

A farming checklist for a Canadian T1 return needs to follow the structure of the **T2042 – Statement of Farming Activities**, while also capturing the documentation CRA typically requests during reviews. This version is organized around income, expenses, capital items, inventory, and special rules that apply uniquely to farming operations.

Farm Profile and Eligibility

A clear record of your farm operation helps ensure the correct reporting category (farming vs. hobby, partnership, or mixed-use).

- Farm name and address
- Type of farming (cash crop, livestock, dairy, poultry, mixed, market garden, etc.)
- Ownership structure (sole proprietor, partnership, joint venture)
- Percentage ownership if shared
- GST/HST registration and filing status
- Records of instalment payments made
- Prior year's Notice of Assessment (carry-forwards, CCA, losses)

Farm Income Records

Income must be reported on an accrual or cash basis depending on your method.

- Sales of livestock
- Crop sales (grain, hay, produce)
- Dairy or egg sales
- CSA or farm-gate sales
- Farmers' market sales
- Government program payments (AgriStability, AgriInvest, CAIS)
- Custom work or machine rental income
- Insurance proceeds (crop or livestock)
- Barter transactions
- Inventory changes (opening and closing)
- Sales summaries from buyers, co-ops, or processors

Operating Expenses (Current Expenses)

These are deductible in the year incurred and must be supported by receipts.

- Feed purchases
- Fertilizer and lime
- Pesticides and herbicides
- Seeds and plants
- Livestock purchases (current vs. capital classification)
- Veterinary fees and medicine
- Small tools (under CRA thresholds)
- Machinery repairs and maintenance
- Fuel and oil
- Custom work and contract labour
- Freight and trucking
- Building repairs and maintenance
- Insurance (farm buildings, equipment, liability)
- Property taxes
- Utilities (electricity, water, gas)
- Telephone and internet (farm-use portion)
- Marketing and advertising
- Office supplies
- Accounting and legal fees
- Bank charges and interest (operating loans)

Capital Assets and CCA (Depreciation)

These items must be added to the appropriate CCA class.

- Tractors and combines
- Machinery and equipment (balers, sprayers, seeders)
- Farm trucks and trailers
- Quonsets, barns, silos, grain bins
- Fences and corrals
- Major building improvements
- Computer equipment and software
- Invoices for all capital purchases
- Records of asset sales or disposals

Livestock and Crop Inventory

Inventory tracking is essential for accurate income reporting.

- Opening livestock inventory
- Closing livestock inventory
- Opening crop inventory (grain, hay, produce)
- Closing crop inventory
- Market value vs. cost method documentation
- Records of losses (disease, weather, spoilage)

Vehicle and Equipment Use

Farm vehicle claims require documentation similar to other self-employment categories.

- Mileage log for farm vs. personal use
- Fuel receipts
- Insurance
- Repairs and maintenance
- Loan interest or lease agreements
- Business-use percentage calculation

Required Forms and Supporting Documents

These items support the T2042 and related schedules.

- T2042 – Statement of Farming Activities
- GST/HST returns and summaries
- AgriStability/AgriInvest statements
- Land rental agreements (if renting land)
- Partnership agreements (if applicable)
- T1135 if foreign property > \$100,000
- Prior CCA schedules
- Prior year's farm loss carry-forwards

Special Farming Considerations

Farming has unique tax rules that may apply depending on your operation.

- Mandatory inventory adjustments (MIA)
- Optional inventory adjustments (OIA)
- Capital gains on quota sales
- Land sales (capital vs. business income)

- Weather-related deferrals (e.g., drought livestock deferral)
- Cash vs. accrual method confirmation

✓ Final Checks Before Filing

- Reconcile sales with bank deposits
- Ensure all receipts are legible and stored for six years
- Separate current vs. capital expenses
- Review CCA claim strategy (claim vs. defer)
- Confirm GST/HST collected vs. remitted
- Verify inventory adjustments
- Ensure income and expenses are reported per farm operation