

Index

ACCURAL METHOD OF ACCOUNTING
Change to cash method, **2:14**
Contrasted to cash method, **2:5**
Treatment of livestock on death, **10:21**

ADVENTURE OR CONCERN IN THE NATURE OF TRADE
Generally, **14:16**

AFFILIATED PERSONS
Generally, **7:10 to 7:13, 8:14**

AGREEMENT OF PURCHASE AND SALE
Generally, **14:16**

AGRICULTURAL QUOTAS
See Farm quotas

AGRICULTURAL WEBSITES
Generally, **APP H**

AGRIINVEST
Generally, **3:20**
Form T1163 reproduced, **APP E E:6**
Form T1164 reproduced, **APP E E:7**
Form T1175 reproduced, **APP E E:8**
Form T1273 reproduced, **APP E E:9**
Form T1274 reproduced, **APP E E:10**
Guide RC4060 reproduced, **APP K K:3**
Guide RC4408 reproduced, **APP K K:4**

AGRISTABILITY
Generally, **3:19**
Form T1163 reproduced, **APP E E:6**
Form T1164 reproduced, **APP E E:7**
Form T1175 reproduced, **APP E E:8**
Form T1273 reproduced, **APP E E:9**
Form T1274 reproduced, **APP E E:10**
Guide RC4060 reproduced, **APP K K:3**
Guide RC4408 reproduced, **APP K K:4**

ALL OR SUBSTANTIALLY ALL
Generally, **8:9, 14:20**
Assets, **10:15**
used principally in an active business, **8:10**
Truck, use of, **10:15**

ALLOWABLE BUSINESS INVESTMENT LOSSES (ABILS), DEFINED
Generally, **8:1 to 8:16, APP 8A to APP 8E**

ALTERNATIVE METHOD ACCOUNTING
Calculating business income, **2:17**
Stub period, **2:17**
Year-end calculations, **2:17**

ALTERNATIVE MINIMUM TAX
Generally, **7:6, 12:19**
Assumptions used, **7:6**
Example, **7:6**
Exemption, amount of, **7:6**

TAXATION OF FARMERS AND FISHERS

ALTERNATIVE MINIMUM TAX	BROTHERS
—Cont'd	Generally, 12:23, 12:24
Form T691 reproduced, APP E E:2	BUSHES, COST OF
Interaction with capital gains	Generally, 3:34
exemption, 7:6	BUSINESS, DEFINED
Not applicable	Generally, 2:1, 14:16
special returns on death, to, 7:6	BUSINESS INCOME
Sale of farm, effect on, 7:6	See also Income
Transfers of interest, farm property,	Reconciliation of
7:2	Form 1139 reproduced, APP E
AMENDMENTS (S.C. 1988, C. 55)	E:5
Automobile expenses, 3:33	Tax on split income (TOSI), 6:15
Mandatory inventory adjustment,	Year of death, 10:23
2:9, 12:5	
ANIMAL	BUTTERFLY
Breeding animals, 3:16	REORGANIZATIONS
Defined, 2:6	Generally, 12:23
ANTI-AVOIDANCE RULES	BUTTERFLY TRANSACTIONS
Artificial losses, 2:6	Generally, 12:22 to 12:25
Artificial transactions, 2:5	Partial butterfly, 12:24
Copthorne, 1:10	Purchase butterfly, 12:24, 12:25
Generally, 1:9, 1:10	Single-wing butterfly, 12:25
Non-arm's length acquisitions, 10:5	Spin-off butterfly, 12:24
Property acquired, 10:4	Split-up butterfly, 12:22 to 12:25
ASSETS	BUY/SELL ARRANGEMENTS
All or substantially all, 8:9, 10:15	See Corporations
Used principally in an active business, 8:10	CANADA-U.S
ATTRIBUTION RULES	Canadian-controlled private corporation (CCPC), solar, 3:22
Inter vivos transfers to child, 9:6 to 9:8, 9:11	Tax Treaty. see U.S./Canadian Tax Treaty
Transfer to spouse, 9:10	CANADIAN CONTROLLED PRIVATE CORPORATION (CCPC)
AUTOMOBILE, DEFINED	Eligible dividend, defined, 12:27
Generally, 3:33	Excessive eligible dividends, 12:29
AUTOMOBILE EXPENSE	General rate income pool (GRIP), 12:27
Farmers, 3:33	calculation, 12:28
Fishers, 13:16	Low rate income pool (LRIP), 12:30
“BABY BOOM” FARMERS	
Generally, 1:3	
Evolving tax system, 1:3, 1:4	

CANADIAN CONTROLLED PRIVATE CORPORATION (CCPC)—Cont'd	CAPITAL GAINS ELECTION
Non-CCPCs, 12:30	Eligible capital property, 4:19, 4:20
Small business deductions, 12:30	
CAPITAL COST ALLOWANCE	CAPITAL GAINS EXEMPTION
Generally, 3:7, 3:8	Generally, 8:1 to 8:16, APP 8A to APP 8E
Change from Part XVII to Part XI, 3:9 to 3:24	Actively engaged on a regular and continuous basis, 8:12
Comparison of Parts XI and XVII, 3:9 to 3:24	All or substantially all, 8:9
Cost amount	Class 14.1, 13:14, APP 8C
property depreciated under Part XVII, 9:16	Election, 8:6
Depreciable property, classes of, 3:8	Eligible ownership, determination of, 8:8, APP 8A
Diminishing balance system (Regs. Part XI), 3:8	Family farm or fishing corporation, shares in, 8:6, 8:13, APP 8E
Fishermen, 13:11	Family farm or fishing partnership, interest in, 8:7, 8:8, 8:13, APP 8D
Tile drainage, farming, 3:8	Gross revenue, 8:13
CAPITAL DISPOSITION	History, 8:1 to 8:16, APP 8A to APP 8E
Qualified farm property, 3:12	Last chance election, 8:15
Woodlot, 3:12	Multiple use of, 8:14
CAPITAL DIVIDENDS	Personal trust, 8:2 to 8:4
Generally, 7:13	Qualified farm or fishing property, 8:8
Stop-loss rules, 7:13	Class 14.1, APP 8C
CAPITAL GAINS	defined, 8:2 to 8:4
Deferral of, where replacement property acquired, 7:7	eligible capital property, determination of, 8:5
Disposition of eligible property, 4:15 to 4:20	interest in family farm or fishing partnership, 8:7, 8:8, 8:13, APP 8D
capital dividend account, 4:17, 4:18	mechanics, 8:1 to 8:16, APP 8A to APP 8E
exempt gains balance, 4:16	qualifying conditions, 8:1 to 8:16, APP 8A to APP 8E
Exemption, 8:1 to 8:16, APP 8A to APP 8E	real property, 8:2 to 8:4, 8:10, APP 8C
Inclusion rates, changes to, 4:13, 4:14	real property, non-residents, 8:3
rules after January 1, 2017, 4:13	share of stock of family farm or fishing corporation, 8:6, 12:20, APP 8E
rules before January 1, 2017, 4:14	substituted proper, 8:8
CAPITAL GAINS DEDUCTION	transfer to children upon death, 8:14
Form T657 reproduced, APP E:1	

TAXATION OF FARMERS AND FISHERS

CAPITAL GAINS EXEMPTION

—Cont'd

- Qualified farm or fishing property, **8:8**—Cont'd
- use, **8:11**
- Qualified user, **APP 8B**
 - defined, **8:2 to 8:4**
- Real property, **8:2 to 8:4, APP 8C**
- Repeal of, **8:15**
- Sprinkling, **8:14**
- Used principally, **8:10**

CAPITAL LOSS

- Corporations
 - see Corporations
- Estate, **7:13**
- Individuals, **7:13**
- Trusts, **7:13**

CAPITAL PROPERTY

- Capital gains election
 - see Capital gains election
- Conversion to inventory, **7:9**
- Definition, **14:16**
- Non-depreciable, transfers of, **7:12**
- Stop-loss rules
 - see Stop-loss rules
- Transfer to child, **10:10 to 10:15**
 - farming or fishing, **10:10 to 10:15**

CAPITAL TAXES

- Tax rates, **APP F**

CARTER COMMISSION

- Special rules no longer appropriate, **2:3**

CASES

- All or substantially all, **8:9, 10:16 to 10:18**
- Chief source of income, **5:7**
- Copthorne, **1:2**
- Craig, **5:9, 5:10**
- Grain on hand, **10:21**
- Moldowan, **5:2 to 5:4, 5:10**
- Otteson, **8:10**

