Agriculture

Canada's farmers continue to strive to develop innovative, high-quality food products for Canada's families and markets abroad. In doing so, they provide a strong economic foundation for the many rural communities in which they live and work. Despite strong income gains in some sectors over the past two years, Canada's farm sector is not isolated from the current economic downturn. Some farmers, such as livestock producers, are facing higher input prices, and many are affected by low or volatile commodity prices.

Since 2006, the Government has introduced major enhancements to agricultural programming that help the sector manage business risks. The new suite of business risk management programs launched in April 2008 provides comprehensive protection against income variability, natural hazards and disasters as well as easier access to credit through cash advances. In addition, in July 2008, the federal, provincial and territorial governments announced $1.3 billion in funding over five years under Growing Forward, the new agricultural policy framework, to support non-business risk management cost-shared programs. Growing Forward puts more emphasis on building a profitable sector through more investment in innovation; action on key regulatory priorities; environment and food safety programs; programs that better meet local needs; and measures that enable farmers to be proactive in managing risks. Budget 2009 announces new measures to build on this strong foundation.

The Government will implement a five-year, $500 million agricultural flexibility program that will facilitate the implementation of new initiatives, both federally and in partnership with provinces, territories and industry. This program will help the sector adapt to pressures and improve its competitiveness by funding non-business risk-management measures such as those that will reduce costs of production, improve environmental sustainability, promote innovation and respond to market challenges. Budget 2009 allocates $190 million over two years to support the agricultural flexibility program. The balance will be funded from existing unallocated Agriculture and Agri-Food Canada resources.

The Government will also work with interested provinces toward devolution of delivery of the AgriStability program to support improved client service through wider integration and alignment with other business risk management programs already delivered provincially. Integrated provincial program delivery would help ensure that the suite of programs meets producers' needs.

In addition, the Government will invest $50 million over the next three years to strengthen slaughterhouse capacity in various regions of the country, to support the livestock sector. The program will make federal contributions available to match private sector investments in sound business plans aimed at reducing costs, increasing revenues and improving operations of meat slaughter and processing operations in Canada, with a view to ensuring that Canadian livestock producers have viable and sustainable slaughter options available to them.

Budget 2009 also announces proposed amendments to the Farm Improvement and Marketing Cooperatives Loans Act to help make credit available to new farmers, support inter-generational farm transfers, and modify eligibility criteria for agricultural cooperatives. Currently, credit availability under the Act is limited to existing farmers and product marketing cooperatives fully owned by farmers. The proposed amendments will support the renewal of the sector workforce and enable cooperatives to better seize market opportunities.

Business Income Tax Measures

Small Business Limit

The small business deduction currently reduces the federal corporate income tax rate applied to the first $400,000 of qualifying active business income of a Canadian-controlled private corporation (CCPC) to 11 per cent. The small business deduction is phased out on a straight-line basis for CCPCs having between $10 million and $15 million of taxable capital employed in Canada.

In order to provide additional tax relief to small businesses, Budget 2009 proposes that the annual amount of active business income eligible for the reduced tax rate—-generally referred to as the “small business limit”—-be increased as of January 1, 2009 to $500,000.

The increase to the small business limit will be pro-rated for corporations with taxation years that do not coincide with the calendar year. In addition, there will continue to be a requirement to allocate the small business limit among associated corporations, and access to the small business deduction will continue to be reduced on a straight-line basis for CCPCs having between $10 million and $15 million of taxable capital employed in Canada.

CCPCs are also eligible to earn investment tax credits at an enhanced rate of 35 per cent on up to $3 million of scientific research and experimental development (SR&ED) expenditures annually. This $3-million expenditure limit is reduced as a CCPC’s taxable income for the previous year increases from $400,000 to $700,000 and taxable capital of the previous year increases from $10 million to $50 million. Tax credits earned at the higher 35-per-cent rate on current expenditures are fully refundable, and 40 per cent of tax credits earned at the higher 35-per-cent rate on capital expenditures is refundable.

Consistent with the proposal to increase the small business limit, the $3-million expenditure limit for SR&ED will begin to be reduced at the proposed small business limit of $500,000 and will be fully eliminated where taxable income in the previous year is $800,000 or more. This change will apply where the previous taxation year ends after 2008. The reduction of the expenditure limit based upon taxable capital will not be changed.

CCPCs that claim the small business deduction are permitted to pay any balance of corporate income tax owing at the end of the third month after the end of their taxation year—one month later than other corporations--provided their taxable income in the previous year is less than the small business limit for that year. In addition, certain CCPCs that claim the small business deduction and have taxable income not exceeding $400,000 are eligible to pay corporate income tax in quarterly instead of monthly instalments.

As a consequence of increasing the small business limit to $500,000, some CCPCs with taxable income above $400,000, but below the proposed new limit, will have an additional month in which to pay any balance of tax owing. As well, CCPCs with taxable income not exceeding $500,000 for their 2009 and subsequent taxation years may be eligible for quarterly instalments of corporate income tax.

Manufacturing and Processing: Accelerated CCA

In general, machinery and equipment used primarily in Canada for manufacturing or processing goods for sale or lease are included in Class 43 of Schedule II to the Income Tax Regulations and are eligible for a 30-per-cent declining-balance capital cost allowance (CCA) rate.

