

Technical Information Circular # 11

OPTIONAL REFERENCE MARGINS

General Information

Effective for the 2025 Program Year, participants will have the opportunity to choose an alternative calculation for the AgriStability Reference Margin. The new method is referred to as the Optional Reference Margin calculation and is based on the same method of accounting for reporting a participant's financial information for tax purposes (i.e. cash or accrual). The current method for calculating the AgriStability Reference Margin is referred to as the Accrual Adjusted Reference Margin.

Regardless of the Reference Margin selection, the Program Year margin will continue to be calculated using the Accrual Adjusted Margin.

Optional Reference Margin

The Optional Reference Margin is calculated using the same method of accounting that is filed for tax, cash or accrual.

For participants that file tax on a cash basis to Canada Revenue Agency (CRA), the Reference Margin will be calculated using allowable income and expenses reported for tax purposes, adjusted for structural change, if applicable.

For participants that file tax on an accrual basis to CRA, the Reference Margin will be calculated using allowable income and expenses as well as the accrual inventory adjustments reported for tax purposes, adjusted for structural change, if applicable. Accrual inventory adjustments will be reviewed for reasonability. Livestock inventories may continue to be adjusted using the Hybrid Inventory Adjustment – see Technical Information Circular 4 Hybrid Accrual Margins for additional information.

All participants can elect the Optional Reference Margin in 2025 or any future year.

Accrual Adjusted Reference Margin

The Accrual Adjusted Reference Margin is calculated using income and expenses as reported for tax purposes, including accrual adjustments. Accrual adjustments include changes in inventories, accounts payable, accounts receivable and purchased inputs.

If a participant elects the Optional Reference Margin, and in a subsequent Program Year wants to switch to the Accrual Adjusted Reference Margin, there are certain conditions that must be met as follows:

New and Returning Participants – Are defined as participants that have not received a Calculation of Program Benefits under the Accrual Adjusted Reference Margin for at least four years prior to the Program Year. New and returning participants can switch to the Accrual Adjusted Reference Margin at any time.



All Other Participants – Can only switch to the Accrual Adjusted Reference Margin provided they have not had a Reference Margin calculated as an Accrual Adjusted Reference Margin in any of the four years immediately prior to the current Program Year.

Structural Change

When calculating a participant's Structural Change adjustment using the Optional Reference Margin, the Administrator will apply the additive method as outlined in Annex C (AgriStability Guidelines) for Reference Margins calculated on the cash basis, unless the Administrator determines another method would more accurately reflect the Structural Change.

The Accrual Adjusted Reference Margin and Optional Reference Margin filers who file tax to CRA on an accrual basis will continue to be calculated using the Ratio method - also defined in Annex C of the AgriStability Guidelines.

Other Considerations

If the method of accounting is not consistent across all years in the reference period, the participant will be required to convert financial information to the same method of accounting that is reported to tax in the current Program Year, unless otherwise specified by the Administrator, to ensure that all reference years are reported to the Administrator using a consistent method of accounting.

Each partner in a partnership must submit their own Reference Margin Election.

Farming operations combined under clause 4.8 of the AgriStability Guidelines may choose to have their Reference Margins calculated based on the method of accounting used to report their financial information for tax purposes (i.e. Optional Reference Margin), providing all members of the combined operation also choose this method of calculation and all members have the same method of accounting.

Participants with multiple farming operations may choose to have their Reference Margins calculated based on the method of accounting used to report their financial information for tax purposes, providing all operations have the same method of accounting.

Process for Reference Margin Election

New participants can elect the Reference Margin calculation method on the Application for Fee Notice.

Existing participants can access the Reference Margin Election form at www.afsc.ca or via AFSC Connect between January 1 and April 30 of the Program Year for which the election applies to.

Participants who elected the Optional Reference Margin and wish to switch to the Accrual Adjusted Reference Margin in a subsequent Program Year must complete the Reference Margin Election form and submit it to AFSC for review.

Deadlines

The Reference Margin Election deadline is April 30 of the Program Year for which the election applies to (same deadline as Fee Notice submission).

- See AgriStability Guideline Amendment #1 - 4.5.3 Optional Reference Margin Calculation of the Sustainable Canadian Agricultural Partnership - AgriStability Program Guidelines.