CASES—Cont'd

- Reasonable expectation of profit cases, **5:2 to 5:4**
- Sale of earth substances, **3:17**
- Stewart, **5:4**
- Tait, **10:21**
- Tonn, **5:3**
- Wages paid to children, **3:29**
- Walls, **5:4**
- Whether farming operation is a business, **1:6 to 1:8**

CASH BASIS FILING

- See also Cash method of accounting; Income, computation of
- Generally, **1:5**
- Deduction, **2:5**
- Restriction of losses, **2:7 to 2:12**

CASH METHOD OF ACCOUNTING

- Accrual method, change to, **2:14**
- Accrual method contrasted, **2:3, 2:5**
- Advantages/disadvantages, **2:3**
- Basic rules, **2:5**
- Cash method, change to, **2:14**
- Corporation has right to use, **12:16**
- Election to use, **2:4**
- Example, **2:5**
- Expenses, deduction of, **2:5**
- Fishermen, for
 - see Fishermen
- Historical background, **1:5**
- Income deemed received, **2:5**
- Inventory (livestock) averaging
 - see Livestock averaging
- Inventory expenses, deduction of, **3:27**
- Livestock owned on death, **10:21**
- Mandatory inventory adjustment
 - see Mandatory inventory adjustment
- Partnership, allocation of profit to members of, **12:9**
- Partnership, cash basis of, **12:15**
- Partnership has right to use, **12:3**

<p>CASH METHOD OF ACCOUNTING—Cont'd</p> <p>Prepaid amounts, deduction of, 2:5</p> <p>Prepaid expenses, 3:26</p> <p>Reasons for, 2:3</p> <p>Receipt of cheques for income debts author's suggestions, 2:5 generally, 2:5 inconsistencies caused by rules, 2:5 rules, 2:5</p> <p>Receipt of income, 2:5</p> <p>Right to use, 2:4</p> <p>Where more than one business, 12:16</p>	<p>CHILD, TRANSFER TO—Cont'd</p> <p>Inter vivos transfers, 12:20 —Cont'd farm land, 9:8</p> <p>On death</p> <p>capital property. see Transfers on death</p> <p>capital property to spouse then to child, 10:16</p> <p>capital property to spouse trust then to child</p> <p>see Transfers on death</p> <p>family farm corporation</p> <p>see Family farm corporation</p> <p>family farm partnership</p> <p>see Family farm partnership</p> <p>small business corporation</p> <p>see Small business corporation</p> <p>Rollover to parent on child's death see Parents,</p> <p>Transfer to Christmas tree growers, 3:34</p>
<p>CASH OR CASH PROPERTY</p> <p>Used in the course of an active business, 8:2 to 8:4</p>	<p>CHILD CARE EXPENSES</p> <p>Generally, APP F</p>
<p>CEASING TO CARRY ON BUSINESS</p> <p>Eligible capital property, 4:9, 4:10, 10:19</p> <p>rules after January 1, 2017, 4:9</p> <p>rules before January 1, 2017, 4:10</p> <p>Farming business, 2:16</p> <p>Farm quotas, 4:9, 4:10</p>	<p>CLEARING LAND</p> <p>See Expenses</p>
<p>CHECKLIST</p> <p>RC602 reproduced, APP L L:1</p>	<p>COMMERCIAL ACTIVITY</p> <p>Definition, 14:19</p>
<p>CHILD</p> <p>Definition of, 8:2 to 8:4, 14:20</p> <p>Meaning, 9:8, 10:10 to 10:15</p> <p>Singular "child" includes plural "children," 10:10 to 10:15</p>	<p>CONSEQUENCE OF DEATH, TRANSFER BEING AS</p> <p>Generally, 10:16 to 10:18</p>
<p>CHILD, TRANSFER TO</p> <p>Capital gains exemption, 12:20</p> <p>Child, meaning, 9:8</p> <p>Inter vivos transfers, 12:20</p> <p>depreciable property of prescribed class</p> <p>see Inter vivos transfers</p> <p>farming and fishing property, use, 9:3</p>	<p>CONSTRUCTIVE RECEIPT, DOCTRINE OF</p> <p>Generally, 2:5</p> <p>CONTRACT OF SERVICE</p> <p>Generally, APP G</p> <p>Copthorne, 1:10</p> <p>CORPORATE BUY/SELL ARRANGEMENTS</p> <p>See Corporations</p>

TAXATION OF FARMERS AND FISHERS

CORPORATE INCOME TAX, FEDERAL AND PROVINCIAL

Generally, APP F

CORPORATE TAX RATES

See Tax rates

CORPORATION

See also Family farm

Affiliated, 7:10 to 7:13

Amalgamation, APP G

Butterfly reorganizations, 12:23

Capital loss, 7:11

Capital property, APP G

Cash method available, 12:16

Control, 7:10 to 7:13

Depreciable property, disposition of, 7:11

Distribution by, 12:25

Dividends

see Dividends

Divisive reorganization, 12:22 to 12:25

Eligible capital property, 12:18

Class 14.1 transition to, 12:5, 12:17, 13:14

Family farm

see Family farm corporations

Farmland held by, 14:20

Life insurance policy, beneficiary, 7:13

Livestock adjustment available, 2:6, 12:2, 13:3

Majority interest partner, defined, 9:16, 12:6

Method of calculating income, 12:16

NISA

see NISA

Non-arm's length transfers, 4:4 to 4:8, 12:23

Offside, 12:21

Partnerships, transfers to, 9:16

Rented farm property, 10:15

CORPORATION—Cont'd

Section 97(2) election, 4:21, 4:22, 9:16, 12:5

Shares, transfer of, 7:13

Subsidiary, use of, 9:13

Tax rates

see Tax rates

Terminal loss

see Terminal loss

Transfer of assets by individual

see Section 85 rollover

Transfer of assets by partnership, 12:18, 12:19

COST AMOUNT

Defined, 9:16

Depreciable property not of prescribed class, 12:5

CPP RATES

Generally, APP F

CRAIG CASE

Generally, 5:9

2013 budget, 5:10

CREDITS AND DEDUCTIONS

Generally, 11:1, 11:2

CROPS

Consumed by farmer, otherwise sold, 3:11

Harvested after death, 10:21

Perennial, APP G

CUMULATIVE ELIGIBLE CAPITAL

Defined, 4:2, 4:3

CUMULATIVE NET INVESTMENT LOSS (CNIL)

Tax on split income (TOSI), 6:13

DEATH OF FARMER

See also Transfers on death

Property owned by at, 10:21

Treatment of inventory on, 3:5, 3:6

DEBT FORGIVENESS	DIVIDENDS—Cont'd
Generally, 7:3 to 7:5	Intercorporate, 12:22
Foreclosures, 7:2, 7:4	Part IV tax, 12:23
Highlights, 7:4	Proceeds of disposition, 12:23
Perceived abuse of old rules, 7:4	Taxation of, 12:26 to 12:30
Summary of old rules, 7:4	
Transfers of interest, farm property, 7:2	
DECEASED TAXPAYER	DIVISIVE REORGANIZATION
Business income in year of death, 10:23	See Corporations
NISA	
see NISA	
Partnership, 10:23	
DEEMED DIVIDENDS	EARTH SUBSTANCES, SALE OF
See Dividends.	Generally, 3:17
DEFERRED CASH PURCHASE TICKET	ELECTION
Generally, 3:16	Cash method of accounting, to use, 2:4
DEFERRED PAYMENTS	Defer capital gains, replacement property, 7:7
Generally, 3:16	Family farm partnerships/corporations
DEPLETION	elect amount of deemed realization
Generally, 3:30	transfer on death to child, 10:15
Woodlot, 3:12	electing out of rollovers, 10:16 to 10:18
DEPRECIABLE CAPITAL PROPERTY, DEEMED PROCEEDS OF	transfers to non-partners, 10:14
Generally, 10:16 to 10:18	Farm partnership
DEPRECIABLE PROPERTY	avoid application of general rule, 12:6
See Stop-loss rules	Fisherman
“DEPRECIABLE PROPERTY OF PRESCRIBED CLASS”	change to cash method of accounting, 13:3
Generally, 9:9 to 9:11	Goods and services tax
DISTRIBUTION, NEW DEFINITION	sale of business, 14:16
Generally, 12:24	NISA Fund #2, re, 9:8
DIVIDENDS	Not to have NISA rollover provisions apply, 10:20
Generally, 7:13	Pay tax on rights or things over 10 years, 10:20
Capital gains strip, 12:22	Principal residence, change of use, 9:15
Deemed, 7:13	Replacement property, 4:2, 4:3, 7:7
	rules after January 1, 2017, 4:2
	rules before January 1, 2017, 4:3
	S. 70(6.2) election, 10:9

