



As part of its November 2018 fall financial statement, the government of Canada has introduced an Accelerated Investment Incentive to allow businesses in Canada to deduct the cost of their investments more quickly, thus increasing the attractiveness of making capital investments.

The program provides an enhanced first-year allowance for capital property that is subject to the CCA rules (referred to as “eligible property”). Business aircraft qualify for this allowance.

### What you need to know:

Aircraft are Class 9 Assets and therefore have a depreciation rate of 25%. **Under the new provisions, the rate will be 37.5% in the year of acquisition.** The proposed measures from the government of Canada are welcome, but not as helpful as those in the US, where the bonus depreciation rate is 100% of the adjusted cost base in the year of acquisition.

**If members with US operations want to take advantage of the US tax benefits, yet still operate in Canada under the Canadian civil aircraft registry, we have structures available for them to do so. For those that have no US presence, the changes in the Canadian rules are welcomed and offer an advantage over what has historically been available to Canadian taxpayers.**

A portion of the capital cost of a depreciable property is deductible as capital cost allowance (CCA) each year, with the CCA rate for each class of property prescribed in the Income Tax Regulations. With some exceptions, CCA deductions are claimed by class of property and are calculated on a declining-balance basis.

The CCA allowed in the first year that a taxpayer’s capital property is available for use is generally limited to half the amount that would otherwise be available in respect of that property (the “half-year rule”). This rule applies to the net addition to the class for the year (i.e., the amount by which acquisitions exceed dispositions). It is a simplifying provision that assumes capital property is, on average, acquired halfway through the year.

### Find out more at our financial planning workshop at CBAA 2019:

CBAA will present a specialized workshop on tax and financial planning for business aviation operators at its upcoming convention and exhibit, CBAA 2019, July 7 – 9, in Calgary, Alberta. This workshop is aimed at medium and small businesses.

**This document does not constitute legal or financial advice. Please consult with your financial advisors. If you are a CBAA member, our tax policy subject matter experts can provide guidance directly to your tax advisors.**

*Business aircraft financial management is highly specialized. Getting the correct advice can save you tens of thousands of dollars in one tax year alone. For a list of CBAA-member taxation, legal and financial experts, contact Lindsay Berndt, lberndt@cbaa.ca*

*CBAA operator members (PORD holders) attend the annual convention at no charge, saving up to \$600 on regular registration fees. Contact Lindsay Berndt, lberndt@cbaa.ca to see how to qualify for this offer.*