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Special Tax Alert – November 22, 2018

On November 22, 2018 the Federal Government released their 2018 Fall Economic Statement called "Investing in Middle Class Jobs". The main tax related changes in the statement related to the amounts that can be claimed for tax purposes for investing in capital assets as follows:

- Allowing businesses to immediately write off the full cost of machinery and equipment used for the manufacturing or processing of goods,
- Allowing businesses to immediately write off the full cost of specified clean energy equipment, and
- The "Accelerated Investment Incentive", which is to allow businesses of all sizes and in all sectors of the economy to write off a larger share of the cost of newly acquired assets in the year the investment is made.

The following example of the Accelerated investment incentive is included in the explanatory notes to the Notice of Ways and Means Motion to amend the Income Tax Act and the Income Tax Regulations:

If a taxpayer incurs $100 in respect of accelerated investment incentive property included in Class 10 (30% CCA rate) in 2019 and it becomes available for use in that year (assume no reductions in the Class for the year), the taxpayer may deduct $45 instead of the $15 that would normally be available in the first year because of the half-year rule, as calculated below:

Undepreciated capital cost at the end of the year:	$100
addition (0.5($100)):	$50
Adjusted undepreciated capital cost:	$150
CCA rate:	30%
Enhanced first year CCA deduction ($150 x 30%):	$45
Undepreciated capital cost after CCA deduction :	$55

In the following year, assuming no new acquisitions, the taxpayer may deduct 30% of the $55 UCC and no additional amount for accelerated investment incentive property.

For full details of the above items and the technical amendments, please visit:

https://budget.gc.ca/fes-eea/2018/docs/nrc/2018-11-21-en.html

Should you have questions about these or other tax issues please do not hesitate to contact your trusted advisor here at Graham Scott Enns LLP, Chartered Professional Accountants.