TAXATION OF FARMERS AND FISHERS

ELECTION—Cont'd

S. 85 election, **4:21, 4:22, 9:16, 12:17**
Separate return for rights or things, **10:21**
Transfer on death to child
 elect amount of deemed realization, **10:16 to 10:18**
 considerations, **10:16 to 10:18**
 enables accrued capital loss to be recognized, **10:16 to 10:18**
 ensures maximum advantage can be obtained, **10:16 to 10:18**
 generally, **10:16 to 10:18**
Transfer to spouse trust then to child
 elect amount of deemed proceeds, **10:17**

ELIGIBLE CAPITAL PROPERTY

Generally, **10:19**
Capital dividend account, **4:17, 4:18**
Ceasing to carry on business, **4:9, 4:10**
 rules after January 1, 2017, **4:9**
 rules before January 1, 2017, **4:10**
Class 14.1, **9:12, 13:14**
Defined, **4:1, 8:5**
Depreciable property, **9:12**
Dispositions of
 capital gain treatment, **4:15 to 4:20**
Election on, **4:19, 4:20**
Exempt gains balance, **4:16**
Farm quotas, **4:1**
 arm's length transfer, **4:4 to 4:8**
 dispositions of, **4:7, 4:8, 4:19, 4:20**
 non-arm's length acquisitions, **4:7, 4:8**
 rules after January 1, 2017, **4:5**

ELIGIBLE CAPITAL PROPERTY

—Cont'd
Farm quotas, **4:1**—Cont'd
 non-arm's length acquisitions, **4:7, 4:8**—Cont'd
 rules before January 1, 2017, **4:6**
 non-arm's length transfer of, **4:4 to 4:8**
 transfer and ownership issues, **4:23**
 transfers to corporation or partnership, **4:21, 4:22**
 treatment on death, **4:11, 4:12**
 rules after January 1, 2017, **4:11**
 rules before January 1, 2017, **4:12**
Fishing, **13:14**
History of, **4:1**
Inter vivos transfers of, **9:9 to 9:11**
 to a child, **9:11**
 to a spouse or common law partner, **9:10**
Not a right or thing, **10:19**
Replacement property rules, **4:2, 4:3**
Stop-loss rules, **4:9, 4:10, 7:12**
 rules after January 1, 2017, **4:9**
 rules before January 1, 2017, **4:10**
Transfer on death, **10:19**
Transitional rules
 see Transitional rules

EL RATES AND PREMIUMS

Generally, **APP F**

EMPLOYEE/EMPLOYER RELATIONSHIP

Generally, **APP G**

ENJOYMENT

Generally, **14:18**

EVOLVING TAX SYSTEM

Generally, **1:3, 1:4**

EXAMPLES

- Business limit reduction, passive income, **12:38**
- Capital cost allowance, **3:7, 3:8**
- Capital cost allowance, expired rules, **3:7, 3:8**
- Cash/accrual method contrasted, **2:5**
- Cash method, advantages/disadvantages, **2:3**
- Cash method, rules, **2:5**
- Elective inventory adjustment, **2:6**
- Mandatory inventory adjustment application of rule, **2:12**
when required, **2:9**
- Offside corporations, **12:21**
- Optional inventory adjustment, **2:6, 12:2, 13:3**
- Partnership reallocation, **12:14**
- Small business deduction, **12:33**
- Specified animal, valuation generally, **2:11**
- Unit price method of inventory valuation, **3:4**

EXPENSES

- Automobile expense, **3:33**
- Christmas tree growers, **3:34**
- Clearing land, **3:28**
- Deductibility, **3:23**
- Depletion, **3:30**
- Digging water wells, etc., **3:34**
- Dikes, dugouts, lagoons, **3:34**
- Farm home, **3:32**
- General, **3:25**
- Irrigation dam, **3:34**
- Land, clearing, levelling, drainage, **3:28**
- Prepaid, **3:23**
- Public utilities, installation of, **3:34**
- Rental expense, **3:31**
- Replacing trees, bushes, **3:34**
- Residence, **3:32**
- Roads, cost of, **3:34**
- Tile drainage, **3:28**

EXPENSES—Cont'd

- Wages, **3:29**
- Water wells, **3:34**
- Western Grain Stabilization levies, **3:34**

EXPROPRIATION

- Generally, **14:16**

EXTINGUISHMENT OF DEBT

- Generally, **7:3 to 7:5**

FAMILY FARM OR FISHING CORPORATION

- See also Family farm partnership
- Generally, **12:19, 12:20**
- Bequests, **10:16 to 10:18**
- Capital gains on disposition of shares, **8:6**
- Child, defined, **9:8**
- Inter vivos transfer, **9:13**
- Loop operation, **10:16 to 10:18**
- Property used principally in business of farming or fishing, **8:10, APP 8C**
- Rollover, **8:14, 10:13 to 10:15, 10:17, 10:18**
- Share of capital stock in, defined, **9:13, 10:15**
- Share of stock in, **8:6, 12:20, APP 8E**
- “Substantially all” of assets, **9:13, 10:15**
- Succession, **12:21**
- Tainted, **10:15**
- Transfer to child, **10:11, 13:24**
electing out of rollover rules, **10:13, 10:14**
transfers of depreciable property not of a prescribed class, **10:12**
- Transfer to spousal trust then to child or common-law partner, **10:16**
generally, **10:18**
land and depreciable property, **10:17**

TAXATION OF FARMERS AND FISHERS

FAMILY FARM PARTNERSHIP

See also Family farm or fishing corporation
Butterfly rules, **12:25**
Intercompany dividends, **12:25**
Interest in
 defined, **9:13, 10:10 to 10:15, APP D:3 et seq.**
 qualified farm property, is, **10:10 to 10:15**
Inter vivos transfer, **9:13**
Rented farm property, **10:15**
Section 55 amendments, **12:24**
Transfer on death to child, **10:15, 13:24**
 electing out of rollover rules, **10:15**
 transfer of interests acquired prior to V-day, **10:13**
 transfer of interests to non-partner, **10:14**
Transfer to spouse, spousal trust then to child or common-law partner, **10:16**
 generally, **10:18**
 land and depreciable property, **10:17**

FARMERS

Accounts receivable, **10:21**
“Baby boom” farmers, aging, **1:3**
Ceasing to carry on farming business, **2:16, 4:9, 4:10**
Crops, consumed, **3:11**
Deceased
 see Death of farmer
Employment insurance
 Guide T4005 reproduced, **APP K K:2**
 Evolving tax system, **1:3, 1:4**
 Exchange of products, **3:13**
 Fall fair prizes
 see Income
 Gift of saleable farm products, **3:13**
 Income tax, **1:6 to 1:8**
 Inventories, **10:21**

FARMERS—Cont’d

Non-resident, becoming, **2:15**
Produce, consumed, **3:11**
Property owned by at death, **10:21**
Records, **1:5**
Special rules no longer appropriate, **1:5**
 Statistics, **1:1 to 1:4**
Supplies on hand, **10:21**
Tax provisions affecting, **1:2, 1:8**
Transfer of products, **3:13**
Wages
 see Wages

“FARM GATE” DOCTRINE

Generally, **1:8**

FARM HOME

Deductible expenses, **3:32, 9:15**
Part of principal residence, **3:32**
Where capital cost allowance claimed, **9:15**

FARM INCOME

See Income

FARMING

Activities
 determination of, **1:8**
 statement of, Form T2042
 reproduced, **APP E E:14**
Defined, **1:2, 1:7, 1:8**
Income
 Guide T4002 reproduced, **APP K K:1**
 “significant endeavours” test, **5:9**
 Main purpose test, **10:11**
 Other activities performed in addition to, **1:8**
 Question of fact, **1:8**
 separate business, **1:8**
 What is it, generally, **1:6 to 1:8**

FARMING BUSINESS

Ceasing to carry on, **2:16**
Chief source of income, **5:7, 5:9, 5:10**

FARMING BUSINESS—Cont'd

Whether operation is
cases, **1:8**
criteria used by administration,
1:8

FARMLAND

See Goods and Services Tax (GST)

FARM LOSS

See also Restricted farm loss
Cases, **5:9**
Cash basis, **12:16, 12:17**
Chief source of income, **5:10**
Reasonable expectation of profit,
5:2 to 5:4

FARM OPERATION

Bonus from, APP D:3 et seq.
Retiring allowance, APP D:3 et
seq.

