

## CANADIAN FAQ FOR THE TAX SAVVY

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ACCELERATED CAPITAL COST ALLOWANCE

### Tax Question:

What is the new accelerated capital cost allowance (CCA)?

### Facts:

In response to recent US federal tax reforms, Canada has introduced new accelerated CCA deductions for businesses. CCA is the tax term for the depreciation on capital assets. There are separate classes of CCA for property, plant, vehicles and various types of equipment. Each class of CCA generally has a different depreciation rate that applies.

### Discussion:

Before the new accelerated CCA was introduced, most capital additions were only allowed to claim one-half of net additions to the CCA class in the year. For example, if you purchased a vehicle for \$25,000 in Class 10, you would only be able to claim half of addition at 30% CCA rate in the first year which equals \$3,750 tax deduction.

You can now claim enhanced CCA for purchase of most depreciable assets purchased and available for use from November 21, 2018 to December 31, 2027. Enhanced CCA means that the previous half year claim of CCA will now be tripled. In the previous example, you would now be able to claim up to \$11,250 as a tax deduction for the same Class 10 vehicle purchased on or after November 21, 2018. For purchases in calendar years from 2024 to 2027, there are different rules which result in a lower tax deduction.

Furthermore, manufacturing and processing equipment acquired and available for use from November 21, 2018 to December 31, 2023 will be eligible for a full tax deduction meaning 100%. However, the asset must be used by the taxpayer in Canada primarily for the manufacturing or processing of goods for sale or lease. If equipment is acquired and available for use in 2024 to 2027, there are different rules which result in lower tax deductions and not the 100% mentioned above.

Please note that accelerated CCA will not be available on capital assets acquired from non-arms length persons including related parties or assets transferred to the taxpayer on a rollover basis.

### Recommendation:

For more information on accelerated CCA or timing of purchasing capital assets, please contact Gilmour Group Chartered Professional Accountants.



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