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Ottawa, August 30, 2024

The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance

The Honourable Lawrence MacAulay, Minister of Agriculture and Agri-Food

The Honourable Rechie Valdez, Minister of Small Business

The Honourable François-Philippe Champagne, Minister of Innovation, Science and Industry

The Honourable Gudie Hutchings, Minister of Rural Economic Development and Minister responsible for the Atlantic Canada Opportunities Agency

The Honourable Mary Ng, Minister of Export Promotion, International Trade and Economic Development

The Honourable Marie-Claude Bibeau, Minister of National Revenue

— By email —

Subject: Continuation of the Tax-deferred Co-operative Share (TDCS) Program

Dear Ministers,

During our discussions and in our pre-budget briefs over the past few years, we have shared with you the vital importance of the Tax-deferred Co-operative Share (TDCS) Program for Canadian agricultural co-operatives.

We are calling for the program to be made permanent, preferably in the next Economic Statement this fall or sooner.

The TDCS Program was created in 2005 for a 10-year period. However, given its importance, it has been renewed twice: in 2015 for a five-year term, and again in 2020, for patronage dividends paid in shares issued by the end of 2025. The current uncertainty around the renewal of the TDCS Program after 2025 is creating problems for agricultural co-operatives, since they wish to use this capitalization tool and factor it into their multi-year financial planning.



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The TDCS Program allows agricultural co-operatives to pay a patronage dividend in the form of additional 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 rebate in the form of shares, if conditions such as a five-year time limit for the redemption of shares are met.

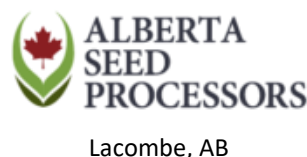
This tax deferral program, which defers revenue for the government in the amount of \$3 and \$5 million a year, is modest but effective. Furthermore, it provides greater stability and ensures the co-operative model is a viable option for agribusinesses, while making Canadian co-operatives stronger in the face of international competition and economic challenges. It is a crucial mechanism for the capitalization and resilience of agricultural co-operatives, which are an integral part of Canada's rural economy and supply the Canadian food system.

The capitalization needs of agricultural co-operatives are just as great, if not greater, than in 2005. By choosing to extend the program, 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.

This capitalization measure provides increased stability for agricultural co-operatives and is inexpensive. Now is the time not only to extend it for a fourth time, but to make it permanent, so that co-operatives can finance themselves while contributing to regional economic development. For these reasons, and to facilitate the financial planning of hundreds of agricultural co-operatives and their member producers, we are asking that you make the measure permanent now.

We remain available to further explain the utility of this program for our sector.

Yours sincerely,





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Saskatoon, SK



Napierville, QC



Rimouski, QC



Victoriaville, QC

encl. French version of the letter

[Report on Federal Tax Expenditures: Concepts, Estimates and Evaluations, 2023](#) (Page 29 and 254)

Table

Estimates and Projections

millions of dollars

		Estimates				Projections			
		2017	2018	2019	2020	2021	2022	2023	2024
TAX EXPENDITURES									
ARTS AND CULTURE									
Structural									
Deduction for self-employed artists	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
BUSINESS – FARMING AND FISHING									
Structural									
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	-2	S	S	S	n.a.	n.a.	n.a.
	CIT	3	3	1	1	3	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.
Non-structural									
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	-5	-10	-20	20	4	n.a.	n.a.	n.a.
	CIT	-5	-10	-20	20	4	-3	n.a.	n.a.
Exemption for insurers of farming and fishing property (repealed)	CIT	10	20	–	–	–	–	–	–
Patronage dividends paid as shares by agricultural cooperatives	PIT	2	2	S	1	1	1	1	1
	CIT	4	4	S	2	1	2	2	2
Tax treatment of farm savings accounts (AgrilInvest 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.
BUSINESS – NATURAL RESOURCES									
Non-structural									
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.

Patronage dividends paid as shares by agricultural cooperatives

Description	<p>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.</p> <p>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.</p>
Tax	Personal (including trusts) and corporate income tax
Beneficiaries	Members of agricultural cooperatives
Type of measure	Timing preference
Legal reference	<i>Income Tax Act</i> , section 135.1
Implementation and recent history	<ul style="list-style-type: none"> • Introduced in Budget 2005. Effective in respect of eligible shares issued after 2005 and before 2016. • Budget 2015 extended this measure to apply in respect of eligible shares issued before 2021. • The <i>2020 Fall Economic Statement</i> extended this measure to apply to eligible shares issued before 2026.
Objective – category	To encourage or attract investment
Objective	The objective of this measure is to aid the capitalization of agricultural cooperatives (Budget 2005).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	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.
Source of data	T2 Corporation Income Tax Return
Estimation method	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.
Projection method	The cost of this tax expenditure is fairly stable; as such no growth is assumed over the projection period.
Number of beneficiaries	This measure provided tax relief to about 40 corporations in 2020. No data is available for unincorporated agricultural cooperatives.

Cost Information:

<i>Millions of dollars</i>	2017	2018	2019	2020	2021 (P)	2022 (P)	2023 (P)	2024 (P)
Personal income tax	2	2	5	1	1	1	1	1
Corporate income tax	4	4	5	2	1	2	2	2
Total	5	5	1	3	2	3	3	3