Canola | 010 |
| Chick peas/Garbanzo beans | 023 |
| Corn | 011 |
| Faba beans | 012 |
| Field peas | 013 |
| Flaxseed | 014 |
| Forage (including pellets, silage) | 264 |
| Forage seed | 015 |
| Grain (pellets, screenings, silage) | 039 |
| Hemp | 030 |
| Kenaf | 317 |
| Khorasan wheat/Kamut | 036 |
| Lathyrus | 040 |
| Lentils | 041 |
| Lupins | 042 |
| Millet | 043 |
| Mixed grain | 024 |
| Mustard seed | 044 |
| Niger seed/Niger thistle | 283 |
| Oats | 045 |
| Oilseed radish | 038 |
| Prepared feed and protein supplements (itemized) | 046 |
| Quinoa | 047 |
| Rice | 048 |
| Rye | 049 |
| Safflower | 050 |
| Soybeans | 053 |
| Spelt | 037 |
| Straw | 267 |
| Sugar beets (including molasses) | 268 |
| Sunflowers | 054 |
| Tobacco | 269 |
| Triticale | 055 |
| Vegetable seed (seed production only) | 051 |
| Wheat | 056 |
| **Edible horticulture** | |
| Flowers (edible) | 180 |
| Hops | 383 |
| Mushrooms (including spawn) | 131 |
| Nuts (all) | 140 |
| Weeds (edible) | 211 |
| **Berries** | |
| Blackberries | 066 |
| Blueberries | 067 |
| Cranberries | 068 |
| Currants (black, red) | 065 |
| Elderberries | 074 |
| Gooseberries | 069 |
| Haskap | 075 |
| Loganberries | 070 |
| Raspberries | 071 |
| Saskatoon berries | 072 |
| Sea buckthorn | 076 |
| Strawberries | 073 |
| **Fruit** | |
| Apples | 060 |
| Apricots | 091 |
| Cantaloupe | 168 |
| Cherries (sweet, sour) | 092 |
| Fruit juice | 081 |
| Grapefruit | 082 |
| Grapes | 083 |
| Kiwi fruit | 084 |
| Lemons | 085 |
| Melons | 185 |
| Nectarines | 093 |
| Oranges | 086 |
| Peaches | 094 |
| Pears | 095 |
| Plums | 096 |
| Prunes | 097 |
| Watermelon | 087 |
| Wine | 088 |
| **Herbs and spices** | |
| Anise | 101 |
| Basil | 102 |
| Caraway seed | 103 |
| Chervil | 158 |
| Chives | 104 |
| Cilantro | 105 |
| Comfrey | 106 |
| Coriander | 107 |
| Cumin | 144 |
| Dill | 108 |
| Echinacea | 142 |
| Fennel | 110 |
| Fenugreek | 111 |
| Fireweed | 377 |
| Garlic | 113 |
| Gingko biloba | 380 |
| Ginseng | 114 |
| Lavender | 379 |
| Lemon balm | 378 |
| Marjoram | 115 |
| Mint | 116 |
| Monarda | 117 |
| Oregano | 118 |
| Parsley | 119 |

| | |
|---|---|
| Pepper | 120 |
| Rosemary | 121 |
| Sage | 122 |
| Salsify | 123 |
| St. John's wort | 381 |
| Summer savory | 125 |
| Tarragon | 126 |
| Thyme | 127 |
| Watercress | 128 |
| **Vegetables** | |
| Artichokes | 160 |
| Arugula/Rocket | 195 |
| Asparagus | 161 |
| Beans, fresh | 025 |
| Beets | 162 |
| Bok choi | 163 |
| Broccoflower | 164 |
| Broccoli | 165 |
| Brussels sprouts | 166 |
| Cabbage | 167 |
| Carrots | 169 |
| Cauliflower | 170 |
| Celery | 171 |
| Chinese vegetables | 173 |
| Collards | 174 |
| Cucumbers | 175 |
| Eggplant | 176 |
| Endive | 177 |
| Fiddleheads | 179 |
| Gherkins | 221 |
| Green peas | 223 |
| Horseradish | 181 |
| Kale | 214 |
| Kohlrabi | 182 |
| Leeks | 183 |
| Lettuce | 184 |
| Mustard leaves | 186 |
| Okra | 227 |
| Onions | 187 |
| Parsnip | 190 |
| Peppers | 191 |
| Potatoes and by-products | 147 |
| Pumpkins | 192 |
| Radish | 193 |
| Rhubarb | 194 |
| Rutabagas | 197 |
| Shallots | 198 |
| Spinach | 201 |
| Squash | 202 |
| Stevia | 230 |
| Sweet corn | 203 |
| Sweet peas | 204 |
| Sweet potatoes/Yams | 205 |
| Swiss chard | 206 |
| Tomatoes | 207 |
| Turnips | 208 |
| Vegetable marrow | 209 |
| Witloof chicory | 212 |
| Zucchini | 213 |
| **Vegetables – Greenhouse** | |
| Cherry tomatoes | 233 |
| Cucumbers | 234 |
| Lettuce | 235 |
| Peppers | 236 |
| Tomatoes | 237 |
| **Non-edible horticulture** | |
| Bedding plants | 132 |
| Flowers and ornamental foliage | 133 |
| Fruits and vegetables (non-edible) | 134 |
| Seeds and bulbs | 135 |
| Shrubs | 136 |
| Sod | 137 |
| Trees (cultivated Christmas) | 138 |
| Trees (fruit and ornamental) | 139 |
| **Income feed** | |
| **Custom feedlot operator income** | |
| Custom feedlot operator income (itemized invoices) – Qualifying feed and protein supplements | 243 |
| Custom feedlot operator income (non-itemized invoices) – Qualifying prepared feed | 246 |
| Other custom feeding income (itemized) | 576 |
| **Expense feed** | |
| **Livestock owners and custom feedlot operators with prepared feed purchases** | |
| Other feed charges (itemized) | 570 |
| Prepared feed and protein supplements (itemized) | 046 |
| Prepared feed and purchases (non-itemized) | 571 |
| **Livestock owners and custom feeding expense** | |
| Custom feeding expenses (non-itemized) | 573 |
| Livestock owners custom feeding expense (itemized) – Qualifying feed and protein supplements | 577 |
| Other custom feeding expenses (itemized) | 572 |
| **Ranch fur operators with prepared feed purchases** | |
| Prepared feed and protein supplements (itemized) | 046 |
| Ranch fur operators feed purchases (non-itemized) | 574 |
| Ranch fur operators other feed expenses (itemized) | 310 |
| **Poultry, fowl, ratites** | |
| Chickens | 366 |
| Chickens (non-supply managed) | 590 |
| Chickens, eggs (non-supply managed) | 589 |
| Chickens, eggs for consumption | 343 |
| Chickens, eggs for hatching | 344 |
| Ducks | 332 |
| Emus | 373 |
| Geese | 333 |
| Ostriches | 371 |
| Partridge | 323 |
| Pheasants | 338 |
| Pigeons | 327 |

