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Tax Alert – Canada

Accelerated CCA and other immediate expensing measures

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 18 November 2025, the federal government tabled Bill C-15, *Budget 2025 Implementation Act, No. 1*, which included several measures related to accelerated capital cost allowance (CCA) and other immediate expensing measures.[1] The proposed measures, which were confirmed in 2025 federal budget, reintroduce proposals initially included in the 2024 budget and the 2024 Fall Economic Statement.[2]

The measures are designed to stimulate capital investment by providing enhanced CCA deductions and immediate expensing for certain assets. The proposals are subject to specific implementation dates, phase-out schedules, and compliance requirements and include the reinstatement of:

- The accelerated investment incentive;
- Immediate expensing for manufacturing and processing (M&P) machinery and equipment;
- Immediate expensing for clean energy equipment;
- Immediate expensing of zero-emission vehicles; and
- Accelerated resource deductions.

[1] For more information on Bill C-15, see EY Tax Alert 2025 Issue No. 54, *2025 budget implementation bill no. 1 introduced in House of Commons*. The CCA measures announced in the 2025 federal budget relating to the immediate expensing for M&P buildings and accelerated CCA for low-carbon liquefied natural gas facilities are not included in Bill C-15.
[2] For more information, see EY Tax Alert 2025 Issue No. 52, *Federal budget 2025*; EY Tax Alert 2024 Issue No. 63, *Federal Fall Economic Statement 2024*; and EY Tax Alert 2024 Issue No. 24, *Federal budget 2024*.

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Bill C-15 also includes measures for the immediate expensing of certain productivity-enhancing assets and accelerated CCA for purpose-built rental housing.

These measures are described in further detail below.

Reaccelerated investment incentive

The reaccelerated investment incentive (RII), which was initially introduced in the 2024 Fall Economic Statement, is a temporary measure that reintroduces the accelerated investment incentive and allows taxpayers to claim accelerated first-year CCA deductions. Under this incentive, eligible property acquired after 2024 and available for use before 2034 (referred to as *reaccelerated investment incentive property* (RIIP)) is not subject to the half-year rule. In addition, RIIP that becomes available for use before 2030 qualifies for an enhanced first-year CCA deduction. The CCA deduction is prorated for short taxation years.

As indicated above, to qualify as RIIP, the property must be acquired after 2024 and available for use before 2034. In addition, the property must also meet one of the following conditions:

- No person or partnership, including the taxpayer, has claimed CCA (or a terminal loss) in respect of the property in a taxation year ending prior to the acquisition. While no distinction is made between the arm's length or non-arm's length vendors of the property, if property is RIIP solely because of this condition, certain amounts in respect of the property could be disqualified from the enhanced CCA rules if the expenditures were incurred before 2025, thus respecting the application date of the RII provisions and ensuring that non-arm's length transfers are not used to inappropriately benefit from the enhanced deduction.[3]

- The property was not subject to a "rollover" and was not previously owned or acquired by the taxpayer or a non-arm's length person or partnership.[4]

The RII rules generally apply to most new depreciable capital property, including M&P machinery and equipment, clean energy equipment and certain other productivity-enhancing assets that are eligible for immediate expensing (as described below).

The RII applies to property for which CCA is calculated on a declining balance basis (including Class 14.1 intangible property) and classes of property with straight-line depreciation (e.g., leasehold improvements, patents and limited period licences) or on which depreciation is based on unit of use (e.g., industrial mineral mines), as well as for certain additional allowances (e.g., Canadian vessels), but with certain variances. The RII will only partly apply to Class 12 property (i.e., only to suspend the half-year rule when it would otherwise apply) since the CCA rate for Class 12 property is already 100%.

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[3] Proposed Regulations 1104(4.01)(b)(i) and 1100(2.021).
[4] Proposed Regulation 1104(4.01)(b)(ii).

Like the accelerated investment incentive, the RII provisions do not change the total amount that can be deducted over the life of the property and only allow for accelerated CCA in the first year the asset is available for use.

The proposed legislative amendments include a modification to the formula in Regulation 1100(2) for computing the first-year CCA deduction in respect of property based on the year in which it becomes available for use. For most classes of property acquired after 2024 that become available for use before 2030, the first-year enhanced CCA deduction is equal to three times the normal first-year CCA deduction for property subject to the half-year rule, and one-and-a-half times the normal first-year CCA deduction for property not subject to the half-year rule.

