

Structuring the family farm

Choosing the right business structure for you

Farming today requires extensive operational knowledge. To thrive in today's market, farmers need to embrace ever-changing agronomy practices, new cropping options and emerging agriculture technologies. If you do, you're typically rewarded with increased profitability — which gives rise to the need for yet another new skillset. One that involves selecting the right business structure to maximize both operational and taxation benefits.

When choosing an appropriate business structure for your farm business, it is important to consider your tax situation, level of management control, costs associated with the particular structure, and your farm succession options.

How MNP can help

For more than 60 years, MNP has invested more time and resources into understanding agriculture than any other chartered accounting and business advisory firm. We help address:

- Ease and flexibility of changing ownership
- Your ability to raise funds
- Your children's involvement in managing your farm
- Protecting your personal assets from liabilities
- How to deal with non-farm income in the succession plan
- The ability for new members to buy into the business
- How the structure you choose affects the AgriStability program.

After gaining a comprehensive understanding of your operation and your business goals, your advisor will discuss the three major options -- farm proprietorship, farm partnership and farm corporation -- to determine the best option for you.

Farm proprietorship

The sole proprietorship is a business owned and operated by one individual. The majority of farms are owned as sole proprietorships because they are easily formed and administrated. As the business owner you are responsible for the business's legal and tax liabilities.

Farm partnership

A farm partnership is a farm that is owned and operated by more than one person. The owners are responsible for the farm, and will receive any income the farm generates. A partnership is a relatively simple structure to administer and therefore will be less expensive for you to operate than a corporation.

Farm corporation

A farm corporation is a business that is owned and operated by a group of shareholders. The corporation is a separate entity, and individual shareholders are not held liable for the corporation's debts or judgments.

Choosing the best option

Since each business structure comes with advantages and disadvantages, the optimal business structure for you depends on your personal business circumstances. Therefore, it's important to have a discussion with your farm business advisor to get a clear understanding of the best option for you.