Budget 2007 proposed a temporary incentive for eligible machinery and equipment acquired on or after March 19, 2007 and before 2009 that are used primarily in such manufacturing or processing activity. Under regulations proposed to implement this incentive, machinery and equipment eligible for the temporary incentive are included in Class 29 in Schedule II to the Income Tax Regulations and are eligible for a 50-per-cent straight-line CCA rate.

Budget 2008 proposed to extend accelerated CCA treatment for investment in the manufacturing and processing sector for three additional years. This included a one-year extension of the 50-per-cent straight-line accelerated CCA rate for eligible assets acquired after March 18, 2007 and before 2010 (instead of before 2009) followed by accelerated CCA treatment on a declining basis for eligible assets acquired in 2010 and 2011.

Budget 2009 proposes that, in lieu of the accelerated CCA on a declining basis for eligible assets acquired in 2010 and 2011, the 50-per-cent straight-line accelerated CCA treatment will apply.

The “half-year rule”, which generally allows half the CCA write-off otherwise available in the year the asset is first available for use by the taxpayer, will apply to the properties that are subject to this measure.

Extending Access to Broadband Services in Rural Communities

Canada was one of the first countries to implement a connectivity agenda geared toward facilitating Internet access to all of its citizens. To this day, Canada remains one of the most connected nations in the world, with the highest broadband connection rate among the G7 countries. However, gaps in access to broadband remain, particularly in rural and remote communities.

The Government is committed to closing the broadband gap in Canada by encouraging the private development of rural broadband infrastructure. Budget 2009 provides $225 million over three years to Industry Canada to develop and implement a strategy on extending broadband coverage to all currently unserved communities beginning in 2009–10.

Green Infrastructure Fund

Targeted investments in green infrastructure can improve the quality of the environment and will lead to a more sustainable economy over the longer term. Green infrastructure includes infrastructure that supports a focus on the creation of sustainable energy. Sustainable energy infrastructure, such as modern energy transmission lines, will contribute to improved air quality and lower carbon emissions. Budget 2009 provides $1 billion over five years for a Green Infrastructure Fund. Funding will be allocated based on merit to support green infrastructure projects on a cost-shared basis.

Modernizing Federal Laboratories

There are about 200 federal laboratories and scientific facilities across Canada. Activities at federal laboratories range from basic research to applied work in support of the Government's core responsibilities in protecting the health and safety of Canadians.

Budget 2009 provides Public Works and Government Services Canada with $250 million over two years under a Treasury Board-managed process to undertake an accelerated investment program to address deferred maintenance at federal laboratories. Projects must be completed by March 31, 2011 and will focus on laboratories that contribute to core regulatory responsibilities of the Government, such as health and food safety. Funds could also be made available to modernize other laboratories for which a realistic business plan is submitted for the transfer of the facility to a university, business or non-profit organization.

Laboratories where investments could be made under this process include:

- Canadian Food Inspection Agency's Dartmouth Laboratory in Dartmouth, Nova Scotia.
- Canadian Food Inspection Agency's Saint-Hyacinthe Laboratory in Saint-Hyacinthe, Quebec.
- Natural Resources Canada's Great Lakes Forestry Centre in Sault Ste. Marie, Ontario.
- Health Canada's Manitoba Regional Laboratory in Winnipeg.
- Fisheries and Oceans' Salmonid Enhancement Program Facilities throughout British Columbia.

With this measure, the Government will provide a near-term economic stimulus, improve its science and technology capacity in areas where it has regulatory responsibilities, and ultimately contribute to better health and safety outcomes for Canadians.

An Improved Rail System

Budget 2009 provides $44 million over five years to Transport Canada for rail safety initiatives to enhance its regulatory oversight and enforcement capacity, and conduct research and development projects to advance new safety technologies. Budget 2009 also invests $28 million over five years to enhance the Grade Crossing Improvement Program, which will help save lives by improving safety at public grade crossings across Canada.

Agriculture and Agri-Food Canada

Through its strategic review, Agriculture and Agri-Food Canada is replacing or reducing programs that no longer meet the needs of clients and further aligning its programs with its mandate and the new Growing Forward policy framework. Through these changes, Agriculture and Agri-Food Canada is better positioned to help build a more profitable and globally competitive agriculture and agri-food sector that can manage risks better.

The Government will redirect the savings realized to the new suite of non-business risk management programs under Growing Forward as well as the new AgriFlexibility program, intended to improve competitiveness in the agricultural sector. Savings will also be used to strengthen slaughterhouse capacity across the country to support the beef and dairy industries and other livestock producers.

Table A3.8
Strategic Review Savings

	2009–10	2010–11	2011–12
		(millions of dollars)	
Increasing Efficiency and Effectiveness			
Sunsetting or reducing programs that have achieved their objectives or can be delivered with fewer resources	3.0	15.6	15.3
Meeting the Priorities of Canadians			
Replacing programs with new programs that better meet the needs of clients	127.3	127.5	128.3
	130.2	**143.2**	**143.6**
Reinvestments in Budget 2009			
Growing Forward programming	70.0	70.0	70.0
AgriFlexibility program	65.0	125.0	
Slaughterhouse capacity	20.0	15.0	15.0

Note: Totals may not add due to rounding.