The enhanced CCA deduction is phased out for property that becomes available for use after 2029 and before 2034 such that the rates are:

- Two times the normal first-year CCA deduction for property normally subject to the half-year rule; and
- One-and-a-quarter times the normal first-year CCA deduction for property not normally subject to the half-year rule.

Normal CCA rates will resume for property that becomes available for use after 2033.

The following examples illustrate the enhanced first-year CCA deduction in two different scenarios.

Reaccelerated investment incentive – Example 1		
Scenario #1: A Class 8 (20%) property of $200 is acquired in 2025 and becomes available for use in that year.		
	Without the RII rules	**Proposed RII rules**
Undepreciated capital cost (UCC) at the beginning of 2025 **(A)**	$0	$0
Plus: Capital cost **(B)**	$200	$200
Plus: Adjustment **(C) = 50% x (B)**	n/a	$100
Minus: Half-year rule **(D) = 50% x (B)**	$100	n/a
Adjusted UCC **(E) = (A) + (B) + (C) − (D)**	$100	$300
CCA for 2025 **(F) = 20% x (E)**	$20	$60 (i.e., three times the normal deduction)
UCC at the end of 2025 **(G) = (A) + (B) − (F)**	$180	$140
CCA for 2026 **(H) = 20% x (G)***	$36	$28
UCC at the end of 2026 **(I) = (G) − (H)**	$144	$112

* After the first year, regular CCA calculations are applicable.

Reaccelerated investment incentive – Example 2		
Scenario #2: Class 8 property is acquired and becomes available for use in 2030.		
	Without the RII rules	**Proposed RII rules**
UCC at the beginning of 2030 **(A)**	$0	$0
Plus: Capital cost **(B)**	$200	$200
Plus: Adjustment **(C) = 50% x (B)**	n/a	n/a
Minus: Half-year rule **(D) = 50% x (B)**	$100	n/a
Adjusted UCC **(E) = (A) + (B) + (C) − (D)**	$100	$200
CCA for 2030 **(F) = 20% x (E)**	$20	$40 (i.e., two times the normal deduction)
UCC at the end of 2030 **(G) = (A) + (B) − (F)**	$180	$160
CCA for 2031 **(H) = 20% x (G)***	$36	$32
UCC at the end of 2031 **(I) = (G) − (H)**	$144	$128

*After the first year, regular CCA calculations are applicable.

Immediate expensing of M&P machinery and equipment

Machinery and equipment acquired after 2015 and before 2026 for use in Canada primarily in the M&P of goods for sale or lease currently qualifies for a temporary accelerated CCA rate of 50% (subject to the half-year rule and calculated on a declining balance basis) under Class 53. After 2025, M&P machinery and equipment are included in Class 43 and are eligible for a 30% CCA rate (subject to the half-year rule and calculated on a declining balance basis).

The existing accelerated investment incentive allows for immediate expensing of M&P machinery and equipment acquired on or after 21 November 2018 that becomes available for use before 2024. For property that becomes available for use in 2024 or 2025, the enhanced first-year CCA rate is reduced to 75%, and the rate is reduced further to 55% for property that becomes available for use in 2026 or 2027. The enhanced rate is no longer available for property that becomes available for use after 2027.

Bill C-15 proposes to reinstate the 100% deduction (i.e., immediate expensing of the net cost of addition) for eligible M&P machinery and equipment acquired after 2024 (the half-year rule does not apply). The enhanced first-year allowance is phased out so that the first-year allowance is reduced to 75% for property that becomes available for use in 2030 or 2031, and to 55% for property that becomes available for use in 2032 or 2033. The CCA deduction is prorated for short taxation years.

The first-year enhanced allowance is eliminated for property that becomes available for use after 2033 (i.e., this property is subject to the regular Class 43 CCA rate, subject to the half-year rule).

Immediate expensing of clean energy equipment

Specified clean energy equipment qualifies for an accelerated CCA rate of 30% under Class 43.1 or, if acquired after 22 February 2005 and before 2025, may qualify for an accelerated CCA rate of 50% under Class 43.2. Class 43.1 and Class 43.2 property is subject to the half-year rule, and the CCA is calculated on a declining balance basis.