**FARM OR FISHING
PARTNERSHIP**

See also Family farm or fishing
partnership
Generally, **12:2 to 12:15, APP G**
Adjusted cost base of partnership
interest, **12:4, 12:19**
Affiliated, **7:10 to 7:13**
Allocation of profit calculated on
cash method, **12:9**
Artificial allocation of profits, **12:14**
example, **12:14**
Basic herd, **12:12**
Capital gain exemption, **12:3**
Capital loss, **7:12**
Cash method available, **12:2**
Deceased taxpayer
see Deceased taxpayer
Dividends, taxation of, **12:26 to
12:30**
Existence of partnership, **12:3**
husband/wife situation, **12:13**
Family business transfers, 2021
Bill, **12:24**
siblings, **2:17**

FARM OR FISHING**PARTNERSHIP—Cont'd**

Farmland held by, **14:20**
Fiscal year-end, **10:23**
Husband/wife partnership, **12:13**
Interest in, **8:7, 8:8, APP 8D**
Judicial interpretation, **12:13**
Majority interest partner, defined,
9:16, 12:6
Partnership, defined, **12:2**
Partnership income, APP G
Partnership property, **12:8**
Principal residence, **8:16, 12:11**
Property retained outside partner-
ship, **12:7**
Restricted farm loss, **12:10**
Stub Period, **2:18**
Terminal loss
see Terminal loss
Transfer of property by majority
interest partner, **12:6**
Transfer of property to
depreciable property, **12:5**
election to avoid general rule
formalities, **12:5**
Form T2059 reproduced, APP
E:18
generally, **9:16, 12:6**
general rule, **12:5**
inventory, **12:5**
siblings, **2:17**
Winding-up, **12:15**
Year-end, proposed, **2:18**

FARM PROPERTY

Disposition of, **3:21**
Qualified
see Qualified farm or fishing
property
Transfer of, APP D:3 et seq.

FARM QUOTAS

See also Government right
Capital gains inclusion rates, **4:13,**
4:14

TAXATION OF FARMERS AND FISHERS

FARM QUOTAS—Cont'd
Capital gain treatment, dispositions, 4:15 to 4:20
Ceasing business, 4:9, 4:10
Generally, 4:1
Replacement property rules, 4:2, 4:3
Stop-loss rules, 4:9, 4:10
Transfer of quota, 4:4 to 4:8
corporation or partnership, 4:21, 4:22
non-arm's length, 4:4 to 4:8
ownership issues, 4:23
s. 14(3), 4:4 to 4:8
s. 85, 4:21, 4:22, 12:17
s. 97(2), 4:21, 4:22
Treatment on death, 4:11, 4:12
rules after January 1, 2017, 4:11
rules before January 1, 2017, 4:12
FARM TAXATION
Unique elements, 1:2
FEED MANUFACTURED BY A MILL
Generally, 2:5
FINANCIAL STATEMENTS
Fishermen, 13:27
FISCAL YEAR-END
Generally, 10:23
FISHERS
See also Fishing.
Aboriginal fisheries, 13:19 to 13:23
next to reserve, 13:19 to 13:23
taxation of, 13:19 to 13:23
taxation of compensation to non-aboriginal commercial fisheries, 13:20 to 13:22
taxation of compensation to non-aboriginal fisheries &emdash; denial of "core" licences, 13:21
surrogatum principle, 13:20, 13:21

FISHERS—Cont'd
Aboriginal fisheries, 13:19 to 13:23
—Cont'd
taxation of compensation to non-aboriginal commercial fisheries, 13:20 to 13:22
—Cont'd
taxation of compensation to non-aboriginal fisheries &emdash; denial of "core" licences resulting legislative revisions, 13:21
taxation of compensation to non-aboriginal fisheries &emdash; denial of "supplementary" licences, 13:20
surrogatum principle, 13:20
Accounting
accrual method, 13:3, 13:8
capital cost allowance, 13:3, 13:8, 13:11, 13:12, 13:25
cash method, 13:3, 13:8
Class 14.1, 13:14
depreciable property, 13:14
election to change method, 13:3
expenditures, 13:3, 13:8
inventory, 13:3, 13:12
inventory method, 13:8
joint venture, 13:25
partnership, 13:25
qualifying period, 13:25
remuneration, 13:4, 13:25
reporting, 13:25
tax return, 13:4
Capital gains exemption, 12:20, 13:24
Capital gains reserve, 13:24
Concessions, 13:1
Employees of, 13:17
Employment insurance
Guide T4005 reproduced, APP K K:2
Financial statements, 13:27

FISHERS—Cont'd

Fishing vessel for personal use, **13:16**
 Form of organization, **13:25**
 Generally, **13:1**
 Goods and services tax
 see Goods and Services Tax (GST)
 Income
 bonuses, **13:6**
 government grants and payments, **13:5**
 income, **13:3, 13:4, 13:6**
 patronage dividends, **13:6**
 rebates, **13:6**
 Investment tax credit, **13:7**
 Labour force steady increase, **13:1**
 Losses
 application of, **13:26**
 no loss restriction rule, **13:18**
 Payment of tax, **11:3, 13:28**
 Reporting income, **13:27**
 Specific items
 automobile expenses, **13:15**
 capital cost allowance, **13:11**
 eligible capital property, **13:14**
 fishing licences
 generally, **13:14**
 qualifies as government right, **13:14**
 food, **13:10**
 house expenses, **13:15**
 Investment Tax Credits, **13:7, 13:12**
 licences, **13:14**
 nets and traps, **13:12**
 repairs, **13:13**
 wages, **13:8, 13:9**
 Tax deduction at source election,
 Form TD3F reproduced, **APP E E:24**
 Tax liability, **13:1**
 Tax return, **13:4 to 13:16**
 box codes, **13:4 to 13:16**
 Transfers of property, **13:24**

FISHING

Activities
 Form T2121 reproduced, **APP E E:23**
 Benefits, **13:25**
 Canada pension plan, **13:28**
 Definitions, **13:1**
 business, **13:2**
 fishing, **13:2**
 Employment insurance, **13:25, 13:28**
 Form of organization, **13:25**
 qualifying period, **13:25**
 Income
 accrual method, **13:3**
 cash method, **13:3**
 classification, **13:2**
 Guide T4002 reproduced, **APP K K:1**
 Investment Tax Credit, **13:7**
 miscellaneous amounts, **13:6**
 no loss restriction rule, **13:18**
 reporting, **13:27**
 stop loss rule, **13:18**
 Joint venture, **13:25**
 Partnership, **13:25**
 Tax payment, **13:28**
 financial responsibilities, **13:28**

FISH RAISING

Generally, **1:8**

FORECLOSURES

Generally, **7:3 to 7:5**

FORM OF BUSINESS ACTIVITY

Farmers
 see Farm partnership; Corporation carrying on farming business
 Fishers, **13:25**

FORMS

Reproduced, **APP E**

TAXATION OF FARMERS AND FISHERS

FORWARD AVERAGING (FORMER RULES)
Generally, 1:4
FUTURES CONTRACTS
Generally, 3:23
Risk management, 3:24
GAAR
See General anti-avoidance rule (GAAR)
GASOLINE TAX REBATES
See Rebates
GENERAL ANTI AVOIDANCE RULE (GAAR)
Generally, 1:9, 1:10
“Avoidance transaction,” 1:9, 1:10
“Tax benefit” to taxpayer, 1:9, 1:10
GIFT, SALEABLE FARM PRODUCTS
Generally, 3:13
GOODS AND SERVICES TAX (GST)
Act, defined, 14:1, 14:2
Animal products, 14:15
Assets, sale of, 14:16
Automobiles, 3:33
Barley, 14:8
Bees, 14:4, 14:5
Business, defined, 14:16
Byproducts, 14:15
Commercial activity, defined, 14:2
Conveyors, 14:15
Crop shredders, 14:15
Deemed sales, 14:19
Eggs, 14:9
Election, sale of business, 14:16
Exemptions, 14:16
Farm assets, 14:24
Farmland, 14:16, 14:22
business use, 14:15, 14:22
exemptions, 14:15, 14:16
held by corporation, partnership or trust, 14:20

