



Election to Establish Inventory Unit Prices for Animals

- Use this form if you are an individual, partnership, or corporation engaged in a business that includes the breeding and raising of animals, and you want to elect to use the unit price method to determine the value of animals.
- Mail a signed copy of this form to your Tax Services Office. Find your tax services office address by going to cra.gc.ca/tso.

Identification

Taxpayer(s) name(s)					
Address					
Tax Year		Start		End	
	Year	Month	Day	Year	Month Day
Method of valuing inventory prior to the tax year start date noted above					
<input type="checkbox"/> Estimated cost <input type="checkbox"/> Fair market value <input type="checkbox"/> Constant unit price <input type="checkbox"/> Other (specify): _____					
Species of animal such as cattle, horses, sheep or swine – Note: A separate election is required for each species.					

Calculation of unit prices

See Information and Instructions on page 2 for definitions.

Details of eligible animals in last inventory				Proposed unit prices	
1 Class of animal	2 Total value of class	3 Number of animals in class	4 Average value per animal (even dollars)	5 Class of animal	6 Unit price

If proposed unit prices are not based on the average value of eligible animals in your last inventory, explain how you determined the proposed unit prices:

Election and certification

I certify that the business related to this election includes the breeding and raising of animals, that only eligible animals have been taken into account in calculating the proposed unit prices.

I elect to value eligible animals of the classes specified on this form under section 1802 of the *Income Tax Regulations*.

_____ Name of individual(s) or authorized officer of the corporation	_____ Position or title of authorized officer of corporation
_____ Signature of individual(s) or authorized officer of corporation	_____ Date yyyy/mm/dd

Privacy statement

Personal information is collected under the *Income Tax Act* to administer tax, benefits, and related programs. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source at cra.gc.ca/gncy/tp/nfsrc/nfsrc-eng.html, Personal Information Bank CRA PPU 047.

Information and instructions

Definitions

Eligible animal is an animal that is not:

- a registered animal;
- an animal bought for feedlot or other similar operations; or
- an animal bought by a drover or like person for resale.

Class of animal is a group of animals of a particular breed or species, such as cattle, horses, sheep or swine, segregated on the basis of age, breed, or other recognized division, as determined by the taxpayer at the time of election.

Registered animal is an animal for which a certificate of registration has been issued by the registrar of the animal's breed or by the registrar of the Canadian Livestock Records Corporation.

Last inventory is the inventory at the end of the tax year just before the first year to which this election applies.

Introduction

Under section 1802 of the *Income Tax Regulations*, a taxpayer who carries on a business that includes the breeding and raising of animals can elect to use a unit price method to determine the value of animals included in the taxpayer's inventory.

This method lets you use the same unit prices for inventory valuation from year to year, regardless of any change in costs or market values. The unit prices must be used each year to value eligible inventory unless:

- a) the aggregate value of a class of eligible animals determined on the unit price basis is more than the fair market value of the class. In such a case, the fair market value can be used in that year;
- b) the election is revoked in writing by the taxpayer.

The unit price method will be used to determine the closing inventory the first year you choose this method. The opening inventory, if any, of that year must agree with the closing inventory of the previous year.

Method of electing

If you have been using the accrual method, attach this form with your income tax return the first year you make the election.

Send this election form to your Tax Services Office if you want to receive confirmation of the unit prices due to one of the following conditions:

- you have started a business;
- you have been in business and have been using the cash method to determine income; or
- you want to have unit prices approved before filing your income tax return for a certain year.

Keep one copy of this form for your records.

Calculation of unit prices of classes

If you use the accrual method to determine income, proceed as follows:

- determine the unit price for each class by dividing the total value of all animals of each proposed class in the last inventory by the number of such animals in that inventory; and
- complete the first four columns of the "Calculation of unit prices" table on page 1. Usually, the classes in column 1 and the average values in column 4 should be the proposed classes and unit prices in columns 5 and 6.

If there were no animals in certain classes in the last inventory, estimate the proposed unit prices for such classes so that they are reasonably related to the unit prices of the classes that you previously determined.

If you started a business, or have been in business and have been using the cash method to determine income, proceed as follow:

- complete columns 5 and 6 only in the "calculation of unit prices" table on page 1; and
- base your proposed unit prices on unit prices of classes of comparable animals used by other taxpayers who report to your Tax Centre.

Unit prices

Unit prices not determined from inventory prices of comparable animals in your last inventory must be approved by your Tax Services Office.

If you do not have an inventory on which to base unit prices, the Tax Services Office will review your proposed unit prices and how you got them, and will determine the unit prices for you to use for the year of election and later years.

If the Tax Services Office approves unit prices that are different from the ones you propose, you will be advised in writing. You can then present your case to the Tax Services Office or withdraw your election by sending a letter by registered mail.

After you are advised of changes to your proposed unit prices, you may decide not to respond to the Tax Services Office. In such case, until your election is revoked in writing, the Tax Services Office will use the unit prices it determined (for the year of election and later years) to process your returns.

If you revoke an approved election, you can not elect again for that species without the agreement of the Tax Services Office.