

July 2, 2024

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Deputy Prime Minister Freeland,

Re: Eligibility Requirements for the Canadian Entrepreneurs' Incentive

Since the 2024 Federal Budget was tabled, the Ontario Federation of Agriculture (OFA) has heard from many Ontario farmers expressing their deep concern regarding both the proposed changes to the capital gains inclusion rate and the eligibility criteria for the new Canadian Entrepreneurs' Incentive.

OFA proudly represents more than 38,000 farm family members across Ontario. We are passionate and dedicated to ensuring that the agri-food sector and rural communities are considered and consulted on any new or changing legislation that would impact the sustainability and growth of our farm businesses.

Farmers are currently facing a challenging economic environment with high input costs, such as seed, crop nutrition and crop protection products, and fuel as well as high interest rates. This combined with the increasing cost of financing land and equipment are putting historic amounts of financial pressure on farmers. Further, according to a recent survey of our membership, tax burden was identified as the number one issue concerning Ontario farmers.

Minister, the new capital gains tax increase threatens the Canadian family farm while undermining the stability and sustainability of the agricultural sector. We are disappointed that the proposals to increase the capital gains inclusion rate are moving forward without addressing these concerns.

The increase in the capital gains inclusion rate to 66.67% for individuals with capital gains over \$250,000 and the first dollar of capital gains on incorporated businesses will add a substantial tax burden on farmers at a time when they cannot afford it. This is particularly true for those planning to pass on their farms to their children or other family members. The Canadian Entrepreneurs' Incentive does not offer these farmers relief, as it limits access to those who are *founding* shareholders and does not reflect the on-farm realities of agricultural businesses.

In farm families, it is common for farm businesses to be passed down to the next generation or sold at a below market value to the next generation to keep the farm in the family. The current wording of the eligibility requirements for the Canadian Entrepreneurs' Incentive would *disqualify the next generation of farmers from accessing this incentive*, since they do not qualify as founding shareholders.

To address this, the OFA urges you to amend the requirements for the Canadians Entrepreneurs' Incentive to include all farm businesses.

To ensure all types of farm businesses are eligible, **OFA recommends that the Canadian Entrepreneur's eligibility criteria be amended to include owners of all qualified farm property that meets the criteria set out in Section 110.6 of The Income Tax Act.** Any owner of qualified farm property that meets this definition should be eligible for the Canadian Entrepreneurs incentive including second-generation and non-incorporated farmers. These modifications will help facilitate farm succession plans, ensuring that the tradition of the family farm continues in Canada, that young Canadians can afford to start their journey in a farm business and that rural communities remain strong and vibrant into the future.

We remain hopeful that with our input, the federal government will produce policy that best supports the agri-food sector and ensures the stability and sustainability of Canada's family farms, now and in the future.

Sincerely,



Drew Spoelstra
President

cc: The Honourable Lawrence Macaulay, Minister of Agriculture and Agri-Food
The Honourable Rob Flack, Ontario Minister of Agriculture, Food & Agribusiness
The Honourable Peter Bethlenfalvy, Ontario Minister of Finance
Kody Blois, Chair, Standing Committee on Agriculture & Agri-Food
Keith Currie, President, Canadian Federation of Agriculture
OFA Board of Directors