

# Capital Investment Tax Credit

**The Government of Alberta is investing \$70 million towards a Capital Investment Tax Credit (CITC) to spur economic diversification and job creation.**

## WHAT IS THE CITC?

The CITC is a two-year program that provides a non-refundable tax credit valued at 10 per cent of a corporation's eligible capital expenditures, up to \$5 million.

Businesses conducting manufacturing and processing and tourism infrastructure activities with an investment worth \$1 million or more are eligible to apply.

The eligible costs under this program include the purchase of machinery, equipment and buildings that closely align to capital costs allowed under the federal government's Capital Cost Allowance.

The CITC effectively reduces the net cost of a firm's expenditure and stimulates capital investment by indirectly offsetting some costs.

## AN EXAMPLE OF THE CITC IN ACTION

Jones Inc. owns and operates a metal fabrication plant that primarily sells to the oil and

gas industry. They want to expand their product range to sell to more diverse industries. Since the price of oil dropped, the company has been struggling to maintain healthy profit margins.

Jones Inc. needs to purchase \$20 million of new equipment to upgrade their facility.

Jones Inc. will apply for the CITC by submitting their Proposed Investment Plan and the expected Economic Impact Assessment of the investment. The Government of Alberta will then review the application and issue a conditional approval letter based on the investment's economic impact to the province.

Once the Alberta government confirms the investment has been made, the corporation will receive the \$2 million tax credit which they can apply to their Alberta corporate taxes owing in that taxation year, or anytime during the 10-year carry forward period.

## WHY HAS ALBERTA CREATED A CITC?

Since the mid-90s, capital investment has been the largest contributor to Alberta's economic growth. However, according to the Conference Board of Canada, capital investment figures are expected to decline in 2016.

Canadian jurisdictions, including Saskatchewan, Manitoba, Quebec and the Atlantic Provinces as

well as the United States, all offer a variety of investment tax credits to specific industries.

### **The CITC is expected to support \$700 million worth of investment and thousands of jobs in Alberta.**

Businesses are struggling with tight margins, and introducing a CITC now will help make Alberta more competitive in attracting and retaining investments, while creating much needed jobs at a time when the province needs it most.

#### **HOW DOES THE CITC WORK?**

Applicants are required to submit applications for conditional approval before the investment is made. As part of their submission, applicants will be required to submit a Proposed Investment Plan and an Economic Impact Assessment.

Applications will then be reviewed and conditional approval letters will be issued based on the investment's eligibility and economic impact to the province. Once the Government of Alberta receives confirmation that the investment has been made, the applicant will be required to apply for a Tax Credit Certificate.

If an investment is completed in the manner described in the conditionally approved application, the applicant will receive a tax credit.

#### **WHAT IS THE APPLICATION PROCESS?**

The CITC follows a competitive application process.

There will be four application intake windows over the course of the two-year program. The first application intake period will begin on January 16, 2017, and end on February 15, 2017.

Sample application forms will be made available on the [CITC program webpage](#) starting January 3, 2017. Applicants will then be able to fill out and submit their applications through an online application portal that will be accessible through the [CITC program webpage](#) during each of the four intake periods, with the first starting January 16, 2017.

Before gaining access to the online portal, applicants will be prompted to create and login with a user profile.

*For more information on the program's eligibility criteria, application process and reporting requirements please refer to the [CITC program guidelines](#) or contact [CITC.program@gov.ab.ca](mailto:CITC.program@gov.ab.ca).*