

Federal Fall Economic Statement November 21, 2018 Highlights

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W H I T R O D L E D U C C P A I N C .

Due to the recent strong economy, the Minister of Finance Bill Morneau tabled an Economic Statement today with some additional spending initiatives and some income tax measures for businesses summarized below:

- Full deduction in the year of purchase for Manufacturing and Processing (M&P) machinery and equipment and clean-energy equipment through 2023, reducing to a 75% first-year deduction in 2024 and 2025 and a 55% first-year deduction for 2026 and 2027.
- Accelerated write-off (CCA) for other classes of depreciable properties generally equal to 150% of the depreciation rate for the class in the year of purchase without being subject to the half-year rule. For example Class 8 would be allowed a 30% CCA rate in the year of purchase, and a 20% rate in future years. This “Accelerated Investment Initiative” commences November 21, 2018 and runs to December 31, 2023. For 2024 through 2027 the CCA rate in the year of purchase would be the rate of the class, without being subject to the half-year rule.

Impact for Businesses

The goal of the above is to encourage businesses to invest in new assets by lowering their income taxes. As the federal corporate tax rates are already quite low, the tax savings in the first year will be modest. For example a Canadian Controlled Private Corporation (CCPC) would save \$6,750 of federal taxes in its first year on a purchase of M&P equipment of \$100,000. There would however be no tax savings in future years as the equipment would be fully written-off in the year of purchase.

Look further for more highlights...

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As such, it would be unlikely that such "initiative" would strongly motivate a small business to accelerate its investments in new depreciable assets. The initiative may be more of a motivator for large businesses with large CAPEX budgets as spending sooner than later would not only benefit their companies, but could have a positive impact on the economy in the short to mid-term.

As always, should you wish to discuss further any of the topics covered in this summary, please give us a call.

Yours truly,

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