

## December 2021

### 2021 FEDERAL BUDGET

A significant announcement in the 2021 budget allows Canadian Controlled Private Corporations to deduct, for tax purposes, 100% of the cost of certain pieces of equipment purchased between April 19, 2021 and January 1, 2024, up to \$1.5 million per corporate group per taxation year. This immediate write off will not apply to buildings or bins purchased. The accelerated write off is not available to individuals or partnerships. Equipment for this write off must be purchased from an arm's length source. An immediate write off will defer significant tax dollars in the current year, but may increase tax liability in the future.

### **BEST WISHES**

Gitzel & Company wishes all the best to Barry Gitzel on his retirement! Barry has been a valuable member of our firm for a milestone 50 years, providing agri-business, estate planning, taxation, accounting and auditing professional services to clients. Barry can now be found touring the countryside on his motorcycle and enjoying time with Deb.

Gitzel & Company would also like to wish Bruce LaRocque congratulations on his semi-retirement! After 44 years of providing accounting knowledge to clients and staff on a daily basis, Bruce is changing his focus to camping and fishing! Bruce will still be seen in our office occasionally, but be sure to ask him about the 'one that got away'!

Q. What conversations does the farmer have with the cow while milking?

A. Udder nonsense!

### **2021 DROUGHT DEFERRAL**

The designated regions for the 2021 income tax drought deferral includes many areas within central Alberta. Thirty percent of income from net sales of breeding age livestock can be deferred if the breeding herd has been reduced by at least 15%. Where the herd has been reduced by 30% or more, 90% of income from net sales can be deferred.

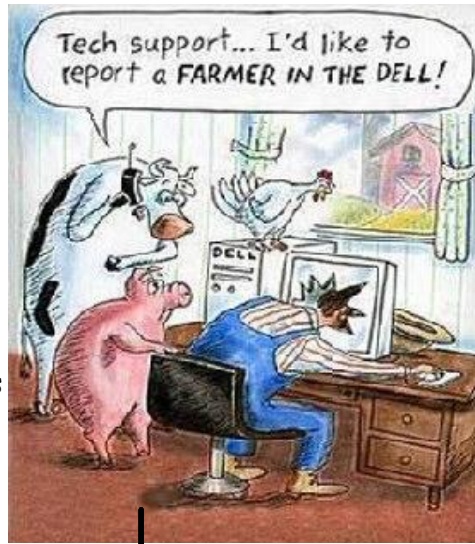
Be sure to discuss this with us.



## **2021 Canada—Alberta Feed Assistance**

The program is designed to cover additional extraordinary costs incurred to maintain your breeding herd. Producers may receive up to \$200 per head of breeding animals. The application for part two of this program should be available early January. The second part of the payment (up to \$106 per head) is based on breeding females on hand at December 31, 2021. Records for expenses incurred for drought-related costs will be required.

For further information contact your local AFSC office.



## **CAPITAL GAINS RATES**

Once again there has been speculation that capital gains rates may increase at some point. To date there has not been any current budget changes to these rates.



## **WHEN DO WE INCORPORATE A BUSINESS?**

Lawyers may suggest incorporation for limited liability purposes. Our office focuses on the amount of tax that is expected to be paid. Individual tax rates range from 25% to 48% in Alberta. If you are using your earnings to purchase personal items you will not save by incorporating. However, if you are using the proceeds from your sales to reinvest into your business, then you may realize a tax savings from incorporation. Small business corporate rates start at 11% in Alberta. Once a corporation holds enough assets (\$10-15 million) it would be considered a large corporation and would be taxed at 23%. When you draw funds out of a corporation for personal use you must pay tax on those funds at your personal tax rate. A corporation can allow you to draw funds out over several years and therefore defer tax. Farmers will often incorporate when they purchase land or make payments on a mortgage for land as the principal payments are not deductible and it is more efficient to make these payments with an 11% tax rate than a 30% plus rate. We also sometimes incorporate farmers who are selling a significant amount of grain, cattle, or machinery within a short period of time—either through downsizing or retirement plans. This will help to spread the personal draws out over a number of years and lower the overall tax rates paid.

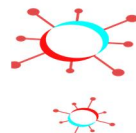
Please see your accountant if you require more information.

## **CANADA REVENUE AGENCY, PHISHING E-MAILS AND TELEPHONE SCAMS**

With the move to social distancing and more on-line activities over the past year, be vigilant of your personal information as phishing e-mails and scams are on the rise. Be wary of answering telephone calls requesting your personal information. If you are unsure whether the caller is a Canada Revenue Agent please give them our number. As an authorized representative we can correspond with the agent through a secure portal. We may also be aware of tax consequences of various investigative questions asked by agents.

## **Covid-19 Programs**

The Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS) and Canada Recovery Hiring Program (CRHP) programs are still available after October 2021, but the eligibility will be significantly reduced. If you have been participating in one of these programs please submit your information to the end of October as soon as possible and we will submit your claims.



# MERRY CHRISTMAS AND HAPPY NEW YEAR

## **From all the Partners and Staff at Gitzel & Company**

