

## **PAND – Tax Alert**

### **Tax Depreciation Changes**

In the 2018 Fall Economic Update, Federal Finance Minister, Bill Morneau announced two key changes to accelerate tax depreciation, known as Capital Cost Allowance (“CCA”).

#### **1. The Accelerated Investment Incentive (“AII”)**

AII will provide accelerated CCA deductions for property acquired and available for use after November 20, 2018 and before 2028. The new AII rules apply to all capital property subject to CCA rules except for assets available for “Immediate Write Off” and property acquired through certain related party transactions.

The AII provides an enhanced CCA deduction in the year of addition on net property additions of 1.5 times the normal CCA rate for the class of asset acquired, up to a maximum 100% CCA rate. The half year rule will not apply

For example; General equipment Class 8 additions, have a normal CCA rate of 20%, but in Year 1 it is 10% because of the half year rule. Due to the AII changes, this will increase to 30%. In subsequent years the CCA rate returns to 20% of the remaining balance.

#### **2. Immediate Write Offs**

Eligible manufacturing and processing and specified clean energy equipment acquired and available for use after November 20, 2018 and before 2024 will have an enhanced CCA deduction of 100%, allowing for the entire amount to be written off in year 1. If acquired and or available for use between 2024 and 2027, the CCA rates are accelerated, but will not be 100% in Year 1.

It is important to note that the total tax deductions under both new measures is not greater than previously allowable, it merely accelerates the period over which the asset is written off.

For further information please discuss with your tax advisor or Tristan Gilbertson from Pennock Acheson Nielsen Devaney Chartered Accountants (“PAND”) at 780-496-7774. PAND is an Edmonton based accounting firm that has been in business for over 20 years. The firm provides accounting, tax and business advisory services to independent businesses. For more information about the firm please visit [www.pand.ca](http://www.pand.ca)