PTMG LLP

Tax and Government Programs Update

2021

Immediate Expensing of Capital Assets

- 2021 Federal Budget highlight
  - Additions effective April 19, 2021 or later, up to December 31, 2024
  - Must be "available for use"
  - Maximum limit = $1.5M per taxation year, per associate group of companies
  - The property must not have been acquired from a non-arm's length person or on a tax-deferred rollover basis
  - Allows farmers to reduce taxable net income more quickly
  - Unfortunately, CRA doesn't know how to assess these yet, so prepare yourself for reassessments, with adjustment requests later
  - All asset classes are eligible except class 1-6, 14.1, 17, 47, 49 & 51
    - Basically all normal farm equipment assets will qualify for full write-off

Agricultural Clean Technology Program

- Summary of Program – adoption stream (https://agriculture.canada.ca/en/agriculturalprograms-
- and-services/agricultural-clean-technology-program-adoption-stream/applicantguide)

- Targeting new and upgraded grain dryers and barn heating, as well as precision ag implements and biowaste management.
- Key figures:
- 1) The government will provide a non-repayable grant up to 50% of the cost of the project up to $2M (for a $4M project)
  - This grant goes up to 60% of the cost if the applicant is majority led by women, producers under the age of 35, Indigenous, visible minorities or persons with a disability
- 2) Applicants can submit multiple projects, up to a grant total of $5M ($10M in total project costs)
- 3) The minimum cost of the project must be $50K
- 4) The projects must be completed by March 31, 2026
- 5) Eligible projects include building a dryer and building a new dryer to replace an old dryer
  - Renovations to an existing dryer are also eligible, but less “desirable” thus less likely to be approved

Regional Opportunities Investment Tax Credit

- 20% grant on eligible costs over $50K, up to $500K/taxation year
- Eligible property is all commercial buildings that are non-residential
- 10% grant March 25, 2020 – March 23, 2021; increases to 20% March 24, 2021
- Grant is determined based on “available for use” rules
- Must be incorporated, to qualify
- If you own more than one company, this grant can only be claimed by one company per taxation year
- If you missed it on a previous tax filing, you can adjust your tax return to claim the missed credit

Various Covid-19 related grants

Canada Emergency Wage Subisdy (CEWS)

- Based on revenue decline year-over-year
  - Starting March 2021, compare current month to 2019 same period
  - No maximum limit; based on actual wages paid and % revenue decline. Maximum per employee is 75% of $58,700 annual pay.
  - May 9-June 5/21 is due December 2, 2021…final claim period is October 23, 2021, which is due April 21, 2022

Canada Emergency Rent Subsidy (CERS)

- Based on revenue decline year-over-year
  - Starting March 2021, compare current month to 2019 same period
  - No maximum limit; based on actual costs of:
    - Third-party rent paid
    - Real estate mortgage interest
    - Property taxes
    - Property insurance
  - May 9-June 5/21 is due December 2, 2021…final claim period is October 23, 2021, which is due April 21, 2022

Canada Recovery Hiring Program (CRHP)

- Newly announced in the 2021 budget
- Tested in same manor as CEWS, with current month compared to past month's comparables
- Employers can get a subsidy of up to 50% of the incremental wage increases between June 6, 2021 – November 20, 2021 (recently extended to May 7, 2022)
- Eligible employers can claim either CEWS or CHRP, but not both, for the same qualifying period
- Reference period of "baseline wages" is March 14 to April 10, 2021
- Likely no great benefit in this program, however, for smaller revenue drops, this program may produce a higher grant vs CEWS

CEWS & CERS replaced by 2 new programs

a. Tourism & Hospitality Recovery Program
   i. **Revenue decline > 40% for periods 1-13 of CEWS) AND revenue decline in current period > 40%.**

   ii. Subsidy %'s
      1. P22-26… = revenue decline % up to 75% maximum.
      2. P27-28… = 50% of revenue decline % up to 37.5% maximum.

b. Hardest-Hit Business Recovery Program
   i. **Revenue decline > 50% for periods 1-13 of CEWS) AND revenue decline in current period > 50%.**

   ii. Subsidy %'s
      1. P22-26… = 10% + (revenue decline - 50%) x 1.6 up to 50% maximum.
      2. P27-28… = 5% + (revenue decline - 50%) x 0.8 up to 25% maximum.

Bill C-208

- This is a “game-changer” for family farm transfers!
- Allows the intergenerational transfer of certain family businesses to receive the same tax treatment as businesses sold to a 3rd-party, by “deeming” siblings as related parties
- Parliament still addressing final “tweaks” to the rules, which has not been finalized yet
- Previously, anti-avoidance rules treated intergenerational transfers of corporate shares as a dividend instead of a capital gain
- To be eligible now…
    - Parent’s shares must be “Qualified Small Business Corporation”, family farm or fishing corporation
    - The corporation purchasing the shares is controlled by either the parent’s children or grandchildren, who are at least 18 years of age; and,
    - The purchasing corporation does not dispose of the shares within 60 mos (other than by reason of death)
    - You must send third-party valuation reports to the CRA as support
    - It is now possible to more easily use Mom/Dad’s $1M lifetime capital gains exemptions on transfers of the farm operation to more than one child