

Federal government announces initial list of prescribed Prairie regions where livestock tax deferral has been authorized for 2022

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On August 30, 2022, Federal Minister of the Department of Agriculture and Agri-Food Canada (AAFC), Marie-Claude Bibeau, announced an initial list of [designated regions](#) in Alberta, Manitoba and Saskatchewan where Livestock Tax Deferral (LTD) has been authorized for 2022.^[1]

The LTD is aimed at assisting farmers directly impacted by the detrimental effects of extreme weather conditions.

Background – The federal tax deferral

The federal *Income Tax Act* (ITA) allows farmers compelled to sell part of their breeding herd due to drought, flood or excessive moisture conditions to defer a portion of the sale proceeds to the following tax year.^[2] For a farmer within the prescribed region to qualify for the deferral provision, the breeding herd must have reduced by at least 15%.^[3] Where a reduction in the breeding herd is up to 15 % but less than 30%, 30% of income from the net sales can be deferred to the following year. However, where a farmer's breeding herd reduces by 30% or more, 90% of the income from net sales can be deferred.^[4]

A producer who meets the requirement of the deferral provision can defer tax for one year. Still, where a particular designated region is announced for consecutive years, a producer may defer to the first year in which the area is no longer designated, or the year the farmer dies or becomes a non-resident of Canada.^[5]

A "breeding animal" under the deferral provision means "deer, elk and other similar grazing ungulates, bovine cattle, bison, goats, sheep and horses that are over 12 months of age and are kept for breeding."^[6]

Designated regions

For farmers to qualify under the tax deferral provision, their farming business must be located within the prescribed region. Prescribed regions are designated on the recommendation of the federal Minister of AAFC to the Minister of Finance after being satisfied that the regions meet the following conditions:

- the region has been significantly impacted by drought, flood or excessive moisture

conditions.

- due to the extreme weather conditions mentioned above, the forage yields fall short of 50% of the long-term average in a particular year.
- the area must be a recognized geo-political boundary large enough to impact the industry.^[7]

The Minister of AAFC designates regions based on production and extreme weather information in a particular year, in consultation with provinces and the industry.^[8] Designated regions are announced twice a year: the initial list in the summer/early fall and the final list in December. The initial list of 2022 designates a broad range of regions in Alberta, Manitoba and Saskatchewan, and the list will potentially be expanded sometime in December during the final announcement.

Breeding herd

Under the tax deferral provision, the “breeding herd” means **A - (B - C)** where:

A is the total number of the breeding animals held in the course of carrying on a farming business at that time,

B is the total number of breeding animals held in the business at that time which are female bovine cattle that have not given birth to calves, and

C is the lesser of the number determined as the value of B and one-half the total number of breeding animals held in the business at that time which are female bovine cattle that have given birth to calves.^[9]

The foregoing is not intended to be a comprehensive overview of the LTD. For further information regarding the LTD or other questions about agriculture in Canada, please contact Osler’s [AgriBusiness](#) team members.

[1] Agriculture and Agri-Food Canada, “Tax Relief for Prairie Livestock Producers Facing the Impacts of Extreme Weather” (30 August 2022), online: Government of Canada Website <<https://www.canada.ca/en/agriculture-agri-food/news/2022/08/tax-relief-for-prairie-livestock-producers-facing-the-impacts-of-extreme-weather.html>>

[2] *Income tax Act*, RSC 1985, c. 1 (5th Supp.), section 80.3 (2) & (4).

[3] Agriculture and Agri-Food Canada, “Livestock Tax Deferral Provision” (30 August 2022), online: Government of Canada Website <<https://agriculture.canada.ca/en/agriculture-and-environment/drought-watch-and-agroclimate/livestock-tax-deferral-provision>>

[4] *Ibid.*

[5] Agriculture, Forestry and Rural Economic Development, “Understanding the Federal Tax Deferral” (August 2015). Online: Government of Alberta Website <[https://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex4726/\\$file/400_837-1.pdf](https://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex4726/$file/400_837-1.pdf)>

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[6] *Income tax Act, supra* note 2 at s. 80.3 (1).

[7] *Agriculture and Agri-Food Canada, supra* note 3.

[8] *Agriculture and Agri-Food Canada, supra* note 3.

[9] *Income tax Act, supra* note at s. 80.3 (1).