| | |
|---|---|
| Quail | 324 |
| Rheas | 372 |
| Silkies | 326 |
| Taiwanese chickens | 325 |
| Turkeys | 334 |
| Turkeys (non-supply managed) | 591 |
| Turkey eggs | 342 |
| **Prescribed drought region (PDR)/Prescribed flood region (PFR)/CFIA livestock codes** | |
| Deferred bison | 151 |
| Deferred bovine cattle | 150 |
| Deferred deer | 154 |
| Deferred elk | 155 |
| Deferred goat | 152 |
| Deferred horse for PMU sales | 156 |
| Deferred other breeding animals | 157 |
| Deferred sheep | 153 |
| **Livestock** | |
| Alpacas | 370 |
| Bees, honey | 374 |
| Bees, leaf cutter | 312 |
| Bison | 350 |
| Cattle, calves | 719 |
| Cattle, cows and bulls | 706 |
| Cattle, fat/slaughter | 720 |
| Cattle, feeder | 721 |
| Cattle, purebred breeding | 722 |
| Chinchilla | 240 |
| Deer | 352 |
| Dogs (kennels and pet breeding excluded) | 313 |
| Donkeys/Mules | 367 |
| Elk | 353 |
| Fox | 241 |
| Goats | 354 |
| Groundhogs/Hedgehogs | 369 |
| Horses | 316 |
| Llamas | 355 |
| Mink | 242 |
| Pot bellied pigs | 239 |
| Rabbits | 356 |
| Reindeer | 244 |
| Sheep, ewes and rams | 734 |
| Sheep, lambs | 723 |
| Swine | 341 |
| Wild boar | 247 |
| **Other products** | |
| Bee by-products | 375 |
| Cannabis | 382 |
| Elk velvet | 764 |
| Fish meal | 263 |
| Honey | 129 |
| Manure | 318 |
| Maple products | 130 |
| Milk and cream (cattle) | 319 |
| Milk and cream (non-supply managed) | 592 |
| Pollination services fee | 376 |
| Pregnant mare urine (PMU) | 322 |
| Semen and embryos | 712 |
| Wood | 259 |
| Wool | 328 |

**Note**
For information on any commodities not included in this listing, contact your Administration.

# Program payment list A

See the following lists to determine the correct code to report the program payment on Form T1163 or Form T1164.

Payments received from programs on the following list are marked with an "X" to show whether they are included in the calculation of your program year production margin for AgriStability, your allowable net sales (ANS) for AgriInvest, or both.

