

Capital Gains Inclusion Rate & Lifetime Exemption

Saskatchewan Association of Rural Municipalities



SARM is concerned about the June 25, 2024, changes to the capital gains inclusion rate and Lifetime Capital Gains Exemption (LCGE).

Many Saskatchewan agricultural operations are incorporated to aid succession planning and asset transfer, ensuring income for retiring generations while enabling younger generations to continue family farms. These operations are crucial to the province's economy, food security, and international trade.

Challenges

IMPACT OF INCOME TAX ACT ON SUCCESSION PLANNING:

The Act significantly affects how family farms are sold, complicating the transfer of assets due to capital gains taxes.

GENERATIONAL SUCCESSION IMPORTANCE:

Generational succession is crucial, especially as Saskatchewan holds 40% of Canada's cultivated farmland.

COMPLEXITY OF CANADA REVENUE AGENCY RULES:

The rules surrounding farm property sales are complex, with varying tax implications for capital gains and losses. The LCGE may not sufficiently offset tax burdens under the new inclusion rate.

HEALTHCARE RECRUITMENT CHALLENGES:

The changes also affect health care in rural Saskatchewan, exacerbating recruitment difficulties for physicians operating as medical professional corporations.

The Voice of Rural Saskatchewan

FEDERAL GOVERNMENT'S CANADIAN ENTREPRENEURS' INCENTIVE (CEI): The CEI provides a one-third reduction in the inclusion rate on eligible capital gains up to \$2 million but fails to adequately address increased tax liabilities for farmers transferring assets.

POTENTIAL HARM TO INVESTMENT CLIMATE: The proposed policy changes could negatively impact Canada's investment climate, particularly in rural Saskatchewan, risking higher unemployment and deterring future investment in small businesses and agriculture.

Farming operations have taken years, if not decades, to establish and contribute to the overall economy of our province, which in turn contributes to Canada's food security and international trade markets.

Advocacy Asks

SARM advocates for reverting capital gains inclusion rates to pre-June 25, 2024, levels for farming organizations. This change would support family farms as key contributors to Canada's food supply and ensure the agricultural workforce's viability.

In addition, SARM advocates that the lifetime capital gains exemption for agricultural operations increase from \$2M to \$15M.

**Thank you
for your time!**

SARM looks forward to working with the federal government on projects and initiatives positively impacting Saskatchewan's rural municipalities.