Op-Ed:

# Protect Our Farms' Future: Tax Fairness for the Next Generation

By: Keith Currie
CFA President

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By Keith Currie, President, Canadian Federation of Agriculture

The Government of Canada's recent changes to capital gains tax, announced in the Federal Budget on April 16th, have generated real concern for farmers across Canada. As the President of the Canadian Federation of Agriculture (CFA), representing over 190,000 farm families, I feel compelled to voice our collective frustration and alarm at the hasty implementation of these changes.

The increase in the Lifetime Capital Gains Exemption (LCGE) to $1.25 million might seem like a positive step. However, the simultaneous rise in the inclusion rate will neutralize this benefit for many and reverse progress made to support farm family transfers through the recent implementation of Bill C-208. The financial burden imposed by the new inclusion rate has significant implications for the transfer of farm assets to the next generation, especially for those already in the midst of succession planning.

Succession planning for farms is a complex, multi-year process. It involves meticulous financial planning, legal consultations, and careful consideration of family dynamics. The sudden increase in the capital gains inclusion rate from one-half to two-thirds, effective June 25th, leaves farmers scrambling to adjust plans that have been years in the making. Intergenerational farm transfers can play out over a decade, through carefully planned transfers of assets, management, and control. Such sudden and significant changes require these plans to be reassessed and reworked to ensure the future financial health of all involved. Despite the June 25th implementation date, many of the exact details of the Budget's tax changes are still waiting for clarity through draft legislation, further complicating the already challenging process of reformulating these complex multi-year plans.

The hurried timeline for implementing these changes—barely two months after the budget announcement—exacerbates the problem. Farmers, currently occupied with the planting season, are left with little time to consult with financial advisors, tax professionals, and legal experts to reassess and adjust their succession plans. Many of these same advisors were unable to provide informed advice until further detail was provided through the Ways and Means motion tabled in Parliament on June 10th. This rushed approach disrupts years of careful financial planning by both the retiring farmer and the next generation.

Approximately 40% of Canadian farm operators are expected to retire over the next decade. For these farmers, succession planning is not just about ensuring the continuation of their business; it is about preserving a way of life and a legacy for their families.

The agri-food system is vital to Canada's economy, contributing $143.8 billion to GDP and ensuring food security. The success and sustainability of this sector depend on smooth and viable intergenerational transfers.

The 2024 budget was based around the idea of “fairness for all generations”, yet this legislation has the potential to cause serious negative consequences for both retiring farmers and the next generation of Canadian farm families.

We urge the Government of Canada to reconsider the rapid implementation of these capital gains tax changes. Delaying implementation is critical to get such a significant tax reform right and allow farm families the time they need to reassess their succession plans and mitigate financial disruptions.