National Cattle Feeders' Association
Association Nationale des Engraisseurs de Bovins

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Department of Finance Canada
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consultation-legislation@fin.gc.ca

Re: 2024 Budget Consultation – Capital Gains Tax Inclusion Rate and Canadian Entrepreneurs' Incentive

On behalf of the National Cattle Feeders' Association (NCFA), we welcome the opportunity to provide feedback on the federal government's draft legislation on capital gains tax inclusion rates and the corresponding Canadian Entrepreneurs' Incentive (CEI).

NCFA calls upon the government to return **intergenerational farm transfers in Canada to the former one-half capital gains inclusion rate** and conduct a **responsible examination** of the impact of these Budget 2024 tax changes on **Canadian farms, rural communities, food security and food affordability.**

Without returning to the one-half capital gains inclusion rate, Canada risks family farm transfers being unattainable for the next generation – thus impacting the future model of both Canadian farms and rural communities.

We acknowledge that Budget 2024's proposed increase to the Lifetime Capital Gains Exemption (LCGE) to $1.25 million will help to address the appreciation of farmland values and capital demands in agriculture. However, the increased capital gains inclusion rate then neutralizes the LCGE change. The result is a profound generational barrier for young Canadians wanting to take over the family farm.

NCFA also acknowledges that the recently proposed changes to the CEI represent an earnest attempt by government to lessen the impact on Canadian farmers, but unfortunately the adjustments to CEI do not sufficiently counter the brunt of the increased capital gains inclusion rate.

In fact, the latest adjustments to the CEI represent a patchwork approach that is unlikely to spur economic growth within the agriculture sector and rural communities. These fragmented solutions add complexity and lead to higher legal and accounting fees for farm families as they decipher the impact on their operations.

The average age of Canadian farmers is now over 55 years old and tens of billions of dollars in farm assets is set to change hands over the next decade. Meanwhile the cost of land and farm assets continue to rise, as do capital costs. Effective tax planning is essential in this new environment. Canada needs to ensure farm families have the flexibility they need to maintain financially viable family farms for future generations.

NCFA asks government to pause these inclusion rate changes for intergenerational farm transfers and conduct in-person consultations with Canada's farmers. These changes are being implemented far too quickly, leaving farm families without sufficient time to evaluate the impacts on their tax planning for farm succession and make necessary adjustments.

The tax changes announced in Budget 2024 represent a concerning trend in Canada of developing policy that creates unintended consequences for Canadian farmers. Please consider a new approach that will encourage the next generation of farmers, stimulate much needed rural economic activity, protect food affordability and help the agriculture sector reach its growth potential.

Sincerely,

Janice Tranberg
President and CEO

NCFA works to improve the growth, sustainability, and competitiveness of the beef sector in Canada - an industry that contributes $21.8 billion to national GDP annually and accounts for 347,000 jobs, each one of which supports another 3.9 jobs elsewhere in the economy.