| Program payment – included in AgriStability and AgriInvest calculations | Agri-Stability | Agri-Invest | Code |
|---|---|---|---|
| AgriInsurance (production/crop insurance) – Edible horticulture crops | X | X | 402 |
| AgriInsurance (production/crop insurance) – Grains, oilseeds, and special crops | X | X | 401 |
| AgriInsurance (production/crop insurance) – Non-edible horticulture crops | X | X | 470 |
| AgriInsurance (production/crop insurance) – Other commodities, including livestock | X | X | 463 |
| AgriRecovery drought assistance payments (allowable) | X | | 774 |
| Canadian Food Inspection Agency (CFIA) payment for allowable commodities | X | X | 663 |
| Canadian Food Inspection Agency (CFIA) payment for other amounts | X | | 665 |
| Canadian Food Inspection Agency (CFIA) payment for supply managed commodities | X | | 664 |
| COVID-19 – AgriRecovery – Livestock set aside programs | X | X | 699 |
| COVID-19 – Other assistance payments (allowable income) | X | | 687 |
| COVID-19 – Temporary foreign worker subsidy payments | X | | 686 |
| COVID-19 – Wage subsidy payments for arm's length salaries | X | | 684 |
| Crop cover protection program | X | | 473 |
| Cull breeding swine program (all provinces) | X | | 582 |
| Dairy Direct Payment Program (DDPP) | X | | 683 |
| Livestock feed insurance program | X | X | 412 |
| Livestock price insurance | | X | 667 |
| Other AgriRecovery program (allowable income)* | X | | 627 |
| Post tropical storm Dorian response program | X | | 772 |
| Private hail insurance | | X | 407 |
| Private insurance proceeds for allowable commodities (production/price/margin insurance) | | X | 661 |
| Private insurance proceeds for the replacement of allowable commodities | X | X | 681 |
| Private insurance proceeds for the replacement of allowable expense items | X | | 406 |
| Waterfowl/Wildlife damage compensation – Grains, oilseeds, and special crops | X | X | 418 |
| Waterfowl/Wildlife damage compensation – Horticulture | X | X | 419 |
| Waterfowl/Wildlife damage compensation – Other commodities | X | X | 425 |
| **Alberta** | | | |
| 2016 Canada – Alberta bovine tuberculosis assistance initiative (allowable income) | X | | 674 |
| 2021 Canada – Alberta hog recovery initiative | X | | 778 |
| 2021 Canada – Alberta livestock feed assistance initiative (allowable) | X | | 776 |
| **Manitoba** | | | |
| Canada-Manitoba livestock feed and transportation drought assistance | X | | 779 |
| Canada-Manitoba livestock transportation drought assistance | X | | 780 |
| **Newfoundland and Labrador** | | | |
| Newfoundland and Labrador livestock insurance program | X | X | 771 |
| **New Brunswick** | | | |
| New Brunswick Lime Transportation Assistance Program | X | | 782 |
| **Nova Scotia** | | | |
| 2016 Canada – Nova Scotia fire blight initiative | X | | 673 |
| 2018 Nova Scotia frost loss program | X | | 678 |

| | | | |
|---|---|---|---|
| **Ontario** | | | |
| Ontario special beekeepers fund | X | | 552 |
| **Prince Edward Island** | | | |
| 2018 Canada-PEI fall harvest recovery initiative | X | | 680 |
| 2020 PEI Potato Seed Recovery Program | X | | 770 |
| 2022 Canada-PEI surplus potato management response plan | X | | 781 |
| **Saskatchewan** | | | |
| 2016 Canada-Saskatchewan bovine tuberculosis assistance initiative | X | | 675 |
| Saskatchewan cattle and hog support program | X | | 593 |

* This code should only be used for AgriRecovery programs (allowable income for AgriStability) not specifically listed above.

# Program payment list B

Payments received from programs on the following list are not included in the calculation of your program year production margin for AgriStability or your allowable net sales (ANS) for AgriInvest.

| Program payment | Code |
|---|---|
| AgriRecovery drought assistance payments (non-allowable) | 773 |
| Alternate land use services (ALUS) | 557 |
| Apple industry growth and efficiency program | 669 |
| Canadian agricultural skills service (CASS) | 561 |
| Canadian farm business advisory service (CFBAS) | 562 |
| Canadian Food Inspection Agency (CFIA) payments – Compensation for non-allowable commodities | 587 |
| COVID-19 – Other assistance payments (non-allowable income) | 688 |
| COVID-19 – Wage subsidy payments for non-arm's length salaries | 685 |
| Dairy farm investment program (DFIP) | 682 |
| Dairy subsidies | 435 |
| Green plan, farm-based program – Permanent cover practices | 466 |
| Hog farm transition program | 607 |
| Industry transition production assistance program | 478 |
| Market revenue insurance (MRI) – Non-edible horticulture crops | 474 |
| Market revenue insurance (MRI) – Qualifying edible horticulture crops | 411 |
| Market revenue insurance (MRI) – Qualifying grains, oilseeds, and special crops | 410 |
| Other AgriRecovery program (non-allowable income)* | 632 |
| Production insurance premium adjustment | 499 |
| Special farm assistance | 560 |
| Tobacco transition program | 606 |
| Transitional financial assistance program (TFA) | 427 |
| Young farmer rebate | 559 |
| **Alberta** | |
| 2016 Canada – Alberta bovine tuberculosis assistance initiative (non-allowable income) | 676 |
| 2021 Canada – Alberta livestock feed assistance initiative (non-allowable) | 775 |
| Alberta spring price endorsement | 495 |
| **British Columbia** | |
| 2014 Canada – British Columbia avian influenza assistance initiative | 670 |
| 2017 Canada – British Columbia wildfire recovery initiative | 677 |
| 2018 Canada – British Columbia wildfire recovery initiative | 679 |
| **Manitoba** | |
| Manitoba farmland school tax rebate program | 556 |
| **Nova Scotia** | |
| 2016 Canada – Nova Scotia maple sector initiative | 672 |
| **Ontario** | |
| Canada – Ontario grain and oilseed payment | 410 |
| Canada – Ontario grain stabilization payment | 410 |
| Ontario cattle, hog and horticulture payment | 581 |
| Ontario cost recognition top-up | 553 |
| Ontario edible horticulture support/program payment | 475 |
| Ontario grain and oilseed program payment | 471 |
| Ontario inventory transition payment program | 441 |
| Ontario risk management program (including the self-directed risk management program) | 565 |

| | |
|---|---|
| **Saskatchewan** | |
| Saskatchewan crop insurance premium adjustment | 619 |

* This code should only be used for AgriRecovery programs (non-allowable income for AgriStability) not specifically listed above.

