

November 1<sup>st</sup>, 2024

The Honourable Chrystia Freeland  
Department of Finance Canada  
90 Elgin Street  
Ottawa, Ontario  
K1A 0G5

**Re: Canada Carbon Rebate for Small Businesses Carbon Fails to Reach Farm Businesses**

Dear Deputy Prime Minister Freeland,

We are writing to express our concerns that the Canada Carbon Rebate for Small Businesses is not reaching farmers due to eligibility requirements that do not reflect their realities. While we welcome the introduction of the rebate to return the proceeds of the carbon pricing scheme back to producers along with the stackability with the Return of Fuel Charge Proceeds to Farmers tax credit, many family farming businesses will not be able to access the credit.

The Carbon Rebate for Small Businesses returns part of the carbon pricing scheme proceeds back to small businesses. This amount is a specific rate multiplied by the number of employees. For a farm worker to be considered an employee, they must meet the definition of “person employed” under subsection 127.421(1) of the *Income Tax Act*. Therefore, the CRA determines an employee’s status based on the T4 slips, Statement of Remuneration Paid, issued by the corporation. However, many Canadian farms do not provide remuneration via employment income and rather pay out dividends to family members who work on the farm and who serve as directors and officers of the small business. Therefore, these individuals are not considered “employees” under the definition of the *Income Tax Act*, and unfortunately, they would not count towards the business’ carbon rebate.

Under the current rules and payments<sup>1</sup>, a farming business of two adults and two adult children living in Alberta would lose out on a tax credit of \$2,364. A multi-generational family farming business equaling eight shareholders in Saskatchewan would miss out on a tax credit of \$9,248. These rebates would go a long way in supporting Canadian farmers as they pay a considerable carbon tax on the essential use of natural gas and propane for on-farm activities. In fact, a national sample showed that grain, livestock, and greenhouse farmers paid an average of \$79,697 per farm in carbon tax alone in 2023<sup>2</sup>. Multiplying this by five years, which is the number of years covered by the rebate, equates to nearly \$400,000 in paid taxes. The lack of farming businesses’ ability to collect the tax credit simply because of the business structure places a further financial burden on farm families who are contending with increased costs and perpetuates inequity within the Canadian economy.

In addition to these challenges, many Canadian farms are not structured as corporations but rather as sole proprietorships or partnerships. Because of this, roughly 75% of Canadian farms will be ineligible for

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<sup>1</sup> Department of Finance (Oct 1 2024). Canada Carbon Rebate for Small Businesses Payment Amounts, 2019-20 to 2023-24.

<sup>2</sup> Agricultural Carbon Alliance. (2024). *Understanding the Impact of Carbon Pricing on Farmers, Growers and Ranchers*.

the tax credit due to their business structure<sup>3</sup>, regardless of how many employees they have. All workers on Canadian farms deserve to be recognized by this tax credit, irrespective of how they are paid.

To ensure that family farms can access this credit, we are recommending two solutions. Firstly, we recommend that the tax credit be extended to all family farms, including those structured as sole proprietorships and partnerships. Secondly, we recommend that these businesses that hold qualified farm or fishing property assets be eligible to include current directors and officers as specified on the company's corporate records towards their count of "employees" towards the tax credit.

We thank you for your attention to this matter, and we hope you can implement this change swiftly to ensure that small family farming businesses can access the tax credit prior to year-end. Should you have any questions, please contact Kyle Larkin at [kyle@graingrowers.ca](mailto:kyle@graingrowers.ca), Brodie Berrigan at [brodie@canadian-farmers.ca](mailto:brodie@canadian-farmers.ca) or Gayle McLaughlin at [gaylem@ccga.ca](mailto:gaylem@ccga.ca).

Sincerely,



*Grain Growers of Canada – As the national voice for Canada’s grain farmers, Grain Growers of Canada (GGC) represents over 65,000 cereal, pulse, and oilseed producers through our 14 grower groups. Our members are trade-oriented, sustainable, and innovative. As a farmer-driven association for the grain industry, GGC advocates for federal policy that supports the competitiveness and profitability of grain growers across Canada.*

*Canadian Federation of Agriculture – The Canadian Federation of Agriculture is Canada’s largest general farm organization, representing approximately 190,000 farm families from coast to coast to coast. CFA’s mission is to promote the interests of Canadian agriculture and agri-food producers and ensure the continued development of a viable and vibrant agriculture and agri-food industry in Canada.*

*Canadian Canola Growers Association – Canadian Canola Growers Association represents canola farmers on national and international issues, policies, and programs that impact farm profitability and has been an administrator of the Government of Canada’s Advance Payments Program since 1984.*

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<sup>3</sup> Statistics Canada. (May 11 2022). Farms classified by operating arrangement, Census of Agriculture historical data. Table: 32-10-0158-01