

Tax and Revenue Administration (TRA)

Alberta Corporate Tax Act

Special Notice Vol. 5 No. 62

Application of Federal Budget 2021 Tax Incentives for Immediate Expensing and Capital Cost Allowance

Issued: May 31, 2021

NOTE: This special notice is intended to explain legislation and provide specific information. Every effort has been made to ensure the contents are accurate. However, if a discrepancy should occur in interpretation between this special notice and governing legislation, the legislation takes precedence.

Federal Budget 2021 proposes changes to the capital cost allowance (CCA) regime of the Canadian income tax system. Alberta's corporate income tax legislation is generally harmonized with federal tax rules where federal and provincial policies align. The *Alberta Corporate Tax Act* (the Act) will automatically adopt the proposed changes to the federal legislation that affect the CCA regime. The changes will apply for Alberta tax purposes in the same manner and during the same periods of time that they apply for federal tax purposes.

Except as otherwise provided in the Act, the following federal budget measures will apply for Alberta tax purposes when calculating a corporation's income for the respective taxation years.

Immediate Expensing of Eligible Property

Federal Budget 2021 proposes to allow temporary immediate expensing of certain capital properties acquired by a Canadian-controlled private corporation (CCPC) on or after April 19, 2021, and which are available for use before January 1, 2024. Such property may be expensed to a maximum of \$1.5 million per taxation year, beginning in the year the property first becomes available for use. Eligible property includes any capital property otherwise eligible for CCA, with the exception of property that would normally be included in CCA classes 1 to 6, 14.1, 17, 47, 49 and 51.

Capital Cost Allowance for Clean Energy Equipment

The Government of Canada's 2018 Fall Economic Statement included tax incentives to encourage businesses to invest in clean energy generation and energy efficiency equipment. Those incentives included a time-limited measure that allowed businesses to immediately expense the full cost of investments in certain clean energy technologies.

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Federal Budget 2021 proposes to expand the list of equipment eligible for inclusion in CCA classes 43.1 and 43.2 to include equipment used in pumped hydroelectric energy storage, renewable fuel production, hydrogen production by electrolysis of water, and hydrogen refueling. Furthermore, certain existing restrictions related to investments in water-current, wave and tidal energy, active solar heating, and geothermal energy technologies have been removed. Under certain conditions, additions to classes 43.1 and 43.2 are eligible for immediate expensing under the existing federal accelerated investment incentive measures. The proposed expansion will apply to property that is acquired, or becomes available for use, on or after April 19, 2021.

Federal Budget 2021 also proposes to update the eligibility criteria for CCA classes 43.1 and 43.2 such that certain fossil-fuelled and low efficiency waste-fuelled electrical generation equipment will no longer be eligible after 2024.

Additional Information

For additional information on the current federal budget measures, refer to the [Budget 2021](#) page of the Government of Canada's website.

For additional information on the application of the federal immediate expensing and accelerated investment incentive measures from the Government of Canada's 2018 Fall Economic Statement, refer to [Special Notice Vol. 5 No. 53](#) on our website, or to the [Accelerated Investment Incentive](#) page of the Government of Canada's website.

For additional information on Alberta's corporate income tax program, refer to the [Corporate Income Tax](#) page of our website.

Contact Information and Useful Links

Email TRA:	TRA.Revenue@gov.ab.ca
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TRA Client Self-service (TRACS):	tra.alberta.ca/tracs