# Capital cost allowance (CCA) rates

Below you will find the more common depreciable properties that a business may use along with the class of each property. The CCA rates appear at the end of the list. **For more information on Classes 13, 14, 34, and 43.1, and Part XVII of the** Income Tax Act**, call us at 1-800-959-5525**.

| Depreciable property | Class No. |
|---|---|
| Aircraft – Acquired before May 26, 1976 | 16 |
| Aircraft – Acquired after May 25, 1976 | 9 |
| Bee equipment | 8 |
| Boats and component parts | 7 |
| Breakwaters | |
| Cement or stone | 3 |
| Wood | 6 |
| Brooders | 8 |
| Buildings and component parts | |
| Wood, galvanized, or portable | 6 |
| Other: | |
| Acquired after 1978 and before 1988* | 3 |
| Acquired after 1987 | 1 |
| Fruit and vegetable storage (after Feb. 19, 1973) | 8 |
| Casing, cribwork for water wells | 8 |
| Chain-saws | 10 |
| Cleaners – grain or seed | 8 |
| Combines | |
| Drawn | 8 |
| Self-propelled | 10 |
| Computer equipment and systems software | |
| Acquired before March 23, 2004 | 10 |
| Acquired after March 22, 2004 | 45 |
| Acquired after March 18, 2007 | 50 |
| Acquired after January 27, 2009, and before February 2011 | 52 |
| Computer software (other than systems software) | 8 |
| Coolers – Milk | 8 |
| Cream separators | 8 |
| Cultivators | 8 |
| Dams | |
| Cement, stone, wood, or earth | 1 |
| Data network infrastructure equipment – Acquired after March 22, 2004 | 46 |
| Diggers – All types | 8 |
| Discs | 8 |
| Docks | 3 |
| Drills – All types | 8 |
| Dugouts, dikes, and lagoons | 6 |
| Electric-generating equipment – portable | 8 |
| Electric motors | 8 |
| Elevators | 8 |
| Engines – Stationary | 8 |
| Fences – All types | 6 |
| Forage harvesters | |
| Drawn | 8 |
| Self-propelled | 10 |
| Graders – Fruit or vegetable | 8 |
| Grain-drying equipment | 8 |
| Grain loaders | 8 |
| Grain separators | 8 |
| Grain-storage building | |
| Wood, galvanized steel | 6 |
| Other | 1 |
| Greenhouses (all except as noted below) | 6 |
| Greenhouses of rigid frames covered with replaceable flexible plastic | 8 |
| Grinder | 8 |
| Harness | 10 |
| Harrows | 8 |
| Hay balers and stookers | |
| Drawn | 8 |
| Self-propelled | 10 |
| Hay loaders | 8 |
| Ice machines | 8 |
| Incubators | 8 |
| Irrigation equipment – Overhead | 8 |
| Irrigation ponds | 6 |
| Leasehold interest | 13 |
| Manure spreaders | 8 |
| Milking machines | 8 |
| Mixers | 8 |
| Mowers | 8 |
| Nets | 8 |
| Office equipment including photocopiers, fax machines | 8 |
| Outboard motors | 10 |
| Passenger vehicles (see Chapter 4) | 10 or 10.1 |
| Piping – Permanent | 2 |
| Planters – All types | 8 |
| Plows | 8 |
| Power block – Purse seine | 7 |
| Pumps | 8 |
| Radar or radio equipment | |
| Acquired before May 26, 1976 | 9 |
| Acquired after May 25, 1976 | 8 |
| Rakes | 8 |
| Roads or other surface areas – Paved or concrete | 17 |
| Silo fillers | 8 |
| Silos | 8 |
| Sleighs | 10 |
| Sprayers | 8 |
| Stable cleaners | 8 |
| Stalk cutters | 8 |
| Swathers | |
| Drawn | 8 |
| Self-propelled | 10 |
| Threshers | 8 |
| Tile or concrete drainage system – Acquired before 1965 | 13 |
| Tillers – All types | 8 |
| Tools | |
| Less than $500 | 12 |
| $500 and more | 8 |
| Tractors | 10 |
| Trailers | 10 |
| Traps | 8 |
| Trucks | 10 |
| Trucks (freight) | 16 |

| Depreciable property | Class No. |
|---|---|
| Wagons | 10 |
| Water towers | 6 |
| Weeders | 8 |
| Weirs | 3 |
| Weirs – Fish | 8 |
| Welding equipment | 8 |
| Well equipment | 8 |
| Wharves | |
| Cement, steel, or stone | 3 |
| Wood | 6 |
| Wind chargers | 8 |
| Wind-energy conversion equipment | |
| Acquired before February 22, 1994 | 34 |
| Acquired after February 21, 1994 | 43.1 |
| (Note: Class 43.1 can be used other than for wind energy.) | |
| Zero-emission automotive equipment or vehicles (other than motor vehicles) | 56 |
| Zero-emission vehicles that would otherwise be in Class 10 or 10.1 | 54 |
| Zero-emission vehicles that would otherwise be in Class 16 | 55 |

