

# THE BALANCE SHEET

SMITH | SYKES | LEEPER | TUNSTALL LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS



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## A NOTE FROM THE PARTNERS

Welcome to the first issue of "The Balance Sheet".

We look forward to staying in touch and sharing more than just your tax and business information with you!

In each issue you will find regular communication from your partners reflecting on accounting and finance related events and news. We will also take a look at issues of relevance in today's environment.

We are excited to announce that effective January 1st 2022 Brennan Ayres is now a partner. Congrats Brennan!

We wish you and your loved ones a happy and healthy start to the New Year.

Look forward to keeping in touch!

*George, Bryan, Dale, Trent, Brad, David, Paul & Brennan*

# ELECTRIC VEHICLE INCENTIVES

## WHAT YOU NEED TO KNOW

Incentives for electric vehicles aren't new but are increasingly relevant as auto manufacturers develop new lines of electric vehicles. Electric, hydrogen and hybrid electric vehicles are now widely available in the market. In addition, customer demand is increasing with markets attempting to move away from fossil fuels. Be sure to contact us with any question you might have about these programs.

### **iZEV Program**

In May 2019 the federal government released the iZEV Program (Incentive for Zero-Emission Vehicles). This program provides a point-of-sale rebate of \$5,000 for new vehicle purchases and leases. The program is administered by auto retailers and there are some important things to keep in mind.

*Eligibility* for vehicles with 6 seats or less will qualify if the MSRP (manufacturer's suggested retail price) is less than \$45,000. The same vehicle will qualify if the trim level is increased to a maximum of \$55,000. It's worth noting that add-ons, such as roof racks, rims, snow tires, etc., won't affect your eligibility.

Vehicles with 7 seats or more will qualify when the MSRP is less than \$55,000, with higher trim levels maxing out at \$60,000 this is before including add-ons.

A battery electric, hydrogen fuel cell and long-range hybrid will be eligible for \$5,000. Long-range hybrid electric is defined as a battery capacity of 15 kWh (kilowatt-hours). Check with your auto dealer for this information.

Shorter range hybrid electric is limited to \$2,500 in rebate, defined by a battery capacity of less than 15 kWh.

*Purchase* eligibility requirements specify that only new vehicles qualify.

*Lease* eligibility also requires that vehicles be new and require that the lease be at least 48 months to qualify for the full \$5,000. For lease terms less than 48 months the rebate is prorated over the number of months, i.e. a 24 month lease would yield a \$2,500 rebate.

Limitations for individuals restrict end user consumers to 1 rebate per year with no further limitations.

Limitations for business and governments acquiring a fleet of vehicles will be limited to 10 incentive rebates per year.

[Click here to see a list of vehicles that qualify under this program.](#)



# ELECTRIC VEHICLE INCENTIVES

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## Tax Deductions for Business

A business may take a 100% deduction immediately upon purchase of a Zero Emission Vehicle (ZEV). This purchase must be capitalized whereby the deduction is not taken directly against income but is prescribed over time based on government issued rates. Historically, a business would be limited to deduct 15% of the vehicle value in the first year of purchase. However,, now there is an option for 100%. Normally I would stay away from the term "write-off," as the government is using it here, but in this case it qualifies.

**Eligibility** is not limited to Zero Emission Vehicles, it includes electric, hydrogen and hybrid electric. The battery capacity must be at least 7 kWh. Included are light, medium and heavy-duty vehicles which are purchased by a business after March 18, 2019.

*It is important to note that if **iZEV Program** rebates were received a taxpayer cannot use the two new classes below (54 and 55), the buyer must decide to take one or the other. The decision depends on the type of vehicle and how fast you want your deduction.*

Here's the fine print on the four main classes a ZEV vehicle could fall into:

- New class 54 for passenger vehicles, allows 100% deduction in year of purchase, option to elect out and take deduction over time at 30% (declining balance). This class has a ceiling of \$55,000 which is a significant increase from the age-old class 10.1 ceiling of \$30,000. The ceiling is the maximum deduction you will receive for the purchase.
- If the buyer wants to take the \$5,000 iZEV incentive, they would be forced into class 10.1 with the \$30,000 ceiling. Consider that the additional \$25,000 deduction available from class 54 would be worth \$10,000 at an effective personal tax rate of 40%, in fact in almost all cases it will be better to stay with class 54.
- New class 55 for rental vehicles and taxis, similarly, allows 100% deduction in the year of purchase with an opt-out to fall back to a deduction over time at 40%. No ceiling in this class, the entire cost of the vehicle will be deducted either immediately or overtime.
- Class 10 will still be an option when purchasing work trucks, delivery vans, etc. for which the purpose of the ZEV is not as a passenger vehicle. Here the 100% deduction is not available, but the iZEV incentive may be taken for up to 10 vehicles per year for a total rebate of \$50,000. Because this class has no ceiling the entire deduction over time will be 30% consistent with existing rules. Rebate planning opportunity for fleet purchases here.

The 100% first year deduction is available for purchases in class 54 and 55 from March 18, 2019 through December 31st, 2023. Following this the rate reduces to 75% for purchases up to December 31st, 2025 and then 55% up to December 31st, 2027. From here standard rules will apply.

Contact us for more details on this program and strategies to employ to manage tax implications and cash flow for your business.

# ELECTRIC VEHICLE INCENTIVES

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## **Ontario Program**

Ontario has a 2-part program available from a non-profit organization called Plug'N Drive. The rebate for purchase is \$1,000 with an additional \$1,000 available for scrapping a gas car. More information is available through the link below.

You can find more information on the provincial programs by [clicking here](#).

The provincial Liberal party announced in November 2021 that it would be promoting electric vehicle programs as part of its upcoming election campaign. At a minimum, this will identify the demand for programs like these and hopefully result in a rebate program regardless which party forms government in 2022.

We encourage you to reach out to our staff for support. Our goal is to enable you to make the decision that's right for you and/or your business.

It is worth noting that the Federal government is already looking at revising existing rebate programs but have not yet announced anything definitive. More details on Federal programs can be found by [clicking here](#).

Be sure to like us on [Facebook](#) and follow us on [Twitter](#), [Instagram](#) and [LinkedIn](#) for up-to-date tax tips, news, and advice.

by: Paul Abercrombie



**Staff Holiday Luncheon at Hungry Brew Hops**

## KEY DATES

We might be friendly accountants but nothing frustrates us more than missed deadlines. Help us help you by keeping a few key dates in mind:

January 17: Payroll source deductions balance payable for December 2021

February 28: T4, T4A and T5 slip filing deadline

March 1: Deadline to make RRSP contributions for the 2021 tax year

March 15: 1st personal tax instalment due



## ARTICLES OF INTEREST

### ***What's up with Crypto?***

Crypto has been in the news regularly for quite some time now. Did you know that despite what the internet chat groups say you still have to pay tax on your earnings?

[Check out this article to learn more.](#)

### ***Real Estate Investing***

The skyrocketing real estate market has been a hot topic of conversation. Are you clear on what qualifies as a principal residence?

[Some thoughts here.](#)

### ***Remote Work is Here to Stay***

COVID continues to shine the light on flexible work arrangements. How can you protect your business when you are working remotely?

[Take a look at these suggestions.](#)

Q. What do you call an accountant without a spreadsheet?

A. Lost!