CFA Pre-Budget Submission Proposal Overview:

1. Restricted Farm Losses: The 2013 budget reinterpreted *Restricted Farm Losses* to require that non-farm income be subordinate to farm income in order to claim unrestricted losses against non-farm income. This is a disincentive for entrepreneurs considering agriculture, off-farm investors, and imposes difficult financial restrictions on beginning farmers and any farm with significant off-farm income sources.

Recommendation: Reinstate the more comprehensive income test, as outlined in Craig v. the Queen.

2. Sibling Ownership and Corporate Farm Divisions: Soft issues can arise following farm transfers that require siblings to split an operation. However, farm corporations jointly owned by siblings require complex, costly exemptions to split their corporations on a tax-deferred basis (that are not always possible). These exemptions represent unnecessary red tape, as these divisions are easily enacted while parents remain in control.

Recommendation*:* In instances where a farm qualifies for the intergenerational rollover, treat siblings as non-arm's length under the related exemptions.

3. Intergenerational Transfers and Farm Corporations: When a parent is attempting to sell shares of a farm corporation to a family member through a holding company (a common practice to manage cash flows), they can be denied access to the capital gains exemption due to an anti-avoidance provision in the income tax act.

Recommendation*:* Exempt the equivalent of the lifetime capital gains exemption in such transfers, where a recognized succession plan illustrates a real transfer of equity.

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