* You may add to or alter a Class 3 building after 1987. In this case, there is a limit on the amount you can include in Class 3. The most you can include in Class 3 is the lesser of $500,000 or 25% of the building's cost on December 31, 1987. In Class 1, include any costs you incur that are over this limit.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Class 1 | 4% | Class 8 | 20% | Class 13** | | Class 50 | 55% |
| Class 2 | 6% | Class 9 | 25% | Class 16 | 40% | Class 52 | 100% |
| Class 3 | 5% | Class 10 | 30% | Class 17 | 8% | Class 54 | 30% |
| Class 6 | 10% | Class 10.1 | 30% | Class 45 | 45% | Class 55 | 40% |
| Class 7 | 15% | Class 12 | 100% | Class 46 | 30% | Class 56 | 30% |

** You can claim CCA on leasehold interest, but the maximum rate depends on the type of leasehold interest and the terms of the lease.

# How to calculate the mandatory inventory adjustment (MIA)

For instructions on how to fill in the following charts, see page 55 in Chapter 3.

### Chart 1
### Cash cost of purchased inventory

Enter the amount you paid by the end of the 2023 fiscal period for the specified animals you bought:

| Fiscal period | Cash cost | |
|---|---|---|
| ■ in your 2023 fiscal period | $________ | 1 |
| ■ in your 2022 fiscal period | $________ | 2 |
| ■ in your 2021 fiscal period | $________ | 3 |
| ■ in your 2020 fiscal period | $________ | 4 |
| ■ before your 2020 fiscal period | $________ | 5 |

Enter the amount you paid by the end of your 2023 fiscal period for all other inventory you bought:

| | | |
|---|---|---|
| ■ in your 2023 fiscal period | $________ | 6 |
| ■ in your 2022 fiscal period | $________ | 7 |
| ■ in your 2021 fiscal period | $________ | 8 |
| ■ in your 2020 fiscal period | $________ | 9 |
| ■ before your 2020 fiscal period | $________ | 10 |

### Chart 2
### Value of purchased inventory for specified animals

**Inventory bought in your 2023 fiscal period**
Enter an amount that is not more than the amount from line 1 but not less than 70% of this amount. $________ 11

**Inventory bought in your 2022 fiscal period**
Enter an amount that is not more than the amount from line 2, but not less than 70% of the total of the value at the end of your 2022 fiscal period **plus** any amounts you paid in your 2023 fiscal period toward the purchase price. $________ 12

**Inventory bought in your 2021 fiscal period**
Enter an amount that is not more than the amount from line 3, but not less than 70% of the total of the value at the end of your 2022 fiscal period **plus** any amounts you paid in your 2023 fiscal period toward the purchase price. $________ 13

**Inventory bought in your 2020 fiscal period**
Enter an amount that is not more than the amount from line 4, but not less than 70% of the total of the value at the end of your 2022 fiscal period **plus** any amounts you paid in your 2023 fiscal period toward the purchase price. $________ 14

**Inventory bought before your 2020 fiscal period**
Enter an amount that is not more than the amount from line 5, but not less than 70% of the total of the value at the end of your 2022 fiscal period **plus** any amounts you paid in your 2023 fiscal period toward the purchase price. $________ 15

### Chart 3
### Value of purchased inventory for all other inventory

**Inventory bought in your 2023 fiscal period**
Enter the amount from line 6 or the fair market value, whichever is less. $________ 16

**Inventory bought in your 2022 fiscal period**
Enter the amount from line 7 or the fair market value, whichever is less. $________ 17

**Inventory bought in your 2021 fiscal period**
Enter the amount from line 8 or the fair market value, whichever is less. $________ 18

**Inventory bought in your 2020 fiscal period**
Enter the amount from line 9 or the fair market value, whichever is less. $________ 19

**Inventory bought before your 2020 fiscal period**
Enter the amount from line 10 or the fair market value, whichever is less. $________ 20

### Chart 4
### Calculation of MIA

Enter the amount of your net loss from line 9969 of Form T1163 or T1164. $________ 21

Enter the value of your inventory from Chart 2 and Chart 3:

| | | | |
|---|---|---|---|
| ■ the amount from line 11 | $________ | | |
| ■ the amount from line 12 | $________ | | |
| ■ the amount from line 13 | $________ | | |
| ■ the amount from line 14 | $________ | | |
| ■ the amount from line 15 | $________ | | |
| ■ the amount from line 16 | $________ | | |
| ■ the amount from line 17 | $________ | | |
| ■ the amount from line 18 | $________ | | |
| ■ the amount from line 19 | $________ | | |
| ■ the amount from line 20 | $________ | | |
| **Total value of inventory** | $________ | $________ | 22 |
| MIA – enter the amount from line 21 or line 22, whichever is less. | | $________ | 23 |

