Wheatland Kernels

From Wheatland Accounting Services Ltd.

Visit our website at www.wheatlandaccounting.com **Fall 2012**

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Important Deadlines!

December 31, 2012
Final deadline for paying the 2012 AgriStability Fee with 20% penalty applied.
Final deadline for submitting your Agristability application with penalty.

Our office will not do a tax review unless you request one. Please let us know if you want us to do a tax review as soon as possible.
Dec. 1, 2012 Final deadline to submit information to our office for a income tax review.

Please forward any AgriInvest statements you receive to our office including the deposit confirmation notice and statement of account. If we are doing an income tax review, please advise us if you have withdrawn funds from your AgriInvest account.

Claiming Medical Expenses on Your Tax Return

The medical travel and expenses that you claim on your tax is an item that is frequently reviewed by CRA. Please be sure you send proper documentation into our office. Be sure to get your doctor's and dentists office to give you a note or appointment card when you are there as proof of your appointment.

Holiday Office Hours:
Closed December 25th,26th, & January 1st, 2013
(Closing at 3pm Dec. 24th & Dec 31st)

President's Message

Harvest is behind us now and a long spell of warm dry weather gave opportunity for our farmers to get some fall work done as well. Harvest was a mixed bag this year but in general yields came in about average which was a disappointment from what they appeared to be earlier in the season.
As we now are in the final quarter of the year it is important to look at your tax position while you have opportunity to take some action to change it. Many things could combine to create high taxable income this year including good crop prices, unseeded acre payments, AgriStability payments, and lower input purchases in the year due to carry over of unused seed and fertilizer from 2011. If you would like us to review your tax position before year end please make an appointment prior to December 1.
As cooler fall and winter days set in it is an excellent opportunity to expand our knowledge and gain the edge in our industry. FCC is once again offering several seminars at no charge this winter. They are a very good source of information on a wide variety of topics from marketing to succession planning. You can check them out at www.fccfac.ca. Another great source of information are the webinars put on by the Canadian Farm Business Management Council. These webinars are also free and can be accessed from the convenience of your own home. Find them at www.agriwebinar.com. Last but not least be watching for our annual Ag Day which we will offer again this winter. We will keep you posted on the date location and content of this annual information packed event.

Kelvin

US Property Owners and Snowbirds be Aware of US Tax Rules

Many Canadians have been taking advantage of the low prices of vacation homes in the US to purchase real estate and escaping south to avoid our harsh winters. Those who do so should be aware that upon death anyone holding US property could be required to pay an estate tax to Uncle Sam. Currently there is a 5 million exemption in place, which means if your complete estate, Canadian and US is valued at less than 5 million there is no requirement to pay US estate tax. The 5 million exemption is due to expire however at the end of this year, and unless the US renews or replaces this exemption it is due to return to 1 million as it used to be. This could catch many individuals investing in US property as the 1 million includes the combination of Canadian and US assets. US estate tax is a maximum of 35% of the estate value in excess of the exemption, prorated by the fraction of US assets divided by worldwide assets.

Canadians who rent out or sell their US vacation homes should check into US tax requirements regarding those items as well.

Canadians spending time in the US should also be aware of the rule for determining the number of days you can spend in the US without having to file a US tax return. The formula for calculating this is as follows: (current year stay in days) + (previous year stay)/3 + (year before stay)/6 = (not to exceed 182) If you were to be in the US 120 days every year, you would have no problem.

If you are registered for GST always be sure the GST number appears on your suppliers invoices. CRA can disallow ITC's if the GST number is not on the invoice.

PARTNERSHIPS

New filing requirements for partnerships involve filing a special partnership return in instances where a corporation is a partner or the total of partnership revenue plus expenses exceed $2 million, or the partnership exceeds $5 million in assets. Note that this partnership return is usually due 90 days from the partnership year end. If you are involved in a partnership and have questions regarding the above, or require assistance with the new filing requirements, be sure to call us so that we can help you comply with the new rules before the filing deadline.

