

# Canada's Clean Economy Tax Credits Receive Royal Assent



In order to encourage early adoption of clean technologies across Canada, and in response to the significant clean-technology incentives promulgated under the U.S. *Inflation Reduction Act*, the Federal Government of Canada introduced the following refundable, clean economy investment tax credits (“ITCs”) over the course of Budgets 2022 to 2024:

1. Clean Technology (“**Clean Tech**”) ITC
2. Carbon Capture, Utilization and Storage (“**CCUS**”) ITC
3. Clean Hydrogen (“**CH**”) ITC
4. Clean Technology Manufacturing (“**CTM**”) ITC
5. Clean Electricity ITC

On Thursday, June 20, 2024, the enabling legislation for the first four of the above five ITCs (Bill C-59 and Bill C-69) received royal assent – an important legislative step toward the enactment of legislation which will have wide ranging impact across many key Canadian industry verticals.

The following provides a high-level summary of these four ITCs. Our bulletins for [Budget 2022](#), [Budget 2023](#), [Fall Economic Statement 2023](#) and [Budget 2024](#) contain details regarding the five clean economy ITCs. Some of our recent commentary regarding the potential opportunities available to Canadian firms under U.S. clean-tech incentives can be found here: [Tightening American clean vehicle tax credit may create advantage for Canadian firms](#).

Clean Tech ITC					
Timing	Acquired	On or after March 28, 2023 and before 2034		On or after March 28, 2023	
	Becomes available for use	On or after March 28, 2023 and before 2034		In 2034	
	Prepared or installed on or after	Nov. 28, 2023	/	Nov. 28, 2023	/
Meets labour requirements		Yes	No	Yes	No
Clean Tech ITC		30%	20%	15%	5%
Qualifying taxpayer		<ul style="list-style-type: none"> <li>Taxable Canadian corporation; <ul style="list-style-type: none"> <li>REIT; or</li> </ul> </li> <li>Taxable Canadian corporation or REIT that is a member of a partnership (subject to partnership rules)</li> </ul> <p><i>Excludes:</i> individuals, trusts (other than REIT), pension funds</p>			

**Clean technology property**

1. Situated in Canada and intended for use exclusively in Canada
2. Has not been previously used, or acquired for use or lease
3. If the property is leased to another person, that person be a qualifying taxpayer or partnership all members of which are taxable Canadian corporations, and the lease must be in the ordinary course of taxpayer's business of selling or servicing the property or of financing the acquisition of the property
4. *Types of qualifying equipment:*
  1. **Electricity generation systems**, including solar, wind and water (small hydro, run-of-river, wave, and tidal);
  2. **Fossil-fuel free stationary electricity storage equipment**, including batteries, flywheels, supercapacitors, and certain storage;
  3. **Low-carbon heat equipment**, including active solar heating equipment, air-source heat pumps and ground-source heat pumps;
  4. **Industrial zero-emission vehicle** and related charging or refueling equipment;
  5. **Eligible geothermal equipment**, including pipes, pumps, heat exchangers;
  6. **Concentrated solar energy equipment** used all or substantially all to generate heat or electricity, or a combination, exclusively from concentrated sunlight; or
  7. **Small modular nuclear reactors** used all or substantially all to generate electrical energy or heat energy, or a combination, from nuclear fission.

Filing requirements		File prescribed form within 1 year after filing-due date for the taxation year (no late filings)			
Recapture		10 calendar years			
CCUS ITC					
Timing	Qualified CCUS Expenditure incurred	2022 – 2030		2031 – 2040	
	Property prepared or installed <i>on or after</i>	Nov. 28, 2023	/	Nov. 28, 2023	/
Meets labour requirements		Yes	No	Yes	No
CCUS ITC	CCUS projects capturing carbon dioxide directly from ambient air	60%	50%	30%	20%
	CCUS projects capturing carbon dioxide other than directly from ambient air	50%	40%	25%	15%
	CCUS projects transporting, storing, or using carbon dioxide	37.5%	27.5%	18.75%	8.75%
Qualifying taxpayer		<ul style="list-style-type: none"><li>• Taxable Canadian corporation; or</li><li>• Taxable Canadian corporation that is a member of a partnership (subject to partnership rules)</li></ul> <i>Excludes:</i> individuals, trusts, tax-exempt entities (e.g., pension funds, REIT)			

<b>Qualified CCUS expenditure</b>	<p>Expenditures must relate to a qualified CCUS project and fall into one of the following four categories:</p> <ol style="list-style-type: none"> <li>1. carbon capture expenditure</li> <li>2. carbon transportation expenditure</li> <li>3. carbon storage expenditure</li> <li>4. carbon use expenditure</li> </ol>
<b>Types of CCUS ITC</b>	<ul style="list-style-type: none"> <li>• Cumulative CCUS development tax credit: expenses incurred before the first day of commercial operations</li> <li>• CCUS refurbishment tax credit: expenses incurred after the first day of commercial operations</li> </ul>
<b>Eligible jurisdiction</b>	<p>Currently available for storage in:</p> <ul style="list-style-type: none"> <li>• British Columbia</li> <li>• Alberta</li> <li>• Saskatchewan</li> </ul>
<b>Filing requirement</b>	<p>File prescribed form on or before filing-due date (late filings may be accepted until 1 year after the filing-due date)</p>
<b>Non-tax obligations</b>	<ul style="list-style-type: none"> <li>• Knowledge sharing reports</li> <li>• Climate risk disclosure</li> </ul>
<b>CH ITC</b>	