GOODS AND SERVICES TAX (GST)—Cont’d
Farm livestock, 14:4, 14:5
Farm operations
purchase and sale, 14:23 to 14:25
supplies and purchases, 14:16
Feed ingredients/by-products, 14:15
Feedlot operations, 14:7
Fertilizer in bulk, 14:10
Fish, 14:13
Fishing, property relating to, 14:27
Flax seed, 14:8
Fodder crops, 14:6
Forage mixtures, 14:6
General comments, 14:1, 14:2
General requirements, 14:2
Goodwill, 14:25
Grains, 14:6
GST Memoranda (New Series &emdash; Chapter 4.4), 14:26
GST Memorandum 300-3-4 (New Series &emdash; Chapter 4.4), 14:26
GST Memorandum 300-4-1, 14:17
Hay, 14:6
Hops, 14:8
Incidental supplies, 14:15
Leases, 14:15
Livestock feeding systems, 14:15
Mulchers, 14:15
Personal trust, defined, 14:16
Personal use and enjoyment, 14:17, 14:18
Personal-use property exemption, 14:16
Pesticides, 14:15
Planter animal products, 14:15
Poultry, 14:4, 14:5
Poultry feeding systems, 14:15
Prescribed property, 14:15, 14:27
Quota, 14:15
Rabbits, 14:5
Real property, 14:16
Regulations, text of, 14:27
Related, defined, 14:18

GOODS AND SERVICES TAX	GROSS REVENUE, DEFINED
(GST)—Cont'd	Generally, 8:13
Scope, 14:1, 14:2	
Seeds, 14:6	
Share-cropping arrangement, 14:14	
Shellfish, 14:13	
Silage, 14:6	
Standing timber, 14:21	
Straw, 14:8	
Sugar beets, 14:8	
Sugar cane, 14:8	
Taxable supply, 14:2	
Tobacco leaves, 14:12	
Trailers, 14:15	
Transfers of interest, farm property, 7:2	
Wagons, 14:15	
Wool, 14:11	
Zero-rated, defined, 14:4, 14:5	
Zero-rated supplies, 14:2, 14:15, 14:26	
GOODWILL	
See Goods and Services Tax (GST)	
GOVERNMENT CONTACT INFORMATION	
Generally, APP J	
GOVERNMENT GRANTS AND PAYMENTS	
Fishermen, 13:5	
Transfer on death, 10:19	
GRAIN PARTICIPATION CERTIFICATES	
Generally, 10:21	
GRANDPARENT, DEFINED	
Generally, 8:2 to 8:4	
GRAPE GROWING	
Generally, 1:8	
GRAVEL	
Sales, 3:17	
Transfer to child of land containing, 9:11	
GROSS REVENUE, DEFINED	
Generally, 8:13	
GST	
See Goods and services tax (GST)	
HEALTH TAX	
Generally, APP F	
HOBBY FARM	
Business, 14:16	
Commercial activity, 14:19	
HOBBY FARMERS	
See also Restricted farm loss	
Chief source of income, 5:7	
History of development, 5:6	
Overview, 5:1	
Reasonable expectation of profit, 5:2 to 5:4	
Stewart, 5:4	
Tonn, 5:3	
Wells, 5:4	
HORSE RACING ACTIVITIES	
Generally, 1:8	
INCOME	
Generally, 3:9 to 3:24	
Adjustments, 3:11	
Breeding bees, sales of, 3:16	
Breeding herds, drought-induced sales, 3:16	
Compensation for destroyed animals, 3:23	
Computation of	
see Income, computation of	
Crops, right to harvest, 3:23	
Crops harvested after death, 10:21	
Deceased, amounts entitled to receive, 10:21	
Deferred payments, 3:16	
Earth substances, sale of, 3:17	
Fall fair prizes, 3:23	
Farm income, 3:23	
Guide RC4060 reproduced, APP K K:3	

TAXATION OF FARMERS AND FISHERS

INCOME—Cont'd

Farm income, **3:23**—Cont'd
Guide RC4408 reproduced, **APP K K:4**
Farm products, **3:13**
Gasoline tax rebates, **3:23**
General, **3:9**
Gift of saleable farm products, **3:13**
Insurance proceeds, **3:23**
Investment income, **3:24**
Liability, settlement of, **3:13, 13:1**
Measurement of, **2:2**
Non-farming, **5:7**
 Gunn decision, **5:8**
 Moldowan decision, **5:7**
Partnership income, **APP G**
Patronage dividends, **3:15**
Products, exchange or transfer of, **3:13**
Products consumed, **3:11**
Quota rights, **3:14**
Rental income, **3:18**
Safe income on hand, **12:24, 12:25**
Sale, **12:23**
Standing crops, **3:23**
Subsidies, **3:10**
Woodlot, **3:12**

INCOME, COMPUTATION OF

Cash method, **2:5, 2:7 to 2:12, 3:26**
Credits and deductions, **11:1, 11:2**
Expenses
 see Expenses
Generally, **3:1 to 3:34**
Inventories
 see Inventory

INCOME FROM PROPERTY

See Income

INCOME STABILIZATION PROGRAM

See NISA

INCOME TAX APPLICATION RULE (ITAR)

Part XVII Property, **9:5**

INCOME TAX APPLICATION

RULE (ITAR)—Cont'd

Property owned on December 31, 1971, **9:5**

INCOME TAX FOLIOS

Reproduced, **APP B**
 S1-F3-C2, Principal Residence, **APP B**
 S1-F5-C1, Related Persons and Dealing at Arm's Length, **APP B**
S4-F11-C1, Meaning of Farming and Farming Business
 cash method, **2:4**
 judicial interpretations of farming and fishing, **1:8**
 legislative provisions of farming and fishing, **1:7**

INCOME TAX RETURNS

See Separate returns

INCOME TAX RULINGS

See Rulings

INDEFEASIBLE VESTING

Circumstances where it applies, **7:8**
Circumstances where it does not apply, **7:8**

Generally, **7:8**
Rules which require, **7:8**
Whether vesting occurred, **10:17**

INDEPENDENT CONTRACTOR

Generally, **1:8**
Feedlot operator, **1:8**
Livestock raising, **1:8**
Relationship, **APP G**
Sharecropping arrangement, **1:8**

INFORMATION CIRCULARS

List of, referred to, **APP C**

INSTALMENTS

See Tax, payment of

INSURANCE PROCEEDS

Generally, **3:23**

INTEREST IN CROPS SOWN	
Generally, 10:21	
INTEREST ON INSTALMENTS	
See Tax, payment of	
INTERGENERATIONAL BUSINESS TRANSFER (IBT)	
Child, defined, 9:14	
CRA technical interpretations, 9:14	
De facto control considerations, 9:14	
Disposition of shares, 9:14	
Leveraged acquisition of, 9:14	
Provisions summary, 9:14	
INTERGENERATIONAL “ROLLOVER RULES”	
Child, defined, 9:14	
INTERPRETATION BULLETINS	
IT-344, 10:19	
IT-423, 3:17	
IT-77R, 2:5	
IT-109R2, 9:4, 9:5	
IT-156R, 1:8	
IT-206R, 1:8	
IT-212R3, 3:5, 10:21	
IT-259R4, 4:3, 7:7	
IT-268R3, 9:5, 10:16 to 10:18	
IT-273R2, 13:5	
IT-313R2, 10:19	
IT-322R, 1:8	
IT-349R3, 10:16 to 10:18	
IT-373R, 9:11	
IT-373R2, 3:12	
IT-419R2, 12:5	
IT-427R, 2:6, 9:16, 10:21	
IT-433R, 2:5, 12:5, 12:17	
IT-436R, 2:5	
IT-449R, 7:8	
List of, referred to, APP A	
INTER VIVOS TRANSFERS OF FARM PROPERTY	
Capital gains exemption, 9:3	

INTER VIVOS TRANSFERS OF FARM PROPERTY—Cont’d	
Capital property other than depreciable property	
arm’s length transaction, 9:6 to 9:8	
overview, 9:6 to 9:8	
transfer to farm land to child, 9:8, 13:24	
transfer to spouse, spouse trust, etc, 9:7, 13:24	
Corporations, to	
see Corporations, partnerships, transfers to	
Depreciable property not of prescribed class	
adjusted cost base equal to capital cost, 9:10	
generally, 9:10	
Part XVII system	
no recapture or terminal loss on disposition, 9:10	
Depreciable property of prescribed class	
arm’s length transaction, 9:9 to 9:11	
Class 14.1, 9:3	
generally, 9:9 to 9:11	
transfer to child	
attribution rule, 9:11	
“depreciable property of a prescribed class,” 9:11	
generally, 9:11	
transfer of woodlot, gravel pit, 9:11	
transfer to spouse, spouse trust, etc., 9:10	
Dispositions of property, 9:1 to 9:3	
arm’s length, 9:1 to 9:5	
“rollover” provision, 9:1 to 9:3	
Eligible capital property	
see Eligible capital property	
Family farm corporation	
see Family farm corporation	

