

# Legislative Proposals Related to the Income Tax Act and Proposed Amendments to the Income Tax Regulations

## Zero-Emission Vehicles and New Class 56

**1 (1) The definition *zero-emission vehicle* in subsection 248(1) of the *Income Tax Act* is amended by striking out “and” at the end of paragraph (b) and by replacing paragraph (c) with the following:**

**(c)** does not meet any of the following conditions:

**(i)** it is a vehicle in respect of which the taxpayer has, at any time, made an election under subsection 1103(2j) of the *Income Tax Regulations*,

**(ii)** it is a vehicle in respect of which assistance has been paid by the Government of Canada under a prescribed program, and

**(iii)** if the vehicle was acquired before March 2, 2020, either

**(A)** it has been used, or acquired for use, for any purpose before it was acquired by the taxpayer, or

**(B)** it is a vehicle in respect of which an amount has been deducted under paragraph 20(1)(a) or subsection 20(16) by another person or partnership, and

**(d)** would be accelerated investment incentive property of the taxpayer if subsection 1104(4) of the *Income Tax Regulations* were read without its exclusions for property included in Class 54 or Class 55 of Schedule II to the *Income Tax Regulations*. (*véhicule zéro émission*)

**(2) Subsection (1) is deemed to have come into force on March 2, 2020.**

**2 (1) Paragraph 1100(1)(a) of the *Income Tax Regulations* is amended by striking out “and” at the end of subparagraph (xl), by adding “and” at the end of subparagraph (xli) and by adding the following after subparagraph (xli):**

**(xlii)** of Class 56, 30 per cent,

**(2) The portion of the description of A in subsection 1100(2) of the Regulations before subparagraph (a)(i) is replaced by the following:**

**A** is, in respect of property of the class that became available for use by the taxpayer in the taxation year and that is accelerated investment incentive property or property included in any of Classes 54 to 56,

**(a)** if the property is not included in paragraph (1)(v) or in any of Classes 12, 13, 14, 15, 43.1, 43.2, 53, 54, 55 and 56 or in Class 43 in the circumstances described in paragraph (d),

**(3) The portion of paragraph (e) in the description of A in subsection 1100(2) of the Regulations before subparagraph (i) is replaced by the following:**

**(e)** if the class is Class 54 or Class 56,

**(4) The description of D in subsection 1100(2) of the Regulations is replaced by the following:**

**D** is the total of all amounts, if any, each of which is an amount included in the description of A in the definition *undepreciated capital cost* in subsection 13(21) of the Act in respect of property of the class that became available for use by the taxpayer in the taxation year and that is accelerated investment incentive property or property included in any of Classes 54 to 56, and

**(5) Subparagraph (b)(ii) in the description of F in subsection 1100(2) of the Regulations is replaced by the following:**

**(ii)** property included in any of Classes 13, 14, 15, 23, 24, 27, 29, 34, 52, 54, 55 and 56,

**(6) Subsections (1) to (5) are deemed to have come into force on March 2, 2020.**

**3 (1) Subsection 1102(14.13) of the Regulations is replaced by the following:**

**(14.13)** Subsection (14) does not apply to an acquisition of property by a taxpayer from a person in respect of which the property was included in any of Classes 54 to 56.

**(2) Subsection (1) is deemed to have come into force on March 2, 2020.**

**4 (1) Subsection 1103(2j) of the Regulations is replaced by the following:**

**(2j)** A taxpayer may, in its return of income filed with the Minister on or before its filing-due date for the taxation year in which a property is acquired, elect not to include the property in any of Classes 54 to 56 in Schedule II, as the case may be.

**(2) Subsection (1) is deemed to have come into force on March 2, 2020.**

**5 (1) The portion of subsection 1104(4) of the Regulations before paragraph (a) is replaced by the following:**

**(4)** For the purposes of this Part and Schedules II to VI, *accelerated investment incentive property* means property of a taxpayer (other than property included in any of Classes 54 to 56) that

**(2) Subsection (1) is deemed to have come into force on March 2, 2020.**

**6 Schedule II to the Regulations is amended by adding the following after Class 55:**

**CLASS 56**

Property that is acquired, and becomes available for use, by a taxpayer after March 1, 2020 and before 2028, if the property

**(a)** is either

**(i)** automotive equipment (other than a motor vehicle) that is fully electric or powered by hydrogen, or

**(ii)** an addition or alteration made by the taxpayer to automotive equipment (other than a motor vehicle) to the extent it causes the automotive equipment to become fully electric or powered by hydrogen; and

**(b)** would be accelerated investment incentive property of the taxpayer if subsection 1104(4) were read without its exclusion for property included in Class 56.