

This Month:

- Immediate expensing of capital purchases
- CERS & rent paid for a chair in hair salons

Immediate expensing of capital purchases

Recap of CCA (capital cost allowance) changes

On November 21, 2018, the government announced a temporary enhanced first-year allowance, referred to as the Accelerated Investment Incentive ("AII"), equal to up to three times the previously applicable first-year allowance. In addition, the government announced immediate expensing for investments in machinery and equipment used in manufacturing or processing, as well as for specified clean energy generation equipment.

Federal Budget 2021 – expanded measure on immediate expensing

The budget announced a temporary measure allowing immediate expensing in respect of certain property acquired by a Canadian-Controlled Private Corporation (CCPC):

- must be "eligible property" acquired by a CCPC on or after April 19, 2021 and that becomes available for use before January 1, 2024.
- up to a maximum amount of \$1.5 million per taxation year.
- the \$1.5 million limit would be shared among associated members of a group of CCPCs.
- for those CCPCs with less than \$1.5 million of eligible capital costs, no carry-forward of excess capacity would be allowed.

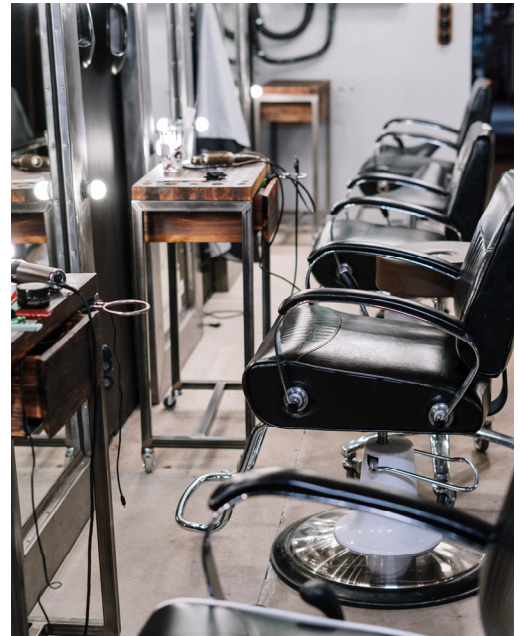
Eligible Property

Eligible property would be capital property that is subject to the CCA rules. There is an exclusion for property in CCA classes 1 to 6, 14.1, 17, 47, 49 and 51 - which are generally long-lived assets, most commonly buildings and goodwill.

Canada Emergency Rent Subsidy (CERS)

Rent on barber/hairdresser chairs may be eligible for CERS

In Technical Interpretation 2020-0869981I7 (E), the CRA indicates that where a barber or hairdresser (the "Stylist") rents or leases space, a chair, or both, from the owner of a barbering or hairdressing establishment (the "Salon"), the rent may be claimed as a "qualifying rent expense" for the purposes of the CERS. The CRA provides that since the "chair rent" is rent for the use of, or right to use, an area within the salon that is real or immovable property such that it is capable of being a qualifying property, it may be a qualifying rent expense for the stylist, provided all of the conditions in the definition of qualifying rent expense are met. The CRA notes that this is a question of fact that must be determined by considering all of the circumstances of a particular situation, including the particular written agreement between the stylist and the landlord.



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