# GST/HST rates

Supplies of farm goods and services **subject to** GST (5%) or HST (13% or 15%) include:

- crop dusting
- contract work, including field clearing, tilling, harvesting done by one farmer on behalf of another
- road-clearing services
- stud or artificial insemination services
- storing goods (for example, storing grain in a grain elevator)
- beeswax
- maple sugar candy
- canary seed, lawn seed, and flower seed
- bedding plants, sod, cut flowers, living trees, and firewood
- furs, animal hides, and dead animals not suitable for human consumption
- fertilizer in bulk quantities of less than 500 kg, or any quantities of soil or soil mixture whether or not it contains fertilizer
- gravel, stones, rock, soil, and soil additives
- livestock or poultry not normally raised as food or to produce food for human consumption (for example, horses, mules, rabbits, exhibition poultry, and mink)
- processed wool, feathers, and down

Other supplies are taxable at 0%. We refer to these as **zero-rated supplies**. You do not pay GST/HST when you make these purchases and you do not charge GST/HST when you supply them to your customers.

**Zero-rated** farm supplies are:

- fruits and vegetables
- grains or seeds in their natural state, treated for seeding purposes or irradiated for storage purposes, hay or silage, or other fodder crops, when they are sold in quantities larger than ordinarily offered for sale to consumers, **except** grains and seeds sold to use as feed for wild birds or pet food
- feed sold by a feedlot operator, as long as the price is separately identified on the invoice or written agreement
- hops, barley, flaxseed, straw, sugar cane, or sugar beets
- livestock such as cattle, hogs, poultry, bees, or sheep that are raised or kept to produce food, or to be used as food, for human consumption, or to produce wool
- poultry or fish eggs that are produced for hatching
- rabbits, except those that are to be sold as pets
- frozen, salted, smoked, dried, scaled, eviscerated or filleted fish, or seafood sold for human consumption
- fertilizer sold in individual bags of at least 25 kg when the total quantity is at least 500 kg
- wool that is not further processed than washed
- tobacco leaves that are not further processed than dried and sorted

**Zero-rated** farm purchases are:

- large farm tractors (60 PTO hp. and over)
- pull and self-propelled combines, swathers, and wind-rowers
- headers for combines, forage harvesters, swathers or wind-rowers
- combine or forage harvester pickups
- forage harvesters, and self-propelled, tractor-mounted, or pull-type mechanical fruit or vegetable pickers or harvesters
- mouldboard and disc ploughs (3 or more furrows), and chisel ploughs and subsoil chisels (at least 8 feet or 2.44 metres)
- discers, rod weeders, or bean rods (at least 8 feet or 2.44 metres)

- field and row crop cultivators (at least 8 feet or 2.44 metres)
- combination discer-cultivators (at least 8 feet or 2.44 metres)
- rototillers and rotovators (at least 6 feet or 1.83 metres)
- harrows sold in complete units and pulverizers (at least 8 feet or 2.44 metres)
- land packers, mulchers, and rotary hoes (at least 8 feet or 2.44 metres)
- airflow seeders, grain and seed drills (at least 8 feet or 2.44 metres), and farm-type row-crop or toolbar seeders or planters designed to seed 2 or more rows at a time
- mower conditioners, hay balers, hay cubers, hay rakes, hay conditioners, hay crushers, hay crimpers, hay tedders, swath turners, and wind-row turners
- bale throwers, elevators, or conveyors, silage baggers and round bale wrapping machines
- grain bins or tanks with a capacity of 181 cubic meters or less (5,000 bushels)
- transportable grain augers, utility augers, elevators and transportable conveyors with belts less than 76.2 cm (30 inches) wide and 0.48 cm (3/16 inch) thick
- bin sweep or cleaner attachments for portable grain augers
- tractor-powered pneumatic grain conveyors
- feed mills, including roller mills and hammer mills
- feed mixers, grinders, grinder mixers, and tub grinders
- ensilage mixers, and self-propelled feed or ensilage carts
- grain toasters to use in livestock feed production
- grain dryers
- farm bulk milk coolers
- assembled and fully operational milking systems or individual components of these systems
- automated and computerized farm livestock or poultry feeding systems or individual components of these systems
- self-propelled, tractor-mounted, or pull-type agricultural wagons or trailers designed for off-road handling and transporting of grain, forage, livestock feed, or fertilizer, and to be used at speeds not exceeding 40 km per hour
- mechanical rock or stone pickers, rock or root rakes, and rock or root wind-rowers, forage blowers, silo unloaders, and shredders with an operational width of at least 3.66 m or 12 feet
- tractor-mounted, self-propelled, or pull-type field sprayers with tank capacities of at least 300 litres or 66 gallons
- granular fertilizer or pesticide applicators with an operational capacity of at least 0.2265 cubic metres or 8 cubic feet
- liquid box, tank, or flail manure spreaders and injection systems for liquid manure spreaders
- leafcutter bees
- complete feeds, supplements, micro-premixes, macro-premixes, and mineral feeds other than trace mineral salt feeds, labelled in accordance with the Feeds Regulations, and designed for rabbits or a specific type of farm livestock, fish, or poultry ordinarily raised or kept for human consumption or to produce wool, and sold in bulk quantities or bags of 20 kg or more
- feed sold in bulk quantities or bags of 20 kg or more and designed for ostriches, rheas, emus, or bees
- food processing by-products sold in bulk quantities or bags of 20 kg or more and used as feed or as ingredients in feed for farm livestock, fish, or poultry that is ordinarily raised or kept for human consumption or to produce wool, or for rabbits, ostriches, rheas, emus, or bees
- pesticides used for agricultural purposes labelled by the Pest Control Products Regulations and not designed for domestic use
- sales of quotas between farmers for zero-rated products (including dairy, turkey, chicken, eggs, and tobacco leaves)
- farmland rented to a registrant under a sharecropping arrangement, where a share of the production that is zero-rated is part of the price (any other extra payments are taxable)

