



**Ontario Federation of Agriculture**

**Ontario AgriCentre**

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Canada Revenue Agency  
Ottawa, ON

Email to: [folios@cra-arc.gc.ca](mailto:folios@cra-arc.gc.ca)

**Re: Comments on Income Tax Folio S4-F11-C1, Meaning of Farming and Farming Business**

The Ontario Federation of Agriculture (OFA) is Canada's largest voluntary general farm organization, representing more than 36,000 family farm businesses across Ontario. These farm businesses form the backbone of our robust food system and rural communities with the potential to drive the Ontario and Canadian economy forward.

OFA is pleased to submit comments on CRA's income tax folio S4-F11-C1, Meaning of Farming and Farming Business within the 3-month comment period. We understand that this folio reflects CRA's past guidance documents and technical interpretations dealing with the meaning of farming and farming business. Thus, we understand that the scope of this consultation includes neither the reconsideration of previous CRA interpretations nor consideration of adding innovative and leading-edge activities where CRA has made no previous interpretation. Although consideration and/or reconsideration of specific activities is perhaps best left to the technical interpretation process, that process requires improvement.

OFA recommends CRA improve its technical interpretation process, both in terms of evaluation input and dissemination of output.

The meaning of Farming and Farming Business under Canada's *Income Tax Act* (ITA) has far reaching implications for farmers beyond the purposes of determining income taxes. Other programs and policies are informed by or directly rely upon this ITA meaning. For example, Ontario Regulation 723/93 made under Ontario's *Farm Registration and Farm Organization Funding Act, 1993*, specifies that the annual gross income of a farming business shall be determined in the same manner as the gross income from farming of the farming business is determined under the Income Tax Act (Canada) for the most recent taxation year for which a tax return was filed in relation to the farming business during the eighteen-month period preceding the date on which the annual registration form is required.

Having other government programs and policies rely upon, or be informed by, the ITA's definition of farming facilitates a consistent treatment of a taxpayer's activities. Taxpayers are frustrated when they are considered to be farming for one purpose but at the same time considered not to be farming for other purposes.

Paragraph 1.4 (Additional guidance on farming) states:

“In evaluating whether a particular activity is farming, guidance from Agriculture and Agri-Food Canada, or a provincial counterpart (for example, the Ontario Ministry of Agriculture, Food and Rural Affairs), may help. For instance, where the particular activity qualifies for assistance under a government program, the conditions that must be met in order to qualify for assistance under that program may be considered in determining if the particular activity is farming. In other words, the granting authority may require or presume the recipient to be in the farming business.”

OFA recommends that Paragraph 1.4 should commit CRA to seeking guidance from AAFC and its provincial counterparts, as well as industry stakeholders. Paragraph 1.4 should also outline a process to facilitate receiving that guidance. Before making its determination, CRA should have information on how other government departments have treated certain activities as well as the factors those other government departments considered.

CRA’s dissemination of technical information needs improvement. Defacto filing of income tax returns by taxpayers may give taxpayers a false sense of what CRA considers farming income, especially when CRA fails to adjust their returns.

OFA recommends that a searchable database of CRA’s technical interpretations be made publicly available on the CRA website. Currently only income tax specialists have access to this information.

Liaison with the agricultural community is important. OFA was disappointed with CRA’s decision to eliminate the Agriculture Industry Specialist position approximately four years ago. The Industry Specialist was a key CRA contact for farm associations. OFA recommends CRA restore this Industry Specialist position to assist with disseminating of CRA’s technical information to the agricultural community.

OFA appreciates the opportunity to provide these comments. We look forward to seeing our recommendations reflected in the outcome of your consultation.

Yours sincerely,



Neil Currie  
General Manager

cc: OFA Board of Directors  
Errol Halkai, Executive Director, Canadian Federation of Agriculture  
David Hagarty, Director, Farm Finance Branch, OMAFRA