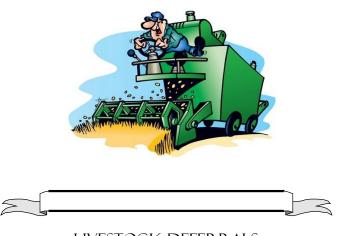


NEW CCA RATES FOR THE INITIAL YEAR OF PURCHASE

Purchases from arm's length vendors of capital assets acquired and available-for-use between November 20, 2018 and before 2024 will qualify for an accelerated capital cost allowance in the year of purchase. This will mean that Class 10 equipment (automotive, tractors, combines, etc.) will receive a 45% deduction on net purchases after November 20 for 2018. Class 8 equipment (air seeders, balers. etc.) will receive a 30% deduction on net purchases after November 20 for 2018. In the second and subsequent years the Class deduction will be reduced to the normal Capital Cost Allowance rates based on the new reduced balance



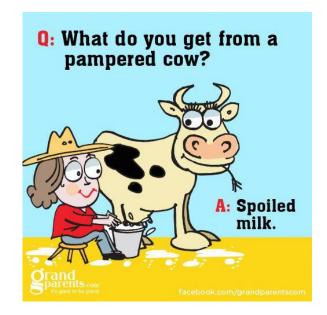


LIVESTOCK DEFERRALS

A number of regions of Alberta have been designated as Drought Deferral areas by Agriculture and Agri-Food Canada for 2018, including the Counties of Stettler, Lacombe, Camrose, and Flagstaff. This provides farm operations who have reduced their breeding herd by at least 15% due to drought or excess moisture, to defer a portion of their sales to the following year. Please note that as of the date of this newsletter none of the special areas have been declared drought deferral areas. Please discuss any possible deferrals with your accounting provider when reviewing your income tax plan for the 2018 year.

AGRIINVEST AND AGRISTABILITY

There have not been any changes in either of these programs since our last newsletter. These programs continue to be important to a number of our Agriculture clients and we will continue to monitor any changes or updates to these programs.



SPECIFIED CORPORATE INCOME

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Any income paid to related corporate parties will restrict
 the ability to claim the small business deduction in the
 recipient corporation. If, for example, your corporation
 pays your child's corporation \$100,000 for custom
 farming, and that amount is more than 10% of their
 income, it will affect their ability to claim the small
 business deduction on this income. There are specific
 penalties for taxpayers attempting to use third parties
 (such as a grain elevator) to pay out income to the related
 party. Talk to your accountant if this may apply to you.

"Striving for success without hard work is like trying to harvest where you haven't planted." -David Bly



FEDERAL INCOME TAX CHANGES

Income Sprinkling

Effective January 1, 2018 income and dividends paid to family members have to be "reasonable". This means dividends and other investment income will need to be based on actual time spent and capital contributed to the business. Special limits will also apply to tax payers under 25 years of age. Wages have always been subject to a reasonableness test and will continue to do so.

Passive Income

Passive income in a corporation in excess of \$50,000 may erode the small business deduction of that corporation. Passive income for this purpose would include earnings and capital gains on investments.
Capital gains on active business assets will not affect this calculation. This test is applicable across all associated corporations – the calculation will not change if the investments are held in a separate corporation.

BENCHMARKS AND APPLYING YOUR ACCOUNTING INFORMATION

Alberta Agriculture publishes a multitude of benchmarks for various soil, crop, forage, and livestock benchmarks. They also provide key financial ratio benchmarks. We caution producers looking at these ratios because every operation can differ widely in its production and financing. You may however find it interesting to look at how some of these benchmarks compare to your operation. To access the information, go to Alberta Agriculture/information/business & economics/production economics or go to Alberta Agriculture and search "benchmarks". If you need assistance with categorizing your expense information please contact your accountant.



what do you call a sleeping cow?

A Bull-Dozer!



<u>LEASING</u>

We have encountered a number of equipment leases where there is equity in the lease. Please remember, since the lease payments are deductible when paid, that any equity credits are taxable as income when they are received or used as a down payment for a new lease. In some instances when used as a down payment this can result in no tax change. However, where the down payment is larger we may have to defer part of this over the life of the lease. If you have any questions please contact us.