



Wheatland Kernels

From Wheatland Accounting Services Ltd.

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Fall 2010

2009 AgrilInvest Deposit Notices

In order to receive the government matching deposit, ensure that you act upon your deposit notice within the 90 days specified on your notice.

The process is simple:

- Take the deposit notice to your financial institution, open an AgrilInvest account and make your deposit
- The financial institution will advise AgrilInvest that you have made your deposit
- AgrilInvest will transfer any balance they are holding for you plus their matching deposit into your AgrilInvest account,
- You may then withdraw the funds at any time.
- The government contribution is taxable when withdrawn.

Important Deadlines!

December 31, 2010

Final deadline for paying the 2010 AgriStability Fee and for submitting your

T4/T5 Web Access Codes

CRA will be mailing out T4—T5 Web access codes to anyone that filed these forms last year. It is very important for you to forward this information to us to enable us to file the 2010 T4's and T5's

Holiday Office Hours:

Closed November 11,
December 24 & 27th, &
January 3rd, 2011

President's Message

Snow has covered most of Saskatchewan as I write this, bringing at least a temporary halt to fall work and in some cases harvest operations. For the most part October was very kind to us, supplying some very good weather enabling the majority of harvest to come to completion.

The results of the 2010 crop varied from very good to extremely poor as a result of the very wet year we experienced. Although increased prices will make up for some of the shortfall in yield or grade it will be a year that AgriStability will trigger a payment for many producers. Please ensure that your AgriStability fee for 2010 has been paid so that you will be able to receive a payment if your margin drops below 85% of your average this year.

With year end approaching it is also a good time to get your books caught up and take a look at your taxable income for the year. We can assist you in determining your taxable position and examining different alternatives to manage your tax. Please contact us by the 1st of December if you would like to schedule a tax review appointment.

On a personal note Elaine & I just returned from visiting our oldest son Steve in Newfoundland and enjoyed the opportunity to get acquainted with our easternmost province and its unique language, foods, culture and scenery. We experienced cod fishing on the ocean in a little 16 ft aluminum fishing boat and pulled in 10 fish before we began to stiffen up from the cold and rain! Newfoundland is certainly not an agricultural province, but fishing is very much a part of life.

Kelvin Shultz, Diploma Ag, RPA, CAFA, President: Wheatland Accounting Services Ltd.

Farm Health Check - Key Indicators

At a recent Agriculture Update for Professionals attended by Kelvin and Carla, some interesting formulas were presented to use as financial measurement guidelines. How do they work for your operation?

- Operating Loan + Accounts Payable should be < 50% of unsold inventory +Accounts Receivable
- Operating expenses should be < 65% gross revenue (averaged over past 4 years)
- Net Income (excluding government programs & interest costs) should be > 20% of gross income (excluding government programs)
- Net Income should be > 2x the cash rent that could be received from the land
- Machinery Investment should be < 1.5 x gross revenue per acre or machinery leases < 15% of gross revenue
- Debt should be paid in less than 5 years if all net farm income were directed towards payments

Canadian Association of Farm Advisors Annual Conference

Regina November 18th 8:00AM-5:00PM

This should be an excellent information packed day.

Fee for farmers is \$100 or \$150 per couple

Call our office to register
(see brochure attached)

FCC Workshops

Nov 9 - Estevan, Advanced Commodity Marketing Management

Nov 10 - Weyburn, Transferring the Farm

Dec 6 - Regina, FCC Forum featuring 3 inspirational speakers

Call FCC or go to www.fcc-fac.ca

Ag Expert Farm Accounting Software

Wheatland Accounting has FCC certified advisers on staff that are able to help you learn or provide software assistance with the FCC AgExpert Program

AgriStability Reminder

Please ensure that you have forwarded the Participant Initial Declaration form to Sask Crop Insurance that was sent to you early 2010

Payroll Deductions

As of January 1st, 2011, the Canada Revenue Agency will no longer publish the Tables on Diskette. As of January 1, 2012, CRA will no longer publish the paper version of the Payroll Deduction Tables. The electronic version will continue to be available on the CRA Web site at www.cra.gc.ca/payroll. Please contact our office if you need assistance with the web site or any other payroll

GST Filing Electronic Filing Access code

If we are filing GST for you, please ensure that you forward this code to us with your financial information

We focus on agriculture!

Wheatland Accounting Annual Barbeque

Wheatland Accounting Services Ltd. held a barbeque for clients and community members on August 5th. There were 50 people in attendance. Even though much of the summer was hampered by rain, the day turned out to be beautiful and sunny. We ran a contest for attendees' to guess how many hot dogs or smokies would be served. Felix Sebastian won the contest and received a set of barbeque utensils.

Year End Tax Planning

Another year is moving to a close and if you have not yet incorporated your farm or business, you should to be taking a careful look at your personal tax position to ensure that you are not caught by surprise at tax time. Good tax management involves attempting to maximize after tax profit.

To do this it is fundamental to keep the personal tax brackets in mind, and try to maximize the use of the lower brackets. The lowest bracket in Saskatchewan covers taxable income up to approximately \$40,000 at a tax rate 26% after personal tax credits. Income over \$40,000 is taxed at 35% up to \$80,000, following which rates continue to rise until they max out at 44% on income of \$127,000 or greater.

Here are some things you can do that will help control your tax bill.

- Ensure that all deductible farm expenses incurred in the year are paid by year end. Accounts paid with charge cards or dealer financing backed by a bank can be considered as paid for tax purpose.
- Pay a spouse or child involved in the business a wage to utilize their low bracket and maximize the dollars taxed at the best possible rate. Proper deductions should be taken from the wage and a T4 filed.
- Consider utilizing an RRSP contribution to bring you into the low bracket. You get better results from contributing to an RRSP when you are over \$40,000 of income as the contribution will save you at least 35% tax.
- Are you planning to upgrade farm equipment in the coming year? Consider purchasing before the end of the year and take advantage of the Capital Cost Allowance in this year. (In the year of purchase you get ½ the normal CCA rate regardless if purchased at the beginning or end of the year.) The normal rate for power (motorized) equipment is 30% and for pull type or stationary equipment is 20%.
- Computers can be purchased up to December 31, 2011 for full write off in the year of purchase. This is a special short term provision that you should use if you are thinking of buying a computer
- Defer sales and pre-buy expenses. Use caution in doing this as you need to consider the position this will put you into next year.

It is very good at this time to consider some longer term planning for your operation as well. Utilizing another form of business structure, such as a corporation or partnership would result in some valuable tax savings, and improve the ease of managing your operation. The tax rate for a corporation on active business income is 15.5% up to \$500,000 of taxable income in a year. As you can see this allows the manager to schedule purchases and sales based on when it is best for the farm as opposed to when it is necessary to reduce tax rates.

We would be glad to assist you with some year end tax planning. Please contact us before December 1st to arrange a time for your tax review. We cannot guarantee completion of a tax review before year end unless we have your information by December 17th.