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## **Payroll Reconciliations:**

*Please have all of your  
Information in by  
January 2, 2016!*

*In an effort to go  
paperless  
we will be sending year  
end reminder letters for  
corporations to  
clients  
electronically:*

*We also have the ability  
to send your  
invoices  
electronically.  
Please contact our  
office if you would like  
this option*

### **CRA SCAM**

*Please watch for the  
newest scam! If you  
receive a phone call  
stating that you are  
owing money it may  
not be true. CRA will  
generally send you  
documents in the mail  
if you are owing taxes.  
If the phone call is the  
first time you are  
hearing about taxes  
owing there is good  
chance it's a scam!*

# **Wheatland Kernels**

*From Wheatland Accounting Services Ltd.*

Visit our website at [www.wheatlandaccounting.com](http://www.wheatlandaccounting.com)

**Autumn 2015**

## **President's Message**

I guess we are a little spoiled after such a great fall, that when the temperatures dip into negative double digits it seems like a bit of a reality check! Yes we do live in Saskatchewan, and in spite of our winters it is a great place to live! We don't have to look too far one way or the other to find reasons why we are glad to call this our home.

Our fall certainly was incredible and for the most part harvest conditions and yields were reasonable. Now we prepare for another year. This is a good time to analyze how the year really went and do a health check on your operation. Take a look at the article in this issue that gives various tests that can be performed to check on the business health of your operation. If you need assistance with this, give us a call.

Another check that should be performed at this time of the year is a "tax check" to ensure that you get the best tax treatment in 2015 that is possible. As usual we are very busy in December with tax reviews so we like to have your data in for the review by the beginning of December.

Perhaps what gave us such a long fall was the extra hot air we experienced with a long fall election campaign! The results of the election have brought about a change of government and with that will come a host of tax changes. I would expect that these changes may not affect the 2015 tax year, but then again anything is possible! We will keep you updated on these changes as they come about.

*Kelvin Shultz RPA CAFA Dip Ag*

## **Did you know....?**

The capital gains deduction on qualified farm property is now \$1,000,000

When you use a large amount of the capital gains deduction in one year ...

- You will still have to pay a "minimum tax" that can be very significant
- If you are collecting Old Age Pension you will have to pay it back
- The amount of your child benefit will be reduced or eliminated for the following year

Minimum tax is a refundable tax, paid in the year of a large use of the capital gains deduction, but is refundable over the next seven years from tax you would otherwise owe

Shares of a qualified farm corporation qualify for the capital gains deduction

Shares of a qualified farm corporation can roll to the next generation tax free

That your corporation may not qualify for the capital gains deduction or rollover benefit if more than 10% of its assets are non farm assets at the time of the transfer:

Non farm assets include: land rented out, equipment used more than 50% for custom work, excess cash over the amount needed to operate, the cash surrender value of corporate owned life insurance

Though you may not plan to sell the shares of your corporation, these rules can have an adverse effect on your estate, should it not qualify for the rollover to children or the capital gains deduction at the time of your death

See our article in the Information Center of our website "Do the shares of your Farm Corporation Qualify for the Rollover and Capital Gains exemption" for more information on this topic.

[www.wheatlandaccounting.com/features/W2014Shares.html](http://www.wheatlandaccounting.com/features/W2014Shares.html)

## Office Hours

**Monday-Friday 9-5**  
**Closed from**  
**12:00-1:00**

## *Holiday Hours*

*Dec. 24: open until 3*  
*Dec. 25: closed*  
*Dec. 28: closed*  
*Dec. 31: open until 3*

## *Scholarships:*

*Wheatland Accounting Services Ltd. offers 3 scholarships to individuals that are enrolled in fulltime post-secondary education related to Agriculture. Please visit our website for more details!*

*Please return CASL Authorization Forms sent out with your contracts as this enables us to email our newsletter and other important information to you.*

*Canada Revenue Agency requires us to have Signed authorizations to Efile your return our office before we eile a tax return. Please ensure that these signed forms have been returned to our office otherwise filling your return will be delayed.*

## **Health Check!**

How is your farm's blood pressure, reflexes and balance? When you get to the age of the writer of this article, they say you should be going to the Dr. for an annual checkup!! Your farm is no different – but this applies not only to aged mature operations like me, but rather to farms from infancy to third or fourth generation!

How can we check the health of your farm business? It starts with good records prepared using the accrual accounting method which matches income to the year it was produced with the expenses incurred to produce that income. If your farm is incorporated, chances are pretty good that you have had a set of financial statements prepared using this method and will have Balance Sheet, Income Statement and Cash Flow Report.

It all starts here, pull out the stethoscope, blood pressure monitor and lay the patient out in front of you and begin your examination!

First look at the balance sheet and tweak it to become a net worth statement. To truly consider this farm's health we need to know what the fair market values of its assets are. Your balance sheet is likely showing the fixed assets (capital assets) at cost less depreciation. This can create a value considerably different than the fair market value of those capital assets. Once you have done that you can adjust your retained earnings to offset the additional asset value you have created, so that the net worth statement remains in balance.

Now you are set, take a deep breath and start examining and testing the details of your patient's health. Several tests will be done and just as with your own health you want each test to fall in the "normal" range. These tests came from Alberta Agriculture, but should be pretty applicable to our area too.

1. Expenses (not including Interest) should be less than 65% of gross revenue. The smaller the % the greater the ability to generate profit.
2. Operating loan plus accounts payable and cash advances should be less than 50% of the current value of unsold inventory, pre purchase crop inputs and accounts receivable.
3. Machinery investment should be less than 1.5 times gross revenue (crop producers) or less than 1 times gross revenue (cattle producers).
4. Are you living off of depreciation?  $\text{Equipment value} \times 15\% <$  should be less than cash paid for equipment + principle payments in year. If you meet this test you are not living off of depreciation.
5. Debt + lease payments per year should be less than 15% of gross revenue.
6. Total debt could be paid off in less than 5 years if all net farm income directed towards payments.
7. Take your living costs that come from the farm and consider it to be like land rent! How much is the farm paying you for land rent per acre! Is it sustainable?

These are just some of many tests that could be done, but if you passed all of these your farm should be resilient as you go into the next year – don't forget to do this every year to spot areas of concern. Like your own health it is better to catch problems early and it is often in comparing year to year that we spot de-