THE SMALLBIZ BUILDER

PADGETT THE SMALL BIZ PROS

August 2019 PADGETT BUSINESS SERVICES® Vol. 17, No. 8

This Month:

- Zero Emission Vehicles – The iZEV Program and Tax Write-offs for Businesses
- Non-Refundable Tax Credits for Students
- Other Deductions for Students

Zero Emission Vehicles – The iZEV Program and Tax Write-offs for Businesses

The federal government announced new incentives and tax measures to make the cost of zero-emission vehicles (ZEV) more affordable.

iZEV Program Incentive

Effective May 1, 2019, there is a point of sale incentive for consumers who buy or lease an eligible ZEV. There are two levels of incentive:

- Battery-electric, hydrogen fuel cell and longer-range plug-in hybrid vehicles are eligible for an incentive of $5 000
- Shorter range plug-in hybrid electric vehicles are eligible for an incentive of $2 500

To be eligible for the Incentives for Zero-Emission Vehicles program, you have to purchase or lease:

- A vehicle with 6 seats or fewer, where the base model Manufacturer's Suggested Retail Price (MSRP) is less than $45 000, but higher priced versions (trims) up to a maximum MSRP of $55 000 will also be eligible, **or**
- A vehicle with 7 seats or more where the base model MSRP is less than $55 000, with higher priced trims up to a MSRP of $60 000 will also be eligible for purchase incentives.

You will still be eligible for the incentive even if delivery, freight and other fees such as vehicle colour and add-on accessories, push the actual purchase price over these set limits.

The incentives will be applied at the point of sale directly on the bill of sale or lease agreement. For leases, the incentive will be prorated based on the length of the lease. A 48-month lease will be entitled to the full rebate and a 24-month lease will be eligible for only half.

Tax Measures

Budget 2019 proposed a 100% write-off for ZEVs to support business adoption. Eligible ZEVs include a new motor vehicle that is a plug-in hybrid or those that are fully electric or fully powered by hydrogen. It applies to eligible vehicles purchased after March 19, 2019 and before January 1, 2024. Where the costs for passenger vehicles (ie. cars and SUVs) exceeds $55 000, the 100% write-off will be capped to $55 000 (plus sales tax considerations).

Vehicles that benefited from the new iZEV program incentive discussed above will be ineligible for the 100% write-off.

YOUR FIRM NAME
Address
Telephone #s
Email
Web Site

Non-Refundable Tax Credits for Students

The most common post-secondary nonrefundable tax credits that apply to students relate to interest paid on student loans and tuition fees.

Interest on Student Loans

A tax credit can be claimed for interest paid either by the student or a person related to the student. Note, however, that if it is paid by a related person, it's the student who is entitled to the tax credit.

Only interest paid on the following types of loans qualify:

- the Canada Student Loans Act;
- the Canada Student Financial Assistance Act;
- the Apprentice Loans Act;
- or a law of the province or territory, which governs the granting of financial assistance to students at the post-secondary level.

Personal or family loans will not qualify. Also, if you renegotiate your student loan with a bank or included it in an arrangement to consolidate your loans, the interest on the new loan does not qualify for this tax credit.

Credits that are not needed to offset income taxes are available for carry forward for up to five years.

Tuition

As with the student loan interest, only the student can claim this credit, even if it was paid by someone else. The student must claim this credit first to reduce their income tax to zero and any remaining tuition can either be carried forward or up to $5 000 of the current year's unused tuition fees can be transferred to a spouse/common law partner, parent or grandparent.

Generally a course qualifies for a tuition tax credit if it was taken at a post-secondary education institution or for individuals 16 years old at the end of the year, it develops or improves skills in an occupation and the educational institution has been certified by Employment and Social Development Canada.

In 2017, the federal education and textbook credits were eliminated. However, carryforwards of unused amounts of these credits from prior to 2017 can still be claimed.

Other Deductions for Students

Moving Expenses

If you move to attend courses as a full-time student in Canada, you can deduct moving expenses but only against income from scholarships, fellowships, and research grants. Since most scholarships and fellowships are tax-exempt, the deduction is limited. However, if the student moves to take up summer employment or to start a business, or for a co-op period of employment, then the moving expenses can be claimed against that income. The new home must be at least 40 kilometers closer to the new school or place of work than the previous home.

Child-Care Expenses

Parents who are full-time students, or single parents who study full-time, can deduct child-care expenses on their tax returns. Part-time students may qualify for partial deductions.