Tax Planning for Cattle Producers

Tax Planning from a Position of Strength

Is September too early to start planning for taxes? An annual tax check-up should take place *before* your year-end and not the following year when your tax return is prepared – at that time it will be too late to implement tax planning strategies.

Even though calves may still be on pasture, and crops are mid-harvest or standing in the fields, September and October are excellent times to meet with a tax accountant and start looking ahead for tax and planning purposes. If the farm is incorporated with a different year-end date, know each tax situation is unique, so ask your trusted advisor for a timeframe that works best for your operation.

Pre-tax Planning for Cattle Producers

Pre-tax planning allows producers to plan for upcoming income and expenses. Make or hold off on major equipment purchases, sell or wait to sell livestock and grain-tax planning will help avoid unforeseen tax implications of your decisions.

What should you do when planning a pre-tax meeting with your tax accountant?

- **Start early.** Set an appointment with your accountant. September and October will allow for time to make end-of-the-year decisions. Planning in advance is an advantage for cattle producers where this year's sale cheques may be larger than historical averages.
- **Come prepared.** If the books are up to date, bring these to your pre-tax meeting. Any reports your farm financial software program may generate, share that information in advance in electronic format with your accountant.
- **Look ahead.** What are estimated future expenses? Will any additional income come in before December 31?
- Did you purchase or trade any equipment? Bring the purchase agreements/trade papers for this year's equipment purchases.

- For more information, contact a Farm Management Specialist
- Email us at mbfarmbusiness@gov.mb.ca
- Toll free at 1-844-769-6224

Manitoba

What to do if there is Surplus?

After reviewing the numbers, if your operation has a surplus, what sound business decisions can you make with the profit?

- Maintenance and repairs. Schedule a time before the end of the year to repair equipment, buildings, or make land improvements, such as fences, waterers or control invasive species.
- Pay down debt, with a plan. Every situation is different, so ask your accountant about your financial position and most impactful payments.
- If purchasing goods for the farm business, know that there are Canada Revenue Agency (CRA) rules in place that must be complied with if an expenditure is going to be allowed as a deduction under the cash method of accounting.
- If considering downsizing or retiring, it is even more critical to reach out to your trusted professional advisors for advice on tax planning strategies.

What to do if there is Deficit?

After reviewing the numbers, if your operation has a loss, what sound business decisions can you make to secure financial sustainability in the future?

- Review your cost of production to identify potential areas for improvement.
- Reach out to your lender(s) as soon as you identify a potential problem so that there is time to find the *right* solution(s) for your business. Refinancing trade or term debt may be an option.
- Consider participating in a Business Risk Management program in the coming year:
    - AgriStability or Livestock Price Insurance might be an option to manage future economic risks. Familiarize with the programs to determine future use.
    - The Advance Payment Program (aka the Cash Advance) offers interest free and low interest short-term financing to help producers meet their financial obligations.
- Consider alternative revenue generating activities like selling unproductive assets, seeking off-farm employment or evaluating value added opportunities.
- The Farm Debt Mediation Service through Agriculture and Agri-food Canada offers free financial support for farmers who are having difficulties meeting their financial obligations. The service brings producers and their creditors together with a mediator in a neutral forum.
- Tough financial times on the farm are stressful and can be overwhelming. The Manitoba Farmer Wellness Program can provide mental health support for farmers, their families and employees. The program provides one-on-one, no-cost, *confidential* counseling sessions.

Take the time to prepare and set up a pre-tax planning appointment with your tax accountant and trusted professional advisors. Advance planning from a position of knowledge will help ensure timely decisions are made for reaching short and long-term financial goals.