Did you know?

Interest penalties or fines that are paid to CRA for payroll, tax filing & GST are not tax deductible.
However if CRA pays you any interest for late payment of tax or GST, you must claim this as income.

Payroll Deductions

Please send your payroll information to us following your last payroll calculation of 2012. Sending information in to us early will also help us correct any errors before January 15, which is the date that the final remittance for 2012 is due.

Don't forget if you are paying your employee a year end cash bonus, deductions must be taken!

Payroll Tips

All employees must sign a TD1, Personal Tax Credits Return, which the employer must keep on file. Employee's should consult their tax advisor if they have questions filling out this form as your employer is not supposed to be involved in filling out the TD1 form. Employers should ask to see their employee's social insurance card upon the beginning of employment. The SIN and Name on that form MUST match the SIN card issued to that individual.

Notice: Our office is closed daily from 12:00p.m.-1:00 p.m.

Changes for the 2013 Program Year

AgriStability

AgriStability is a margin-based program which allows producers to protect their farm operations against large declines in farm income. A program payment is triggered when a producer's margin (allowable revenue less allowable expenses) in the program year drops below their average margin from previous years (historical reference margin).

70% Margin Coverage
Starting in the 2013 program year, governments will provide assistance once a producer's margin falls below 70 per cent of their historical reference margin. In other words, producers will receive an AgriStability payment when their income in the program year drops more than 30 per cent below their historical reference margin. Under the previous agreement, producers received a payment once their margin fell below 85 per cent of their reference margin, or dropped more than 15 percent below their historical reference margin. The AgriStability fee will be adjusted and reduced accordingly to make the program less expensive for producers.

Limited Reference Margins
For 2013, producers' reference margins (support level under the program) will be limited to the lower of their historical reference margin or allowable expenses reported in previous years.

AgriInvest

AgriInvest is a self-managed producer-government savings account that allows producers to set money aside which can then be used to help risk manage small income shortfalls, or to make investments to reduce on-farm risks.
Under the new agreement, producers can deposit up to 1.0 per cent (instead of 1.5 per cent as under the previous agreement) of their Allowable Net Sales* (ANS) each year into an AgriInvest account and receive a matching government contribution.
Although the limit on matching government contributions will be $15,000 a year, down from the current $22,500, producers will be able to contribute up to 100% of their ANS annually and up to 400% of ANS in total so that producers can better use AgriInvest as a risk management tool.

The Deductibility of Farm Losses

There are loss deductibility rules in place which have applied to farmers whose chief source of income is not farming or a combination of farming and some other source. The Income Tax Act restricts the amount of farming loss that can be used to write off against other non farming income in these instances. A recent court case has changed the interpretation of the act in favor of the farmer. Whereas before in order to write off all the farm losses proof was required that farming was the chief source of income or the predominant source of income in combination with another source, now it is implied that farming only has to be a "significant endeavor" of the taxpayer to be entitled to write off all the losses.

The first test to determine the deductibility of a farm loss is to determine if there is a reasonable expectation of profit. If the farm operation is much too small to give any hope of profit, the presumption is that the property is being held for personal use or enjoyment of the taxpayer, and no losses are deductible whatsoever.

If there is an expectation of profit, then the next test is to determine if farming is a "significant endeavor". The following are some of the factors considered:

- the significance of time spent on the farming operation
- the development of and investment in the farming operation and commitments for future expansion according to the taxpayer's available resources

These are similar tests to those used before, but it appears that there is now less emphasis put upon the predominance of income from farming compared to other sources. If a farm operation has a reasonable expectation of profit, but does not pass the significant endeavor test, then the losses will be restricted to the first $2500.00 plus 50% of the loss over $2500.00 up to a maximum of $8750.00. The losses over this limit will carry forward up to 20 years or back 3 years to be used only against farming income.