



ELECTION TO ESTABLISH INVENTORY UNIT PRICES FOR ANIMALS

- If you are an individual, partnership, or corporation engaged in a business that includes the breeding and raising of animals you can use this form.
- Please file one signed copy of this form with your Tax Services Office.

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|---|--|-------|------|-------|-----|-----|------|-------|-----|
| Name of taxpayer(s) | | | | | | | | | |
| Address | | | | | | | | | |
| Tax year | | Start | Year | Month | Day | End | 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 animals (cattle, horses, etc.) – Note: A separate election is required for each species | | | | | | | | | |

Calculation of unit prices

| Details of eligible animals in last inventory (see definitions below) | | | | Proposed unit prices (see "Information and Instructions" on page 2) | |
|--|---------------------------|---------------------------------|--|--|-----------------|
| 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 See definitions below | 6 Unit price |
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If proposed unit prices are not based on the average value of eligible animals in your last inventory, state 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 in accordance with Section 1802 of the *Income Tax Regulations*.

Signature of individual(s) or authorized officer of corporation

Position or rank of authorized officer of corporation

Date

Information and instructions

Definitions

Eligible animal is an animal that is not:

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

Class of animal is a group of animals of a particular species 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 National Livestock Records.

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

Information and instructions (continued)

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.

The unit price method lets you use the same unit prices for inventory valuation from year to year, regardless of any change in costs or market values. Approved 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, fair market value can be used in that year; or
- b) the election is revoked in writing by the taxpayer.

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

Method of electing

Please complete your election form in duplicate. File one copy with your Tax Services Office, and keep one copy for your records. You may have been using the accrual method. If so, you can attach the election form to your income tax return for the first year to which the election is to apply.

You may:

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

One of the foregoing conditions may apply to you, and you may want to make an election with this form. If so, mail your completed form to your Tax Services Office well before the due date for your income tax return. This way the Tax Services Office will have time to approve the unit prices before you have to file your return.

Calculation of unit prices of classes

If you have been using the accrual method to determine income, 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. Complete the first four columns of the "Calculation of unit prices" on the front of this form. Normally, 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, please estimate the proposed unit prices for such classes so that they are reasonably related to the unit prices of the classes that you could determine as outlined above.

You may be starting a business or have been in business and have been using the cash method to determine income. If so, complete columns 5 and 6 only in the "Calculation of Unit Prices". If possible, base your proposed unit prices on unit prices of classes of comparable animals used by other taxpayers who report to your Tax Centre.

Approved 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. The Tax Services Office 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 registered letter.

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) in assessing your returns until the election is revoked in writing.

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