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October 2, 2017

The Honourable Bill Morneau, P.C., M.P.
Minister of Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Minister,

Proposed Changes to the Private Corporate Tax System

The Christian Farmers Federation of Ontario (CFFO) is an Accredited Farm Organization representing the interests of over 4,000 farm families in Ontario. The CFFO is concerned about the proposed changes to the private corporate tax system, released on July 18 by the Department of Finance.

While CFFO members appreciate the government's efforts to prevent misuse of the private corporate tax system, the CFFO is gravely concerned that family farms and farm businesses across Canada will be adversely affected by these proposed changes.

According to the Coalition for Small Business Tax Fairness, these proposals will restrict small-business owners, like family farm owners, from sharing income with family members. Changes to capital gains rules will make it much more difficult for owners to transfer their farms within the family to the next generation.

This is of particular concern for multi-generational farm businesses that have incorporated for the purposes of farm succession—approximately a quarter of all Canadian farms, according to 2016 Census data. In most circumstances, this proposed legislation would make it far more expensive for farm owners to sell their farms to their own children than to non-family members, including corporate land aggregators.

Protecting family farm succession while also preventing tax evasion is undoubtedly a delicate balance to strike, but the CFFO asks that legislators consider the realities of family farm succession. For example, Government has outlined the “hallmarks” of a genuine transfer of business ownership. One of these hallmarks is that “the vendor not participat[e] in the management and operations of the business.”¹ In reality, succession of family farm businesses from one generation to the next often

¹ From the online invitation for comments on Tax Planning Using Private Corporations (Section D. “Converting Income into Capital Gains”).



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happens gradually over many years—and even over decades. This is in part because farmers start working in the business early and often don't like to retire.

The CFFO appreciates the Government's aim to consider "whether there are features of the current income tax system that have an inappropriate, adverse impact on genuine business transactions involving family members."² This issue is complex and the fallout for family farm businesses is still unclear, even to legislators. For this reason, the CFFO asks you to explore and press for exemptions that take into account the unique business risks, management challenges, and working arrangements associated with operating family farm businesses.

Family-owned farms are the pillars of thriving rural communities, and we urge legislators to preserve their place in Canada's future.

We appreciate your consideration of this issue.

Yours sincerely,

Clarence Nywening, President
Christian Farmers Federation of Ontario

² From the online invitation for comments on Tax Planning Using Private Corporations (Section D. "Converting Income into Capital Gains").