# Digital services

The CRA's digital services are fast, easy and secure!

## My Account

My Account lets you view and manage your personal income tax and benefit information online.

Use My Account throughout the year to:

- view your benefit and credit information and apply for certain benefits
- view your notice of assessment or reassessment
- view uncashed cheques and request a replacement payment
- change your address, phone numbers, direct deposit information, marital status, and information about children in your care
- manage notification preferences and receive email notifications when important changes are made to your account
- check your tax-free savings account (TFSA) contribution room, your registered retirement savings plan (RRSP) deduction limit, and your first home savings account (FHSA) participation room
- track the progress of certain files and enquiries you have submitted to the CRA
- make a payment online to the CRA with the My Payment service, create a pre-authorized debit (PAD) agreement, or create a QR code to pay in person at Canada Post for a fee (for more information on how to make a payment, go to **canada.ca/payments**)
- view and print your proof of income statement
- manage authorized representatives and authorization requests
- submit documents to the CRA
- submit an audit enquiry
- manage Multi-factor authentication settings

To sign in to or register for the CRA's digital services, go to:

- My Account, at **canada.ca/my-cra-account**, if you are an individual
- Represent a Client, at **canada.ca/taxes-representatives**, if you are an authorized representative

## Receive your CRA mail online – Individuals

Set your correspondence preference to "Electronic mail" to receive email notifications when CRA mail, like your notice of assessment, is available in your account.

For more information, go to **canada.ca/cra-email-notifications**.

## Handle your business taxes online

My Business Account lets you view and manage your business taxes online.

Use My Business Account throughout the year to:

- make a payment online to the CRA with the My Payment service, create a pre-authorized debit (PAD) agreement or create a QR code to pay in person at Canada Post for a fee (for more information on how to make a payment, go to **canada.ca/payments**)
- file a return, view the status of filed returns and adjust returns online
- submit documents to the CRA
- manage authorized representatives and authorization requests
- register to receive email notifications and to view mail from the CRA in My Business Account
- manage addresses, direct deposit information, program account names, operating names, phone numbers and business numbers in your profile
- view and pay account balances

- calculate and make instalment payments
- calculate a future balance
- transfer payments and immediately view the updated balance
- make an online request about your account and view answers to common enquiries
- track the progress of certain files you have submitted to the CRA
- submit an audit enquiry
- download reports
- request relief of penalties and interest
- manage Multi-factor authentication settings

To sign in to or register for the CRA's digital services, go to:

- My Business Account, at **canada.ca/my-cra-business-account**, if you are a business owner
- Represent a Client, at **canada.ca/taxes-representatives**, if you are an authorized representative

For more information, go to **canada.ca/taxes-business-online**.

### Receive your CRA mail online – Businesses

Register for email notifications to find out when CRA mail, like your notice of assessment, is available in My Business Account.

For more information, go to **canada.ca/cra-business-email-notifications**.

### Create a pre-authorized debit agreement for payments from your Canadian chequing account

A pre-authorized debit (PAD) is a secure online self-service payment option for individuals and businesses to pay their taxes. A PAD lets you authorize withdrawals from your Canadian chequing account to pay the CRA. You can set the payment dates and amounts of your PAD agreement using the CRA's secure My Business Account service at **canada.ca/my-cra-business-account**. PADs are flexible and managed by you. You can use My Business Account to view your account history and modify, cancel or skip a payment. For more information, go to **canada.ca/pay-authorized-debit**.

## Electronic payments

Make your payment using:

- your Canadian bank or credit union's online banking, mobile app or telephone service
- the CRA's My Payment service at **canada.ca/cra-my-payment** with your activated debit card from a participating Canadian bank or credit union with one or more of the following logos: Visa® Debit, Debit MasterCard® or Interac® Online (does **not** include credit cards)
- pre-authorized debit (PAD) at **canada.ca/my-cra-account** or **canada.ca/my-cra-business-account** which lets you:
  - set up payments to the CRA from a Canadian chequing account on pre-set dates starting in five or more business days
  - pay an amount due, repay overpaid amounts or make instalment payments
  - view your account history and modify, cancel or skip a payment (For more information on PAD, go to **canada.ca/pay-authorized-debit**)
- the "Proceed to pay" button:
  - in the "Accounts and payments" box of the "Overview" panel in My Account, or in the "Account balance and statement of account" or "Instalments" boxes of the "Accounts and Payments" panel in My Account or,
  - on the "View and pay account balance" page and other pages within My Business Account
- your credit card, Interac e-transfer or PayPal through one of the third-party service providers **for a fee**

For more information, go to **canada.ca/payments**.