TAXATION OF FARMERS AND FISHERS

INTER VIVOS TRANSFERS OF FARM PROPERTY—Cont'd

Family farm partnership
see Family farm partnership
/Has been used/, meaning of, **9:2**
Partnerships, to
see Corporations, partnerships,
transfers to
/Principally/, meaning of, **9:2, 9:3**
Principal residence, **9:15**
Property of income nature
accrual method, **9:4, 9:5, 13:3**
arm's length, **9:4, 9:5**
cash method, **9:4, 9:5, 13:3**
remuneration, **9:4, 9:5**
timing, **9:4, 9:5**

INTRODUCTION

Judicial interpretation, **1:8**
contracts for services, **1:8**
feedlot operator, **1:8**
independent contractor, **1:8**
livestock raising, **1:8**
“loops” operations, **1:8**
sharecropping arrangement, **1:8**
legislative provisions, **1:7**
multifaceted businesses, **1:8**
microFIT program, **1:8**
solar energy projects, **1:8**
simultaneous business activities, **1:8**
single faceted businesses, **1:8**
“Loops” operations, **1:8**
Reasons for publication, **1:1 to 1:4**
Unique elements of farm taxation, **1:2**

INVENTORY

Generally, **3:2 to 3:6**
Conversion of capital property to, **7:9**
Defined, **2:6, 3:2 to 3:6, 3:27**
Harvested grain, **10:21**
Livestock, **10:21**

INVENTORY—Cont'd

Livestock, grain, etc., not included, **12:17**
Mandatory adjustment
see Mandatory inventory adjustment
Methods of valuation
capital cost allowance
see Capital cost allowance
generally, **3:3**
treatment on death of farmer, **3:5**
unit price method, **3:4**
when Canadian residence
acquired/relinquished, **3:6**
Not deductible under 78(1), **9:4, 9:5**
Optional livestock inventory adjustment, **2:6**

INVESTMENT INCOME

See Income

INVESTMENT TAX CREDIT

Form T2038-ind reproduced, **APP E E:13**
Form T2SCH31(Corp) reproduced, **APP E:12**
Relevance to maritime farmers, **11:1**
Research and development, **11:2**
examples, **11:2**

IRRIGATION COSTS

Generally, **3:34**

LAND

Clearing and levelling, **3:23**
Drainage, **3:23**
Excess, **14:16**
Expropriated, **14:16**
Subdivided or severed, **14:16**
Vacant, **14:16**

LAND TRANSFER TAX

Transfers of interest, farm property, **7:2, 12:19**

LEASES	LIVESTOCK—Cont'd
Farm equipment and vehicles, APP G	Rollover to corporation under s. 85, 9:16
GST	
see Goods and Services Tax (GST)	
LEASE VERSUS BUY DECISION	"LOOP" OPERATIONS
Generally, 3:23	Generally, 1:8, 10:16 to 10:18
1995 LEGISLATION	LOSSES
Generally, 2:17	Craig decision, 5:9, 5:10
Calculating business income, 2:17	Generally, 5:1 to 5:11
alternative method accounting, 2:17	Gunn decision, 5:7
Fiscal period to end December 31, 2:17	Legislative attempts to restrict "chief source of income," 5:7
alternative method, 2:17	Gunn decision, 5:7
LEVELLING LAND	history of development, 5:6
Generally. see Expenses	Moldowan decision, 5:7
LIABILITIES	Proposed new REOP legislation, 5:11, 12:3
Settlement of, 3:13, 13:1	Reasonable expectation of profits generally, 5:2 to 5:4
LICENCES, FISHING	proposed new legislation, 5:11
Cost to renew, 13:14	Restrictive farm losses
Eastern Canada commercial inshore, 13:23	see Restricted farm losses
Eastern Canada Commercial Inshore Fishing Licences Administrative Guidelines, 13:23	Stewart case, 5:4
Issuance to wholly-owned corporation, tax implications, 13:23	Tonn decision, 5:3
Section 85 transfer, 13:23	Walls case, 5:4
LIVESTOCK	MANDATORY INVENTORY ADJUSTMENT
Basic herd	Amendments (1988), 2:8
see Basic herd	commentary, 2:3
Death, on hand at, 10:17, 10:19 to 10:21	rules, generally, 2:9
Defined, 2:6	Application of rule, 2:12
Elective inventory adjustment, 2:6	Basic rule, 2:10
No capital element in herd, 10:17	valuation of specified animals, 2:11
Optional inventory adjustment, 2:6	when it must be made, 2:9
Raising, 1:8	MEASUREMENT OF INCOME
	Generally, 2:2
	MICROFIT PROGRAM
	Generally, 1:8
	MILK QUOTA
	Generally, APP G

TAXATION OF FARMERS AND FISHERS

MINIMIZATION OF TAX
Generally, 1:9, 1:10
NEW GENERAL ANTI-AVOIDANCE RULE
Generally, 1:11
NISA (NET INCOME STABILIZATION ACCOUNT)
See also AgriInvest
Fund #2, 9:7, 12:17
Section 85 rollover, 12:17
NON-ARM'S LENGTH TRANSFERS
Generally, 12:23
Acquisitions as consequence of death, 10:5
Farm quotas, 4:4 to 4:8
NON-DEPRECIABLE CAPITAL PROPERTY, STOP-LOSS RULES
Generally, 7:12
NON-RESIDENT
Becoming, 2:15
Treatment of inventory, 3:6
NOTHINGS
See Eligible capital property
NOT RELATED
Generally, 12:24
OFF-CALENDAR YEAR-END
Generally, 10:23
OFFSIDE CORPORATIONS
See Corporations
OLD AGE SECURITY
Generally, APP F
Transfers of interest, farm property, 7:2
ONTARIO AGRICULTURAL COMMISSION
Generally, 1:8

PARENT, DEFINED
Generally, 8:2 to 8:4, 10:22
PARENTS, TRANSFER TO
Generally, 10:22
Parent, defined, 10:22
Rollover between family members generally, 10:22
Rollover to parent on child's death election, 10:22
prior law, 10:22
provision applies after 1983, 10:22
requirements for, 10:22
unusual results, 10:22
where change in nature of asset, 10:22
PARTIAL BUTTERFLY
See Butterfly transactions
PARTNERSHIP
See also Farm partnership
Basic elements, 12:3
Business in common, 12:3
PATRONAGE DIVIDENDS
Farmers, 3:14
Fishers, 13:6
PAYMENT OF TAX
See Tax, payment of
PAYROLL TAXES
Generally, APP F
PERMITTED ACQUISITION, 12:25
PERMITTED EXCHANGE, 12:25
PERMITTED REDEMPTION, 12:25
PERSONAL TAX CREDITS
See Tax credits
PERSONAL TAX RATES
See Tax rates

PERSONAL TRUST

See Trusts

PERSONAL USE

Generally, 14:18

PERSONAL-USE PROPERTY

Generally, 3:13

GST exemption, 14:16

PREPAID EXPENSES

Generally, 2:5

PRINCIPAL RESIDENCE

Alternative method of computing
gain
generally, 9:15

Defined, 9:15

Designation of

Folio S1-F3-C2, APP B

Form T1079 reproduced, APP E
E:3

Form T2091 reproduced, APP E
E:21, APP E E:22

Form T1079WS reproduced,
APP E E:4

only one residence may be
designated, 9:15

Election re change of use, 9:15

Farm home, 3:32, 9:15

Farm partnership, 12:11

Gain on, excluded, 9:15

Land exceeds one-half hectare, 9:15

Loss of exemption, 9:15

Not available to partnerships/
corporations, 9:15

Spouse, spouse trust, transfer to,
9:15

Where property owned by partner-
ships, 9:15

PRIZES, FALL FAIR

Generally, 3:23

PRODUCE, CONSUMED

Generally, 3:11

PROFIT

Generally, 2:2

Not defined in Act, 2:2

PROMISSORY NOTE

Generally, 2:5

PROPERTY

Capital

see Capital property

Capital cost, 7:9

Change in use, 7:9

Deemed disposition, 7:9

Depreciable

see Stop-loss rules

Disposition of

Form T2057 reproduced, APP E
E:16

Form T2058 reproduced, APP E
E:17

Form T2059 reproduced, APP E
E:18

Eligible capital

see Eligible capital property

Farming and fishing, use, 8:11

Federal Budget 2023 (Bill C-208)

