



# Wheatland Kernels

From Wheatland Accounting Services Ltd.

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

Fall 2017

## President's Message

I write this as harvest 2017 is in full swing with quite wide ranging results. Perhaps for the South East of the province as a whole one would call it an average crop. Many were surprised at the ability of the crops to produce as well as they did considering the hot dry summer that they endured. One unique feature of this harvest that several have mentioned is there are lots of times the combines have caught up to what is ready resulting in several days of waiting for the crop to mature. This could partly be due to such good harvest weather that there have not been any rain delays to allow the crop to catch up, and also due to staggered germination.

There has been a lot of press around the government proposals for major changes in the manner that corporations are to be taxed. Included in this newsletter is an article meant to explain these proposals to help you determine the impact they may have on you. If you are concerned, please send an email or letter to your MP regarding this as it is important that our politicians know farmers and small business are very concerned.

If the weather holds, it looks like harvest may be completed in good time this year. Take advantage of this and have your books done up early this fall so you can get a jump on completing a tax review for the year. Although your inventory may be less than usual this fall, sales from last years good crop will be the primary income driver for 2017, so do not let it take you by surprise!

As you consider your financial position for this year, it is also a good time to do some longer term strategic and succession planning. Ask yourself the question, "how do I want my farm to look in five years and in ten years?" Whatever the answer is to that question, some serious forethought and a written plan can be extremely helpful to determine how your vision can be achieved. We are here to help you work out a plan to accomplish your objectives.

Wheatland Accounting is again offering our "Understanding Corporations" workshop. This one-day workshop held January 9<sup>th</sup> 2018 in Fillmore, deals with important things to know about setting up, operating, passing down and exiting a corporation. It will dispel many myths as well as create awareness of pitfalls to avoid with corporate ownership. Whether you are a corporate wannabe, newbie or seasoned shareholder this subject matter that is presented in a simple manner will be of interest to you. Watch for our brochure on this workshop coming soon. To register or for more information please contact our office.

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### **Payroll**

#### **Reconciliations**

*We like to reconcile your payroll accounts with CRA before the final remittance date for 2017, which is January 15. Please have all of your Payroll Information to us by January 2, 2018*

*If you would like a tax review, please ensure you have all your information to us by November 30th*

*Wheatland would like to congratulate Walter Nixon for guessing the right amount of smokies and hot dogs at our annual client appreciation BBQ this year*

### **Office Hours**

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

### **Holiday Hours**

*December 25, 2017: Closed*  
*December 26, 2017: Closed*  
*January 1, 2018: Closed*

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## **How Will The Proposed Changes To Taxation of Corporations Affect You?**

The question of the effect of these changes is being studied by tax experts across Canada since the release of the government paper July 18, 2017 that proposes significant modification to the manner in which corporations are taxed. It has been said in the tax advisory world that these are the most dramatic changes in taxations since 1971!

In an effort to create tax fairness in Canada, these proposals attack small corporations as if they are unfairly taking advantage of tax loopholes. There are three main areas these propositions target:

1. **Income splitting within a family:** Shareholders at present can receive dividends from the corporation enabling splitting income between spouses as well as children over 18 years of age. Often family trusts have been setup as shareholders of a corporation so that dividends could be paid out to any beneficiary of the trust that is over 18 years of age. These new proposals will tax the dividend at the highest personal tax rate if paid to any shareholder or beneficiary that is not actively involved or invested in the corporation.
2. **Lifetime Capital Gains Exemption:** This exemption is available on the sale of qualifying shares of a small business corporation (including qualifying farm corporations) These proposals limit the recipients of the lifetime capital gains exemption to those who are actively involved in the corporation. Shares owned by family trusts will no longer qualify for the exemption.
3. **Corporate Investment Income:** The government is studying several methods that will discourage shareholders from leaving excess cash invested in the corporation but rather encourage them to take these funds out of the corporation to be taxed at personal rates. They are considering exposing investment income to a high rate of corporate tax with no corporate tax reduction when it is paid out in dividends to the shareholder (a form of double tax)

That is a very abbreviated description of the effects of these proposals which also create some undesirable side effects, the scope of which tax experts are finding go much beyond the original intent of the changes.

Having said that, if you and your spouse and/or child are shareholders actively involved in the day to day operation of the farm or business, and the corporation is reinvesting it's cash in the operation of the business (acquiring business assets or paying down debt) these rules will not necessarily affect you in the short term. These proposals do however create some serious issues regarding exiting the farm or business or passing it on to the next generation which will eventually cause a problem for all corporations and their shareholders.

At a minimum it is hoped that the government will extend the time to study these proposals. Taxpayers are not opposed to fairness in our tax system, but when you consider the risk involved in building a farm or business that contributes to the economy in many ways, is it fair to tax the business and it's shareholders equal to or higher than an employee of that business?

Now is the time to call or send a note off to your MP advising them that you are not in agreement with these proposals and make them aware of the degree of concern there is among farmers and business owners in their constituency . The government is open to hearing from those affected by these changes up to October 2, 2017.

The following link will take you to the letter which we forwarded to Mr. Kitchen our MP who is a member of the opposition, and to Mr. Goodale who is a member of the government and a member of the cabinet with direct access to our prime minister.

<http://www.wheatlandaccounting.com/pdfs/Letter%20to%20MP.pdf>