<b>Timing</b>	<b>Acquired</b>	<i>On or after March 28, 2023 and before 2034</i>		<i>On or after March 28, 2023</i>	
	<b>Becomes available for use</b>	<i>On or after March 28, 2023 and before 2034</i>		<i>In 2034</i>	
	<b>Prepared or installed <i>on or after</i></b>	Nov. 28, 2023	/	Nov. 28, 2023	/
<b>Meets labour requirements</b>		Yes	No	Yes	No
<b>CH ITC (excl. <i>clean ammonia equipment</i>)</b>	<b>CI &lt; 0.75</b>	<b>40%</b>	<b>30%</b>	<b>20%</b>	<b>10%</b>
	<b>0.75 ≤ CI &lt; 2</b>	<b>25%</b>	<b>15%</b>	<b>12.5%</b>	<b>2.5%</b>
	<b>2 ≤ CI &lt; 4</b>	<b>15%</b>	<b>5%</b>	<b>7.5%</b>	<b>Nil</b>
<b>CH ITC (<i>clean ammonia equipment</i>)</b>	<b>CI ≤ 4</b>	<b>15%</b>	<b>5%</b>	<b>7.5%</b>	<b>Nil</b>
<b>Qualifying taxpayer</b>		<ul style="list-style-type: none"> <li>• Taxable Canadian corporation; or</li> <li>• Taxable Canadian corporation that is a member of a partnership (subject to partnership rules)</li> </ul> <i>Excludes:</i> individuals, trusts, tax-exempt entities (e.g., pension funds, REIT)			

<p><b>Eligible clean hydrogen property</b></p>	<ol style="list-style-type: none"> <li>1. Use in connection with a qualified clean hydrogen project (government verification required) of the acquiring taxpayer in Canada</li> <li>2. Has not been previously used, or acquired for use or lease</li> <li>3. Situated in Canada</li> <li>4. <b>Types of qualifying equipment:</b> <ol style="list-style-type: none"> <li>1. <b>Electrolysis equipment</b> used all or substantially all to produce hydrogen through electrolysis of water ;</li> <li>2. <b>Natural gas reforming equipment</b> used all or substantially all to produce hydrogen through natural gas reforming, including certain specified equipment;</li> <li>3. <b>Clean ammonia equipment</b> used for the sole purpose of producing ammonia;</li> <li>4. <b>Dual-use electricity and heat equipment</b> that is part of a clean hydrogen project and that supports the production of hydrogen by reforming natural gas and that is certain energy generation equipment, certain electrical transmission equipment, or certain energy distribution equipment;</li> <li>5. <b>Dual-use hydrogen and ammonia equipment</b> that is part of a clean hydrogen project used for the generation of oxygen and nitrogen to be used in both hydrogen and ammonia production;</li> <li>6. <b>Integrated ancillary equipment</b> to any of the equipment described above and used solely to support the functioning of such equipment within a hydrogen or ammonia production process as part of certain specified subsystems; or</li> <li>7. <b>Safety and monitoring equipment</b> used as part of a control, monitoring or safety system solely to support any of the equipment described above.</li> </ol> </li> <li>5. Cannot be excluded property</li> </ol>
<p><b>Filing requirement</b></p>	<p>File prescribed form within 1 year after filing-due date (no late filings)</p>

Annual reporting obligations		• Information reporting • CI reporting		
Recapture		20 calendar years		
CTM ITC				
Timing (property acquired and becomes available for use)	2024 – 2031	2032	2033	2034
CTM ITC	30%	20%	10%	5%
Qualifying taxpayer	• Taxable Canadian corporation; or • Taxable Canadian corporation that is a member of a partnership (subject to partnership rules) <i>Excludes:</i> individuals, trusts, tax-exempt entities (e.g., pension funds, REIT)			



<b>CTM property</b>	<ol style="list-style-type: none"> <li>1. Situated in Canada <i>and</i> intended for use exclusively in Canada</li> <li>2. Has not been previously used, or acquired for use or lease</li> <li>3. If the property is leased to another person, that person be a qualifying taxpayer or partnership all members of which are taxable Canadian corporations, and the lease must be in the ordinary course of carrying on a business in Canada by taxpayer whose principal business is one of the specified activities (or any combination thereof)</li> <li>4. <i>Types of qualifying equipment:</i> <ol style="list-style-type: none"> <li>1. Certain machinery and equipment used for manufacturing or processing</li> <li>2. Certain tangible property attached to buildings and other structures used for manufacturing or processing or that is required for machinery or equipment</li> <li>3. Certain property used for mineral extraction and processing:</li> <li>4. Certain specialized tolling</li> <li>5. Certain non-road vehicles and automotive equipment</li> </ol> </li> </ol>
<b>CTM use</b>	<p>The use of the property must be:</p> <ul style="list-style-type: none"> <li>• all or substantially all for certain qualified zero-emission technology manufacturing activities; or</li> <li>• in a qualifying mineral activity producing all or substantially all qualifying materials (<i>i.e.</i>, lithium, cobalt, nickel, copper, rare earth elements; and graphite).</li> </ul>
<b>Filing requirement</b>	File prescribed form within 1 year after filing-due date (no late filings)
<b>Recapture</b>	10 calendar years

Read the original article on [GowlingWLG.com](https://www.gowlingwlg.com)

*The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.*

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