

Accelerated capital cost allowance and immediate expensing measures



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Budget 2025 announced the Government's intention to move forward with accelerated capital cost allowance (CCA) and immediate expensing measures introduced in Budget 2024 and the 2024 Fall Economic Statement (FES). Budget 2025 also introduced new accelerated CCA and immediate expensing measures.¹ This note provides a cost estimate of the following:

- Measure 1 (Budget 2024): Introducing immediate expensing for productivity-enhancing assets² acquired on or after April 16, 2024, and that become available for use before January 1, 2027. Property that becomes available for use after 2026 and before 2034 would benefit from the accelerated investment incentive (All).
- Measure 2 (FES 2024): Reinstating the All and the immediate expensing for eligible property acquired on or after January 1, 2025, and that becomes available for use before 2030. The All and immediate expensing measures would be phased out over a four-year period starting in 2030.
 - The All provides an enhanced first-year CCA for most depreciable capital property (except generally long-lived capital assets).
 - The immediate expensing allows businesses to write off the full cost of manufacturing and processing machinery and equipment, clean energy generation and energy conservation equipment, and zero-emission vehicles (ZEV).
- Measure 3 (Budget 2025): Introducing immediate expensing for manufacturing or processing buildings acquired on or after November 4, 2025, and that become available for use before 2030. This measure would be phased out over a four-year period starting in 2030.

¹ Together with the immediate expensing of capital expenditures for scientific research and experimental development, these measures are referred to as the "Productivity Super-Deduction". More details can be found in [Budget 2025](#) and [Bill C-15](#).

² Productivity-enhancing assets refers to assets in Class 44, 46 and 50, which includes patents, data network infrastructure, and data-processing equipment and systems software.

- Measure 4 (Budget 2025): Reinstating the accelerated CCA for low carbon liquefied natural gas (LNG) equipment and related buildings expired at the end of 2024 and introducing new emissions performance requirements. To be eligible, property need to be acquired on or after November 4, 2025, and before 2035.

The accelerated CCA and immediate expensing measures permit faster depreciation of eligible property while leaving the total amount of CCA deductible over the asset's lifespan unchanged. Accordingly, these measures are best characterized as a revenue deferral rather than a permanent reduction in revenue.

PBO estimates the total cost of the four measures to be \$19.4 billion over five years, beginning in 2025-26.

5-Year Cost

\$ millions

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Total cost	2,393	2,908	3,624	5,772	4,657	19,353

Detailed 5-Year Cost

\$ millions

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Measure 1 (Budget 2024)	394	191	-222	-122	-67	174
Measure 2 (FES 2024)	1,869	2,387	3,523	5,555	4,365	17,700
Measure 3 (Budget 2025)	103	260	253	250	251	1,118
Measure 4 (Budget 2025)	27	69	70	88	107	362
Total cost	2,393	2,908	3,624	5,772	4,657	19,353

Notes

- Measure 1 refers to the introduction of immediate expensing for productivity-enhancing assets. Measure 2 refers to the reinstatement of the All and the immediate expensing. Measure 3 refers to the introduction of the immediate expensing for manufacturing or processing buildings. Measure 4 refers to the reinstatement of the accelerated CCA for low carbon LNG equipment and related buildings.
- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).
- Totals may not add due to rounding.

Estimation and Projection Method

Using administrative data from T2 corporation tax returns for reference years 2009 to 2014,³ we performed two microsimulations of federal tax payable by Canadian businesses.⁴ The first simulation was conducted under the tax legislation in effect since the 2018 Fall Economic Statement, which serves as the baseline for this cost estimate.⁵ The second simulation assumes that measures 1 to 4 come into force on March 1, 2026. The difference between these two simulations represents the estimated cost of the four measures.⁶

Given the limited number of ZEV acquisitions between 2009 and 2014, we estimated their value using capital-assets acquisitions in CCA classes 10, 10.1, 16, 54, 55 and 56 and Transport Canada historical data on new motor-vehicle registrations. The distribution of new acquisitions by businesses between 2009 and 2014 was adjusted to reflect their distribution over the most recent years (2022 to 2024).

Microsimulation results were scaled up to the 2025-26 to 2029-30 fiscal years using PBO projections for investment in non-residential construction, machinery and equipment, and intellectual property products.

Increasing CCA deductions reduces taxable income and may result in non-capital losses for certain businesses. These losses can be carried back three years or carried forward twenty years. Using T2 corporate tax data and estimates from the February 2023 PBO report, [Corporate loss utilization](#), we estimated the amount of non-capital losses generated by the increase in CCA that would be applied against past or future taxable income, thereby reducing federal tax revenue. This cost was added to the total cost of the measures.

Sources of Uncertainty

The historical and current distribution of capital-asset acquisitions may not reflect future investment patterns. To project the cost of the measures, we relied on PBO forecasts of gross fixed capital formation, which depend on an uncertain economic outlook, including the dampening effects of U.S. tariffs on investment. Behavioural impacts were not incorporated into this cost estimate.

³ That is, a year before the coming into force of the “immediate expensing for productivity-enhancing assets”, which was announced for the first time in the 2015 Economic Action Plan.

⁴ The microsimulation was performed using PBO’s Corporate Income Tax Microsimulation Model.

⁵ See [Extension of the Accelerated Investment Incentive and Immediate Expensing Measures](#) in the 2024 FES.

⁶ The costs of the measures were estimated according to their respective announcement dates. The cost of measure 1 was estimated first. The cost of measure 2 was estimated assuming measure 1 was already in force. The cost of measures 3 and 4 were estimated assuming measures 1 and 2 were already in force.

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Data Sources

Cost of acquisitions during the year, undepreciated capital cost at the beginning and end of the year, capital cost allowance, non-capital losses, net income, taxable income, Part I tax, total credits and deductions, total federal tax
T2 corporation tax return administrative data (from schedules 4, 8 and 200)

Gross fixed capital formation (investment in non-residential construction, machinery and equipment, and intellectual property products)
PBO's economic projection (for 2025 and beyond)

New motor vehicle registrations
Transport Canada historical data and PBO calculation

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