# For more information

## If you need help

If you need more information after reading this guide, go to **canada.ca/taxes** or call **1-800-959-5525**.

## Direct deposit

Direct deposit is a fast, convenient, and secure way to receive your CRA payments directly in your account at a financial institution in Canada. For more information and ways to enrol, go to **canada.ca/cra-direct-deposit** or contact your financial institution**.** You can view your direct deposit information and online transactions at **canada.ca/my-cra-business-account**.

## Forms and publications

The CRA encourages you to file your return electronically. If you need a paper version of the CRA's forms and publications, go to **canada.ca/cra-forms-publications** or call **1-800-959-5525**.

## Electronic mailing lists

The CRA can send you an email when new information on a subject of interest to you is available on the website. To subscribe to the electronic mailing lists, go to **canada.ca/cra-email-lists**.

## Tax Information Phone Service (TIPS)

For tax information by telephone, use the CRA's automated service, TIPS, by calling **1-800-267-6999**.

## Teletypewriter (TTY) users

If you use a TTY for a hearing or speech impairment, call **1-800-665-0354**.

If you use an **operator-assisted relay service**, call the CRA's regular telephone numbers instead of the TTY number.

## Formal disputes (objections and appeals)

You have the right to file an objection or an appeal for the Canada Pension Plan or Employment Insurance if you disagree with an assessment, determination or decision.

For more information about objections, and related deadlines, go to **canada.ca/crafile-objection**.

## CRA service feedback program

### Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the CRA. For more information about the Taxpayer Bill of Rights, go to **canada.ca/taxpayer-rights**.

You may provide compliments or suggestions, and if you are not satisfied with the service you received:

1. Try to resolve the matter with the employee you have been dealing with or call the telephone number provided in the correspondence you received from the CRA. If you do not have contact information for the CRA, go to **canada.ca/cra-contact**
2. If you have not been able to resolve your service-related issue, you can ask to discuss the matter with the employee's supervisor
3. If the problem is still not resolved, you can file a service related complaint by filling out Form RC193, Service Feedback. For more information and to learn how to file a complaint, go to **canada.ca/cra-service-feedback**

If you are not satisfied with how the CRA has handled your service-related complaint, you can submit a complaint to the Office of the Taxpayers' Ombudsperson.

## Reprisal complaints

If you have received a response regarding a previously submitted service complaint or a formal review of a CRA decision and feel you were not treated impartially by a CRA employee, you can submit a reprisal complaint by filling out Form RC459, Reprisal Complaint.

For more information, go to **canada.ca/cra-reprisal-complaints**.

## Due dates

When a due date falls on a Saturday, Sunday, or public holiday recognized by the CRA, your return is considered on time if the CRA receives it or if it is postmarked on or before the next business day.

For more information, go to **canada.ca/taxes-dates-individuals**.

## Cancel or waive penalties and interest

The Canada Revenue Agency (CRA) administers legislation, commonly called the taxpayer relief provisions, that gives the CRA discretion to cancel or waive penalties and interest when taxpayers cannot meet their tax obligations due to circumstances beyond their control.

The CRA's discretion to grant relief is limited to any period that ended within 10 calendar years before the year in which a relief request is made.

For penalties, the CRA will consider your request only if it relates to a tax year or fiscal period ending in any of the 10 calendar years before the year in which you make your request. For example, your request made in 2023 must relate to a penalty for a tax year or fiscal period ending in 2013 or later.

For interest on a balance owing for any tax year or fiscal period, the CRA will consider only the amounts that accrued during the 10 calendar years before the year in which you make your request. For example, your request made in 2023 must relate to interest that accrued in 2013 or later.

Taxpayer relief requests can be made online using the CRA's My Account, My Business Account (MyBA) or Represent a Client digital services:

- **My Account**: After signing in, select "Accounts and payments," then "Request relief of penalties and interest."
- **MyBA or Represent a Client**: After signing in, on the overview page, select the appropriate program from the left menu and then select the account. Finally, select "Request relief of penalties and interest" from the right menu.

You can also fill out form RC4288, Request for Taxpayer Relief – Cancel or Waive Penalties and Interest, and send it in one of the following ways:

- online using My Account: select "Submit documents" from the left menu; then select "Submit documents" again at the bottom of the next page; and then follow the instructions
- online using MyBA or Represent a Client: select "Submit documents" from the left menu; then select "No case or reference number?"; and finally, select "Request taxpayer relief – cancel or waive penalties and interest (Form RC4288)"
- by mail to the designated office, as shown on the last page of the form, based on your place of residence

For information on the "Submit Documents Online" service, go to **canada.ca/cra-submit-documents-online**.

For more details on the required supporting documents, relief from penalties and interest and other related forms and publications, go to **canada.ca/penalty-interest-relief**.