

Tax Tip
Week of December 21, 2009

Make Capital Expenditure Prior to Year End

Most capital expenditures result in a CCA restriction in the year of acquisition to 50% of the normal claim. For example, assume an individual was considering purchasing a vehicle in January 2010 for \$30,000. If the purchase was made on January 4, 2010, the CCA for the year 2010 would be

$$\$30,000 \times 30\% \times 50\% = \$4,500$$

If the same vehicle was purchased on December 28, 2009, the CCA claims would be:

2009	$\$30,000 \times 30\% \times 50\%$	$= \$4,500$
2010	$\$25,500 \times 30\%$	$= \$7,650$

By purchasing the vehicle one week earlier, capital cost of \$4,500 could be claimed in 2009 and an additional \$3,150 (\$7,650 – \$4,500) could be claimed in 2010

Anytime a capital purchase is being considered in the first quarter of a business's fiscal year, consider accelerating the purchase to the end of the prior year to increase the claim for capital cost allowance.