

NO.: **IT-425R**

DATE: February 5, 1979

SUBJECT: INCOME TAX ACT
Miscellaneous Farm Income

REFERENCE: Subsection 9(1) (also sections 14 and 80.3)

¶ 1. This bulletin discusses miscellaneous income of a taxpayer in the business of farming.

Sales of Farm Land Including the Crop

¶ 2. Where an agreement for the sale of farm land on which there is a standing crop specifies the amount payable for the crop, the amount so specified is income to the vendor and an allowable deduction to the purchaser. Where the agreement does not specify an amount payable for the crop, no portion of the sale price may be attributed to the crop insofar as either the vendor or the purchaser is concerned.

Sales of Rights to Harvest Crops

¶ 3. Where a taxpayer in the business of farming retains the title to his farm and merely sells the right to harvest the crop therefrom, the consideration so paid for that right is income to the vendor and an allowable deduction to the purchaser for tax purposes.

Farmers - Farm Produce Consumed

¶ 4. As in the case of all taxpayers in business, the cost value of all materials or produce consumed by a taxpayer in a business of farming, that were stock in trade and could have been sold as such, should be deducted from the otherwise allowable expenses of the farm. Similarly in regard to produce from the farmer's home garden, i.e.: produce for his own consumption rather than for sale, any expenses incurred in connection therewith should be excluded from the operating expenses of the farm.

Exchange of Goods

¶ 5. Where goods or services are received in exchange for farm products by a taxpayer in the business of farming, the fair market value of the farm products given by the taxpayer in exchange must be included in his or her income. The value of the goods or services received in exchange by the taxpayer may possibly be expensed or capitalized, depending on what is received. For example, if a taxpayer exchanges wheat for repairs made to a tractor, the value of the repairs would be deductible in computing farm income. If, however, the wheat is exchanged for a new refrigerator for the taxpayer's house, the value of the refrigerator would be considered a personal or living expense and not deductible by virtue of paragraph 18(1)(h).

Destruction of Livestock

¶ 6. An amount received or receivable (depending on the method regularly followed in computing income) by a taxpayer in the business of farming as compensation, under statutory authority for the forced destruction of livestock (such as under the *Animal Contagious Disease Act*), is considered to be income. Section 80.3 permits the deferral of reporting of this amount to the year following that in which it was received or receivable. This deferral is not available in the taxation year during which a taxpayer dies or ceases to be resident in Canada or in any subsequent year.

Sale or Lease of Marketing Quotas

¶ 7. An amount received or receivable (depending upon the method regularly followed in computing income) by a taxpayer for granting a farmer permission to use the taxpayer's marketing quota (for example tobacco, egg, milk or grain) is considered to be income and will be treated as income from farming if the taxpayer is engaged in a farming business. The sale of the actual quota by a farmer would be considered to be the disposition of an eligible capital property.

Other

¶ 8. Other Interpretation Bulletins which discuss miscellaneous receipts of a taxpayer in the business of farming are as follows:

- (a) IT-182, *Compensation for Loss of Business Income, or of Property Used in a Business*
 - (b) IT-197, *Subdivision and Sale of Farming or Inherited Land*
 - (c) IT-200, *Surface Rentals and Farming Operations*
 - (d) IT-252, *Agricultural and Rural Development Act Grants*
 - (e) IT-273, *Government Assistance - General Comments*
 - (f) IT-346, *Commodity Futures and Certain Commodities*
 - (g) IT-373, *Farm Woodlots and Tree Farms*
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