

# In Print

## Tax Incentives to Go Green

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The "green agenda" is getting a push from federal and provincial governments by taxing fossil fuels and imposing fees on certain products that affect the environment, as well as via incentives (sometimes difficult to identify) for reducing greenhouse gases and pollution.

This article highlights ways to benefit.

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## Tax Incentives to Go Green

Federal and provincial governments are pushing the green agenda: taxes on the use of fossil fuels that create harmful carbon dioxide emissions and fees on various products—printing and packaging materials, e-waste, and hazardous waste—that affect the environment. In addition to the many existing federal and provincial tax credits available to promote SR & ED, new incentives also aid in the reduction of greenhouse gases and pollution.

Federal government incentives—such as accelerated income tax deductions for Canadian renewable and conservation expenses (CRCE)—encourage investment in renewable energy sources and projects that promote sustainable development. Qualifying expenditures include costs of certain engineering services, clearing land, building temporary roads, and training and feasibility studies. Up to 100 percent of the CRCE pool is deductible, and benefits may flow through to a principal business corporation's shareholders via flowthrough shares, similar to the mechanism used in the mining industry.

Other accelerated federal income tax deductions are available for certain assets used in green projects. Wind energy conversion, high-efficiency co-generation, and other thermal energy systems may qualify for a 30 percent CCA deduction under class 43.1 on a declining-balance basis (subject to the half-year rule), or a 50 percent CCA deduction on a declining-balance basis (subject to the half-year rule) under class 43.2, provided, for example, that the assets were purchased after February 22, 2005 and before 2012.

In addition to incentives offered by other provinces, Ontario provides a one-time deduction from Ontario taxable business income for 30 percent of the cost of equipment used to reduce or eliminate water or air pollution. British Columbia refunds up to 100 percent of its paid corporate taxes on eligible patents related to wind, solar, tidal, and other natural sources of power generation.

Funding, grants, and financing may be available from governments and utilities (such as BC Hydro and Hydro-Quebec) to assist in the development and marketing of clean energy technology solutions. For example, the federal government's ecoENERGY technology initiative is a \$230 million investment directed at increasing clean energy supplies and reducing energy waste, and British Columbia's clean tech innovation venture capital program provides annual tax credits to investors in early-stage clean technology companies operating in that province.

A number of provincial retail sales tax initiatives encourage consumers to shift to renewable energy sources via exemptions and rebates for (1) items used to prevent building heat loss; (2) energy-efficient household appliances; (3) renewable energy systems (solar, wind, micro-hydroelectric, and geothermal energy); and (4) alternative fuel vehicles.

The many incentives available to individuals and businesses to either go green or invest in green technologies are not always easy to identify. However, investing some time in research may result in both environmental and financial benefits.

*For more information, please contact the authors.*