

On January 27, 2009, the Department of Finance Canada tabled Budget 2009, Canada's Economic Action Plan. To instigate business momentum at a time of recession, a number of tax incentives were put in place for a limited time period. Below are excerpts taken directly from the plan.

Providing Assistance to Businesses in All Sectors to Invest in Computers

Budget 2009 proposes a temporary 100-per-cent CCA rate for computer hardware and systems software acquired after January 27, 2009 and before February 1, 2011. In addition, the rule that restricts CCA deductions to one-half of the CCA write-off otherwise available in the first year will not apply to these computers.

This temporary measure will allow taxpayers to fully expense their investment in computers in one year. The measure will provide stimulus by assisting businesses to increase or accelerate investment in computers. It will also contribute to boosting Canada's productivity through the faster adoption of newer technology. Businesses in all sectors of the economy, including the service sector, will benefit from this incentive.

It is estimated that this measure will cost \$340 million in 2009-10 and \$355 million in 2010-11.



Capital Cost Allowance

The capital cost allowance (CCA) system determines how much of the cost of a capital asset a business may deduct each year for tax purposes. The Government's approach has generally been to set CCA rates so that the deduction for capital costs is spread over the useful life of the asset. This ensures neutral tax treatment for different types of assets so that investment is allocated to its most productive use. Budget 2009 proposes temporary increases in CCA rates for computers, and machinery and equipment used in manufacturing or processing, to provide economic stimulus and assist Canadian businesses during this challenging economic period.

For further information please visit

<http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf> , page 167.