Bill C-15 proposes to reinstate the 100% deduction (i.e., immediate expensing of the net cost of addition) for eligible clean energy equipment included in Class 43.1. Taxpayers acquiring qualifying clean energy property after 2024 that becomes available for use before 2030 may deduct the full cost of the property in the year it becomes available for use (the half-year rule does not apply). The enhanced first-year allowance is phased out so that the first-year allowance is reduced to 75% for property that becomes available for use in 2030 or 2031, and to 55% for property that becomes available for use in 2032 or 2033. The CCA deduction is prorated for short taxation years.

The first-year enhanced allowance is eliminated for property that becomes available for use after 2033 (i.e., this property is subject to the regular Class 43.1 CCA rate, subject to the half-year rule).

Immediate expensing of zero-emission vehicles

Bill C-15 also proposes to reinstate the 100% deduction (i.e., immediate expensing of the net cost of addition) for zero-emission vehicles included in Classes 54, 55 and 56. For vehicles and charging equipment acquired after 2024 that become available for use before 2030, taxpayers can claim a 100% deduction in the first year (the half-year rule does not apply). This measure is intended to further incentivize the adoption of zero-emission vehicles.

The enhanced first-year allowance is phased out so that the first-year allowance is reduced to 75% for property that becomes available for use in 2030 or 2031, and to 55% for property that becomes available for use in 2032 or 2033. The CCA deduction is prorated for short taxation years. Normal CCA rates resume for property available for use after 2033.

Immediate expensing of productivity-enhancing assets

Bill C-15 includes proposed measures that were first introduced in the 2024 federal budget to allow for the immediate expensing of certain productivity-enhancing assets. Specifically, eligible productivity-enhancing assets include:

- Class 44 property: Patents or the rights to use patented information for a limited or unlimited period;
- Class 46 property: Data network infrastructure equipment and related systems software; and
- Class 50 property: General-purpose electronic data-processing equipment and systems software.

To qualify, the property must be acquired after 15 April 2024 and become available for use before 2027. The CCA deduction is prorated for short taxation years. Eligible property is property that meets the definition of *accelerated investment incentive property* or, in the case of property acquired after 2024, the definition of RIIP. For property in these classes that becomes available for use after 2026, the normal RII rules will apply.

Reaccelerated resource deductions

Bill C-15 also includes the reinstatement of the accelerated deduction rules related to Canadian development expenses (CDE) and Canadian oil and gas property expenses (COGPE) for expenses incurred after 2024 and before 2034. The reaccelerated deductions will provide a total first-year deduction of 150% of the regular CDE or COGPE deduction for expenses incurred after 2024 and before 2030, and 125% of the regular CDE or COGPE deduction for expenses incurred after 2029 and before 2034. The rates are prorated for taxation years that begin before 2030 and end after 2029, based on the amount of expenditures incurred before and after the end of 2029.

Enhanced CCA for purpose-built rental housing

Bill C-15 also includes measures, which were initially announced in the 2024 federal budget, to allow for enhanced CCA for purpose-built rental housing. Under the proposals, qualifying buildings (or parts of a building) are eligible for an additional 6% CCA deduction (for a total CCA rate of 10%) where construction began after 15 April 2024 and before 2031, and the property becomes available for use before 2036.

Purpose-built residential rental means a building or part of a building situated in Canada that:

- Contains at least four residential rental units or 10 private rooms or suites; and
- Has at least 90% of its residential rental units rented (or offered for rent) for a continuous period of not less than 28 consecutive days.

To qualify as a residential rental unit, the housing unit must not be provided to the travelling or vacationing public.

Property must also meet the definition of *new purpose-built residential rental*, which includes a purpose-built residential rental that was either:

- Built for use as a purpose-built residential rental where construction began after 15 April 2024 and before 2031; or
- Previously a building (or part of a building) used as a commercial property that was substantially renovated for use as a purpose-built residential rental provided that the renovations began after 15 April 2024 and before 2031.

In both cases, the property must become available for use before 2036. Each property of a taxpayer that meets the definition of new purpose-built residential rental is prescribed to be in a separate CCA class of property.

The enhanced CCA rate is no longer available for property available for use after 2035.

Learn more

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