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## **Brief | Strengthening Agricultural Co-operatives through a Permanent Tax-Deferred Co-operative Share (TDCS) Program**

### **Purpose**

To request on behalf of the more than 100,00 members of agricultural co-operatives across Canada, that the Government of Canada make the Tax-Deferred Co-operative Share (TDCS) Program a permanent measure in the Canadian Income Tax Act, ahead of its scheduled expiry in December 2025, at the earliest opportunity, either as an announcement as part of the [International Year of Co-operatives](#), or in the next Economic Statement.

### **Context**

The TDCS Program allows agricultural co-operatives to pay a patronage dividend in the form of admissible shares. From a taxation standpoint, the inclusion of the patronage dividend for the beneficiary is deferred to the year in which the shares are redeemed. Moreover, the co-operative is not required to withhold tax when it pays the patronage dividends in the form of shares, if conditions such as a minimum five-year time limit of holding the shares before redemption.

### **Why It Matters for Agriculture**

This modest tax deferral program defers revenue for the government in the amount of only \$3 to \$5 million a year, but is an indispensable capitalization tool that provides:

- **Predictable long-term planning**

Since its inception in 2005 following a government report, and through renewals in 2015 and 2020, the TDCS Program has enabled co-operatives to defer taxation on patronage dividends issued as shares until redemption. This mechanism allows multi-year financial strategies, which are crucial for co-ops whose infrastructure investments and working-capital needs span several seasons. By choosing to extend the program in the past, the federal government has repeatedly recognized its importance and has taken tangible steps to ensure the long-term prosperity and resilience of Canadian agricultural co-operatives.



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- **Stability amid growing international trade risks**

With rising protectionist measures south of the border—most notably the U.S. 25% tariffs on agricultural imports from Canada—and shifting subsidy regimes under the U.S. Inflation Reduction Act, Canadian agricultural co-operatives face intensified competition and cash-flow uncertainty. A renewed, or preferably permanent, TDCS Program would help Canadian co-ops absorb external shocks and continue supplying quality, home-grown food products to both domestic and export markets.

- **Low fiscal impact, high economic return**

The federal deferral of approximately \$3-\$5 million per year represents a tiny fraction of overall agricultural revenues yet delivers outsized economic benefits: stronger balance sheets, expanded capital investment in rural communities, and enhanced resilience against market volatility.

- **Alignment with Canada's broader competitiveness objectives**

Making the TDCS Program permanent would signal to investors, lenders, and international partners that Canada stands firmly behind its co-operative sector, an integral pillar of our rural economy and the backbone of our national food supply chain.

## Recommendation

For these reasons, we urge the Minister of Agriculture and Agri-Food to champion this measure with the Minister of Finance, and to seek its inclusion in the next **Fall Economic Statement** or at the earliest opportunity. Making the TDC Program permanent will provide certainty to hundreds of agricultural co-operatives and their member-producers, who play a key role in safeguarding Canada's food security.

[Report on Federal Tax Expenditures: Concepts, Estimates and Evaluations, 2024](#) (pages 29 and 247).



Table									
<b>Estimates and Projections</b>									
millions of dollars									
		Estimates				Projections			
		2018	2019	2020	2021	2022	2023	2024	2025
<b>TAX EXPENDITURES</b>									
<b>ARTS AND CULTURE</b>									
<b>Structural</b>									
Deduction for self-employed artists	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>BUSINESS – FARMING AND FISHING</b>									
<b>Structural</b>									
Cash basis accounting	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from destruction of livestock	PIT	-2	\$	\$	\$	3	n.a.	n.a.	n.a.
	CIT	\$	1	1	\$	4	n.a.	n.a.	n.a.
Deferral of income from sale of livestock in a region of drought, flood or excessive moisture	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Non-structural</b>									
Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from grain sold through cash purchase tickets	PIT	-10	-20	15	3	60	n.a.	n.a.	n.a.
	CIT	-15	-20	25	4	80	n.a.	n.a.	n.a.
Exemption for insurers of farming and fishing property (repealed)	CIT	20	-	-	-	-	-	-	-
Patronage dividends paid as shares by agricultural cooperatives	PIT	2	\$	1	1	\$	1	1	1
	CIT	4	\$	3	1	1	2	2	2
Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zero-rating of agricultural and fish products and purchases	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>BUSINESS – NATURAL RESOURCES</b>									
<b>Non-structural</b>									
Accelerated capital cost allowance for liquefied natural gas facilities (sunset in 2024)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	X	X	X	X	X	X	X	X
Accelerated capital cost allowance for mining and oil sands assets (phased out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated deductibility of some Canadian Exploration Expenses (phased out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate Mineral Exploration and Development Tax Credit (phased out)	CIT	80	4	45	15	35	30	30	30
Critical Mineral Exploration Tax Credit for Flow-Through Share Investors	PIT	-	-	-	-	45	35	35	35



## Patronage dividends paid as shares by agricultural cooperatives

<b>Description</b>	While patronage dividends not in respect of consumer goods and services are generally taxable when received, members of an agricultural cooperative are permitted to defer paying tax on a patronage dividend paid by the cooperative in the form of an eligible share until the disposition (or deemed disposition) of the share. In addition, when an eligible agricultural cooperative pays a patronage dividend to a member in the form of an eligible share, the withholding obligation in respect of the patronage dividend is deferred until the share is redeemed.  In general terms, in order to issue eligible shares, agricultural cooperatives must be established in Canada and have as their principal business activity farming or the provision of goods or services required for farming in Canada. In order to be an eligible share, the share must be issued after 2005 and before 2026, and generally must not be redeemable or retractable within five years of its issue.
<b>Tax</b>	Personal (including trusts) and corporate income tax
<b>Beneficiaries</b>	Members of agricultural cooperatives
<b>Type of measure</b>	Timing preference
<b>Legal reference</b>	<i>Income Tax Act</i> , section 135.1
<b>Implementation and recent history</b>	<ul style="list-style-type: none"> <li>Introduced in Budget 2005. Effective in respect of eligible shares issued after 2005 and before 2016.</li> <li>Budget 2015 extended this measure to apply in respect of eligible shares issued before 2021.</li> <li>The 2020 Fall Economic Statement extended this measure to apply to eligible shares issued before 2026.</li> </ul>
<b>Objective – category</b>	To encourage or attract investment
<b>Objective</b>	The objective of this measure is to aid the capitalization of agricultural cooperatives (Budget 2005).
<b>Category</b>	Non-structural tax measure
<b>Reason why this measure is not part of benchmark tax system</b>	This measure permits the deferral of the recognition of income or gains for income tax purposes.
<b>Subject</b>	Business - farming and fishing
<b>CCOFOG 2014 code</b>	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
<b>Other relevant government programs</b>	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant government programs is provided in the table at the end of Part 3.
<b>Source of data</b>	T2 Corporation Income Tax Return
<b>Estimation method</b>	This tax expenditure is calculated by multiplying the reported amount of patronage dividends paid as shares by agricultural cooperatives by the average marginal personal income tax rate for farmers.
<b>Projection method</b>	The cost of this tax expenditure is fairly stable; as such no growth is assumed over the projection period.
<b>Number of beneficiaries</b>	This measure provided tax relief to about 40 corporations in 2021. No data is available for unincorporated agricultural cooperatives.

### Cost Information:

Millions of dollars	2018	2019	2020	2021	2022 (P)	2023 (P)	2024 (P)	2025 (P)
Personal income tax	2	5	1	1	5	1	1	1
Corporate income tax	4	5	3	1	1	2	2	2
Total	5	1	4	2	1	2	2	2