IBT proposals, 9:14

Government right, 10:20

Inter vivos transfer, 9:1 to 9:16

Owned December 31, 1971, 9:5

Part XVII, 9:5

Personal-use

see Personal-use property

Principal residence by personal
trust, designation

Form T1079 reproduced, APP E
E:3

Form T1079WS reproduced,
APP E E:4

Real

see Real property

Shares to next generation, 9:14

PROPRIETORSHIPS

Fiscal year-end, 10:23

TAXATION OF FARMERS AND FISHERS

PROPRIETORSHIPS—Cont'd	QUALIFIED FARM OR FISHING PROPERTY—Cont'd
NISA	Real property, 8:2 to 8:4, APP 8C
see NISA	spousal trusts, 8:1 to 8:16, APP 8A to APP 8E
Prescribed forest management plan, 7:14	Share of stock of family farm or fishing corporation, 8:6, 12:20, APP 8E
PROVINCIAL TAXES	Substituted property, 8:2 to 8:4
Health premium, APP F	Used in a partnership, APP D:3 et seq.
Payroll, APP F	
Transfers of interest, farm property, 7:2	
PUBLIC UTILITIES, INSTALLATION OF	QUOTA RIGHTS
Generally, 3:34	Generally, 3:14
PURCHASE AND SALE, AGREEMENT OF	QUOTAS
Generally, 14:16	See also Farm quotas Conversion, 14:19
PURCHASE BUTTERFLY	REAL PROPERTY
See Butterfly transactions	Generally, 8:2 to 8:4, 10:15, 14:16 CRA Technical Interpretations, 8:4
QUALIFIED FAMILY PROPERTY	REASONABLE EXPECTATION OF PROFIT
Generally, 8:2 to 8:4, 8:8	Generally, 5:2 to 5:4, 14:16
QUALIFIED FARM OR FISHING PROPERTY	REBATES
Generally, 3:13, 8:8	Fishers, 13:6 Gasoline tax, 3:23
Capital gains, APP D:3 et seq.	RELATED, DEFINED
Capital gains exemption, 8:1 to 8:16, APP 8A to APP 8E	Generally, 14:18
history, 8:1 to 8:16, APP 8A to APP 8E	RELATED PARTY TRANSACTIONS
CRA interpretation, 8:2 to 8:4, 8:8	Generally, 12:25
Defined, 8:1 to 8:16, APP 8A to APP 8E	RENTAL EXPENSE
Disposition	Generally, 3:31
deemed, APP D:3 et seq.	RENTAL INCOME
Family farm corporation, APP D:3 et seq.	Generally, 3:18
Interest in family farm or fishing partnership, 8:7, 8:8, APP 8D	REPLACEMENT PROPERTY RULES
Milk quota, APP H	Generally, 4:2, 4:3, 7:7 Proration of cost of new property, 7:7
Options in, APP D:3 et seq.	
Partnership, 12:19	
Payment for easement, APP D:3 et seq.	

REPORTING PERIODS	
Joint ventures, 2:19, 13:25	
RESERVE, SECTION	
Generally, 3:10, 10:23	
RESIDENTIAL COMPLEX	
Generally, 14:16	
RESTRICTED FARM LOSS	
See also Hobby farmers	
Generally, 5:10, 14:16	
Cases	
see Cases	
Chief source of income, 5:7	
Farm partnership, 5:5, 12:10	
Rules, 5:5	
Section 31, 5:5	
RETURNS	
See Separate returns	
REVENUE CANADA UPDATE	
Generally, APP G	
RIGHTS OR THINGS	
Generally, 10:21	
Accrual method of accounting, 10:21	
Payment of tax	
election to pay over 10 years	
Form T2075, APP E:20	
generally, 10:21, 11:3	
Separate tax return	
election, 10:21	
generally, 10:21	
restrictions, 10:21	
Value of, 10:21	
ROADS, COST OF	
Generally, 3:34	
ROLLOVERS	
Child-parent, 8:14, 10:23	
Tax on split income (TOSI)	
inter vivos, 6:11	
spousal, 6:12	
ROLLOVERS—Cont'd	
Transfer to children upon death, 8:14	
SAFE INCOME	
See Income	
SAND, SOIL, SOD, STONE, SALE OF	
Generally, 3:17	
SECTION 31	
Generally, 5:5	
SECTION 85 ELECTION	
See Section 85 rollover	
SECTION 85 ROLLOVER	
See also Corporations, partnerships, transfers to	
Applies to	
depreciable property, 12:17	
NISA Fund #2, 12:17	
quota, 12:17	
Election required, 12:17	
Exception, 9:16	
Generally, 9:16, 12:17	
Mandatory inventory add-back, 9:16	
Not applicable to livestock, grain, etc., 12:17	
SECURITY	
Generally, 2:5	
SEPARATE RETURNS	
Rights or things, 10:21	
SHARECROPPING ARRANGEMENT	
Generally, 1:8	
SHARES	
Convertible, 7:13	
Disposition on death, 7:13	
Family farm corporations	
see Family farm corporations	
Rollover, 7:13	
Share for share exchange, 7:13	

TAXATION OF FARMERS AND FISHERS

SHARES—Cont'd

Transfer of, **7:13**
Trusts, **7:13**

SINGLE-WING BUTTERFLY

See *Butterfly transactions*

SISTERS

Generally, **12:24**

SMALL BUSINESS CORPORATION

Defined, **10:16 to 10:18**
Generally, **10:16 to 10:18**
Provisions no longer apply, **10:16 to 10:18**
Repeal of provisions, **10:16 to 10:18**
Shares revert to parent, **10:16 to 10:18**
Transfer on death to child, **10:16 to 10:18**
Transfer to spousal trust then to child or common law partner, **10:16**
family farm partnerships, **10:18**
land and depreciable property, **10:17**
shares in family farm corporation, **10:18**

SMALL BUSINESS DEDUCTION (SBD)

Background, **12:31**
Business limit reduction, passive income, **12:36 to 12:39**
adjusted aggregate investment income (AAII), **12:37, 12:39**
examples, **12:38**
mechanics, **12:37**
Designated member, **12:32**
Examples, **12:33**
Passive income rules, **12:39**
Practical difficulties, **12:34**
Shares of a specified class, **12:39**

SMALL BUSINESS DEDUCTION (SBD)—Cont'd

Specified cooperative income (SCO), **12:32**
Specified corporate income (SCI), **12:32**
Specified farming or fishing income, **12:32**
Specified partnership income (SPI), defined, **12:32**

SOLAR ENERGY PROJECTS

Generally, **1:8**
Canadian controlled private corporation (CCPC), **3:22**
Capital cost allowance, CRA interpretation, **1:8**
Capital cost allowance (CCA), restrictions, **3:22**
Farming, CRA interpretation, **1:8**
Feed-in tariff (FIT)/micro-FIT programs, **3:22**
Income from a source, CRA interpretation, **1:8, 3:22**
Limitation on CCA, CRA interpretation, **1:8**

SPECIFIED ANIMALS

Defined, **2:11**
Valuation, **2:11**

SPECIFIED CLASS, NEW DEFINITION

Generally, **12:25**

SPIN-OFF BUTTERFLY

See *Butterfly transactions*

SPLIT-UP BUTTERFLY

See *Butterfly transactions*

SPOUSE, EXTENDED MEANING

Generally, **9:7, 9:10, 10:9**

SPOUSE, SPOUSE TRUST, TRANSFER TO

Inter vivos transfers
capital property other than depreciable property, **9:6 to 9:8**

