

Technical Information Circular # 5

STUB PERIODS

General Information

If a Production Margin, whether in the Program Year or reference period, represents less than 12 months of operation (a stub period), the tax and supplementary (accrual) information for the stub period may be combined with information from a preceding year or period until a minimum period of 12 months is available. The combined information will be prorated to reflect a 12-month period. Separate tax statements and supplementary information for all combined periods must be reported.

If a participant has elected to use the Optional Reference Margin, accrual information will not be required if the information is used only for purposes of stubbing a Production Margin in the reference period. Accrual information will still be required for stubbing purposes in the Program Year.

Example 1 – Proprietorship transfers assets to new corporation

Producer A has historically reported their taxes as a sole proprietor with a year-end of December 31. On January 1, 2024, they transferred all or substantially all of the proprietorship assets to a new corporation (Company A). The new corporation will have an April 30 fiscal year-end. The following tables demonstrate the stub treatment for Producer A and Company A for AgriStability purposes.

Producer A, Proprietorship				
Program Year	Fiscal year-end	Number of months in year (period)	Stub required?	Stub % for tax and supplementary forms
2023	Dec 31	12	No	100%
2024	N/A	N/A	N/A	No farm tax reported

Company A, Corporation				
Program Year	Fiscal year-end	Number of months in year (period)	Stub required?	Stub % for tax and supplementary forms
2024	April 30	4	Yes	Stub % = 12/16 = 75% (information from 2023 and 2024 will be combined and prorated to 75% for the 2024 Production Margin)
2025	April 30	12	No	100%

In the above example, the 2024 Program Year for the corporation only reports 4 months of income and expenses and would be ineligible for program purposes due to including less than 6 months of farming activity. However, the four-month period would still need to be combined and prorated with the prior year for purposes of calculating the 2024 production margin for Reference Margin purposes.

Example 2 – Change in fiscal year-end of a corporation

In 2025, Company B changed its year-end from March 31 to September 30. The corporation may file an AgriStability claim based on either of the 2025 fiscal year-end dates, but not both (i.e. it can only submit one claim per Program Year). The following table demonstrates the stub treatment for Company B under both scenarios:

Company B				
<i>Scenario 1: Use March year-end for 2025 Program Year</i>				
Program Year	Fiscal year-end	Number of months in year (period)	Stub required?	Stub % for tax and supplementary forms
2025	March 31	12	No	100% **
** Note that March 2025 and September 2025 tax and supplementary information will be combined and prorated to 12/18 or 66.67% to create the 2025 reference year but neither the 2025 nor the 2026 Program Years will be stubbed.				

<i>Scenario 2: Use September year-end for 2025 Program Year</i>				
Program Year	Fiscal year-end	Number of months in year (period)	Stub required?	Stub % for tax and supplementary forms
2025	September 30	18	Yes	Stub % = 12/18 = 66.67% (tax and supplementary information from both March and September 2025 will be combined and prorated to 66.67% as the 2025 Program Year information)
2026	September 30	12	No	100%

Note: Although two (or more) fiscal periods may end in a given calendar year, only one **(1)** AgriStability claim/application is allowed per Program Year.

Other considerations

The above examples are for demonstration purposes only. As individual circumstances can widely vary, the AgriStability Program Administration will assess the correct stub treatment on a case-by-case basis.

In situations where a farming operation has a fiscal year of other than 12 months, the Administration may consider the fiscal period(s) to constitute a normal fiscal year and apply a Structural Change adjustment to the Reference Margin, if required. Depending on the circumstances of the stub period, production units may or may not be stubbed, this will be determined on a case-by-case basis.

When calculating a stubbed margin, accrual adjustments (including accounts receivable, accounts payable, purchased inputs and hybrid inventories) are required in the calculation.

- See section 4.6 Greater than 12 months or Stub Periods of the Sustainable Canadian Agricultural Partnership - AgriStability Program Guidelines.