SPOUSE, SPOUSE TRUST, TRANSFER TO—Cont'd	STOP-LOSS RULES; AFFILIATED PERSONS
Inter vivos transfers—Cont'd	—Cont'd
depreciable property of prescribed class, 9:10	Non-depreciable capital property, transfer of, 7:12
eligible capital property, 9:9 to 9:11, 9:13	Proposed rules, 7:13
principal residence, 9:15	Transfers of depreciable property, 7:11
On death	SUBSIDIES
capital property	Generally, 3:10
see Transfers on death	SUPERFICIAL LOSS
capital property to spouse then to child, 10:16	Generally, 7:12
capital property to spouse trust then to child, 10:17, 10:18	TAX, PAYMENT OF
Spouse, extended meaning, 9:7, 9:10, 10:9	Fishers, 13:6, 13:28
Spouse trust defined, 10:16 to 10:18	Generally, 11:3
SPOUSE TRUST, DEFINED	Separate returns see Separate returns
Generally, 10:16 to 10:18	TAX BENEFIT, TRANSACTIONS ARRANGED FOR
STANDING CROPS	Generally, 1:9, 1:10
Generally, 3:23	TAX CREDITS
STANDING TIMBER	Generally, APP F
Generally, 3:12	TAX DEDUCTION
GST	At source, fishermen election, Form TD3F, reproduced, APP E E:24
see Goods and Services Tax (GST)	TAX-DEFERRED
STOP-LOSS RULES	Transfer, 12:5
Generally, 4:9, 4:10, 7:10 to 7:13, 13:18	Winding-up of a partnership, 12:15
STOP-LOSS RULES; AFFILIATED PERSONS	TAX ON SPLIT INCOME (TOSI)
Capital dividends, 7:13	Age requirements 24 and under, 6:10
Current rules, 7:13	18 and up, 6:11, 6:15, 6:16
Depreciable property, prescribed class, 10:11	25 and up, 6:19, 6:20
Depreciable property, transfer of, 7:11	no age restriction, 6:12 to 6:14, 6:22
Eligible capital property, transfer of rules after January 1, 2017, 4:9	spouse, relevant, 6:21
rules before January 1, 2017, 4:10	table, 6:23
	18 to 24, 6:17, 6:18
	“Arm's length capital,” 6:18, 6:20

TAXATION OF FARMERS AND FISHERS

TAX ON SPLIT INCOME (TOSI)

—Cont'd

- Avoidance, generally, **6:9 to 6:23**
 - “arm’s length capital,” reasonable return (ages 18 to 24), **6:18**
 - death, **6:13**
 - disposition
 - qualified farm or fishing property” (QFFP), **6:14**
 - qualified small business corporation” (QSBC) shares, **6:14**
 - exclusions
 - business (ages 18 and up), **6:8, 6:15**
 - deceased spouse, **6:22**
 - retired spouse, **6:21**
 - shares (ages 25 and up), **6:11, 6:19**
 - table, **6:23**
 - inherited property
 - (ages 18 and up), **6:10**
 - (ages 24 and under), **6:10**
 - marital breakdown, **6:12**
 - “no related business” (ages 18 and up), **6:12, 6:15**
 - reasonable return (ages 25 and up), **6:8, 6:20**
 - “safe harbour capital return” (ages 18 to 24), **6:17**
- Bill C-74, **6:1**
- “Bright-line test,” **6:16**
- “Business,” **6:15**
- Capital gains, **6:14, 6:16, 6:18**
- Corporation earning income, **6:15**
- Cumulative Net Investment Loss (CNIL), **6:13**
- Dates
 - after January 1, 2018, **6:1**
 - prior to January 1, 2018, **6:1**
- Evolving system, **1:4**
- “Excluded amount,” **6:2, 6:6, 6:8 to 6:23, 12:3**

TAX ON SPLIT INCOME (TOSI)

—Cont'd

- “Excluded business,” **6:8, 6:11, 6:16**
- “Excluded shares,” **6:19**
- Family partnership, **6:8, 12:3**
- Family trust, **6:1**
- Farming partnership, **6:8**
- Fishing partnership, **6:8**
- Iterative rule, related business, **6:6**
- Key concepts, **6:3 to 6:6**
- “Kiddie tax,” **6:1**
- Lifetime Capital Gains Exemption (LCGE), **6:14**
- Partnerships, **6:8, 12:3**
- Planning, **6:24**
- Property, **6:10 to 6:12**
- “Reasonable return,” **6:8, 6:11, 6:18**
- Related business, **6:5, 6:6**
- Rollovers
 - inter vivos, **6:11**
 - spousal, **6:12**
- “Safe harbour capital return,” **6:17**
- Salaries, **6:8, 6:24**
- Shares, **6:11, 6:14 to 6:16, 6:19**
- “Side-car structures,” **6:3 to 6:6**
- Small Business Deduction, **6:19**
- “Source individual,” **6:4**
- Special rules, **6:11, 6:12, 6:16**
- “Specified individual,” **6:2, 6:7, 6:9 to 6:23**
- “Specified investment business,” **6:15, 6:19**
- “Split income,” **6:2, 6:6, 6:8**
- Student, full-time status, **6:10**
- Wages, **6:8**

TAX RATES

- Generally, **APP F**

TERMINAL ALLOWANCE

- Generally, **10:19**

TILE DRAINAGE

- See Expenses

TIMBER, STANDING	TRANSFERS ON DEATH—Cont'd
See Standing timber	Capital property, generally—Cont'd
TITLE OF GOODS, CHANGE OF	property acquired as consequence
Generally, 2:5	of death, 10:4
TOBACCO FARMING	property depreciable under Part
Drying of tobacco in kilns, 1:18	XVII, 10:7
TOOLS, OWNERSHIP OF	rule, general, 10:2 to 10:8
Generally, APP G	Capital property to child, 10:10 to
TOSI	10:15
See Tax on split income	depreciable property not of
TRANSFERS OF FARM PROPERTY	prescribed class, 10:12
Capital cost of assets	Capital property to spouse, spousal
acquired in non-arm's length	trust, then to child or common
transaction, 4:7, 4:8	law partner, 10:16
rules after January 1, 2017, 4:7	land and depreciable property,
rules before January 1, 2017,	10:17
4:8	Capital property to spouse, spouse
Corporations, to	trust
see Corporations, partnerships,	depreciable property not of
transfers to	prescribed class, 10:9
Former rules	election to have general rules
repealed in Budget of May 23/85,	apply, 10:9
7:4	transitional rules, 10:9
General considerations, 7:1 to 7:14	trust created by taxpayer's will,
Historical background, 7:2	10:9
Inter vivos transfers	when special rules apply, 10:9
see Inter vivos transfers	where beneficial to have general
On death	rules apply, 10:9
see Transfers on death	Capital property to spouse trust then
Partnerships, to	to child, 10:18
see Corporations, partnerships,	family farm partnerships/
transfers to	corporations, 10:18
Tax reform (1972), effect of, 7:2	Eligible capital property, 10:19
TRANSFERS ON DEATH	Family farm partnership/
See also Death of farmer	corporation to child
Capital property, generally	see Family farm partnership;
capital property other than	Family farm corporation
depreciable property, 10:8	Overview, 10:1
depreciable property of	Rights or things
prescribed class, 10:3 to	see Rights or things
10:6	Small business corporation
	see Small business corporation
	Vesting indefeasibly, 10:6
TRANSITIONAL RULES	
	Eligible capital property, 9:13

TAXATION OF FARMERS AND FISHERS

TRANSITIONAL RULES—Cont'd	WAGES—Cont'd
Farm quotas, 4:1	Fishers, 13:8, 13:9
Fishing licences, 13:14	Spouse, paid to, 3:23
Transfers on death	
capital property other than depreciable property, 10:8	
eligible capital property, 10:19	
family farm partnership/ corporation, 10:10 to 10:15	
transfer to child, 10:9	
transfer to spouse, spouse trust, 10:9	
Transfers to child, 9:11	
TREES, COST OF	
Generally, 3:34	
TRUSTS	
Capital loss, 7:11	
Farmland held by, 14:20	
NISA, 10:20	
Personal, 14:16	
Shares, 7:13	
Spousal, 10:17, 10:18, 10:21	
Terminal loss	
see Terminal loss	
UNHARVESTED GRAIN	
Generally, 2:6	
U.S./CANADIAN TAX TREATY	
Generally, APP G	
VACANT LAND	
See Land	
VESTING	
See Indefeasible vesting	
WAGES	
Children, paid to, 3:23	
Farmers, 3:23	
	WATER WELLS, DIGGING
	Generally, 3:34
	WAYS AND MEANS MOTION (DEC 16/87)
	Mandatory inventory adjustment, 2:7 to 2:12
	WAYS AND MEANS MOTION (JUN 22/92)
	Extended meaning of spouse, 9:7, 9:10, 10:9
	Farm partnership/corporation expand list of qualified users, 10:16 to 10:18
	Inter vivos transfers to child, 9:11
	“Substantially” all property, 10:16 to 10:18
	Transfer to child on death, 10:10 to 10:15
	WEBSITES
	Fisheries, APP I
	Useful agricultural related, APP H
	WESTERN GRAIN STABILIZATION LEVIES
	Generally, 3:34
	WINE-MAKING
	Generally, 1:8
	WOODLOTS
	Generally, 3:12
	Prescribed forest management plan, and, 7:14
	Transfer to child of land containing, 9:11
	YEAR END PURCHASE
	Generally, 2:5