

Trades and Tax Credits

How you and your apprentice can save money!

DIN0629-1403

CFIB member surveys show the shortage of qualified labour remains an important issue affecting small- and medium-sized businesses in Canada. While there is no single solution, CFIB has lobbied the federal and provincial governments to help our members address this important challenge. Successive Federal Budgets since 2006 have brought a number of measures, most in the form of tax credits, to help employers hire new employees and also encourage more workers into the trades. CFIB has developed this handout to help you understand and take advantage of these new measures.

For Business Owners



1) Apprenticeship Job Creation Tax Credit

To encourage employers to take on an apprentice, the government will provide employers with a non-refundable tax credit equal to 10% of salaries and wages payable for employment of eligible apprentices up to a maximum credit of \$2,000 per year per apprentice.

Eligible Firms: Those who operate a business that employs one or more eligible apprentices in the 55 Red Seal* trades (for more info on Red Seal trades consult www.red-seal.ca).

Eligible Apprentices: Apprentices in their first 24 months of a federal, provincial or territorial registered apprenticeship contract, in a program designed to certify or license the apprentice in a Red Seal trade.

Other Rules:

- ▶ The tax credit will be claimed by the employer on their tax return in which business income is reported (e.g. corporate or personal income tax return). For the current year, complete part A of Form T2038(IND), Investment Tax Credit (Individuals) and enter the amount of your credit on line 412 of Schedule 1 of your income tax return.
- ▶ An employer can have multiple apprentices.
- ▶ “Salaries and wages” does not include “non-salary remuneration” (e.g. commissions, bonuses, stock options and other employee benefits or unpaid wages). Non-salary remuneration is not eligible in the calculation of the credit.
- ▶ If an employer earns an apprenticeship tax credit in a year that they report no business income, the unused tax credit can be carried over to a taxable year. The credit can be carried back up to 3 years and forward up to 20 years.
- ▶ Special rules apply if an apprentice works for two or more employers that are related for income tax purposes. Contact CRA for more information.

**Other economically strategic apprenticeship programs may be deemed eligible by the Minister of Finance after consultation with the provinces and territories.*



2) Capital Cost Allowance for Tools

Recognizing that many in the trades are self-employed, the government broadened a measure to help alleviate some of the financial burden for those who purchase their own tools by increasing the limit for Capital Cost Allowance (CCA) for Tools, effective May 2, 2006.

Tools used to earn business income that cost less than \$500 are eligible for a 100% CCA rate (class 12 property), this includes: china, cutlery, linen, uniforms, dies, jigs, moulds, cutting or shaping parts of a machine, tools, computer software (except systems software). Tools that cost more than \$500 are generally eligible for a 20% CCA (class 8 property). Examples include furniture, appliances, tools costing \$500 or more per tool, some fixtures, machinery, outdoor advertising signs, refrigeration equipment, and other equipment you use in business. Photocopiers and electronic

communications equipment, such as fax machines and electronic telephone equipment are also included in Class 8.

List of Red Seal Trades

Agricultural Equipment Technician	Ironworker (Structural/Ornamental)
Appliance Service Technician	Landscape Horticulturist
Automotive Painter	Lather (Interior Systems Mechanic)
Automotive Service Technician	Machinist
Baker	Metal Fabricator (Fitter)
Boilermaker	Mobile Crane Operator
Bricklayer	Mobile Crane Operator (Hydraulic)
Cabinetmaker	Motor Vehicle Body Repairer (Metal and Paint)
Carpenter	Motorcycle Mechanic
Concrete Finisher	Oil Heat System Technician
Construction Craft Worker	Painter and Decorator
Construction Electrician	Partsperson
Cook	Plumber
Drywall Finisher and Plasterer	Powerline Technician
Electric Motor System Technician	Recreation Vehicle Service Technician
Floorcovering Installer	Refrigeration and Air Con. Mechanic
Gasfitter—Class A	Rig Technician
Gasfitter—Class B	Roofer
Glazier	Sheet Metal Worker
Hairstylist	Sprinkler System Installer
Heavy Duty Equipment Technician	Steamfitter/Pipefitter
Heavy Equipment Operator	Tilesetter
Industrial Electrician	Tool and Die Maker
Industrial Mechanic (Millwright)	Tower Crane Operator
Instrumentation and Control Technician	Transport Trailer Technician
Insulator (Heat and Frost)	Truck and Transport Mechanic
Ironworker (Generalist)	Welder
Ironworker (Reinforcing)	

For Apprentices

1) Tradesperson's Tool Deduction

To help offset the cost of tools apprentices may need for employment, the government introduced the Tradesperson's Tool Expense Deduction. If an employed tradesperson spends more than \$1,117 in 2013 (threshold annually indexed to inflation) on eligible new tools in a taxation year, they will be deductible up to a maximum of \$500 for that year.

Eligibility: The employer has to certify that the employee is required to acquire those tools as a condition of, and for use in, the employment as a tradesperson. There is a form to be filled out by the employer for this purpose (form T2200). For more info:

www.cra-arc.gc.ca/E/pbg/tf/t2200/

Other Rules:

- ▶ This measure is to be claimed on a tradesperson's personal income tax return.
- ▶ Receipts have to be provided to qualify.
- ▶ Only new tools bought within the taxation year are eligible.
- ▶ Applicable to all trades, not just 55 "Red Seal" trades.

2) Canada Employment Credit

To recognize work-related expenses incurred by employees, the government introduced the Canada Employment Credit in 2006.

This is a non-refundable tax credit applied to employee income and once calculated, the credit is added to the employee's Basic Personal Exemption (BPE). For 2013 the maximum credit is \$1,117, which can add up to \$168 to an employee's BPE. The credit is indexed to inflation.

Eligibility: The credit is available to any individual who has employment income in the year and is a resident of Canada.

Other Rules:

- ▶ This measure is claimed on the employee's personal income tax return.
- ▶ Credit is NOT dependent upon receipts.
- ▶ If employment income is less than \$1,117 (before claiming eligible employment expense deductions), the tax credit is calculated on that lower income amount.





3) Apprenticeship Incentive Grant and Completion Grant

The Apprenticeship Incentive Grant and the Apprenticeship Completion Grant are taxable cash grants designed to encourage apprentices to complete their training in a Red Seal trade or other approved apprenticeship program.

Apprenticeship Incentive Grant: Eligible apprentices can apply after each year of a completed level for the \$1,000 grant, up to a maximum of two levels. Applications must be received by Service Canada on or before June 30th following the year of completion.

The Apprenticeship Completion Grant: Upon completion of their training in a Red Seal trade or other approved apprenticeship program, apprentices are eligible for a \$2,000 taxable cash grant. Application for this grant must be received by Service Canada on or before June 30th of the year following their certification.

Apprentices who are in their second and final year of training and certification could be eligible to receive both the Apprenticeship Incentive Grant and the Apprenticeship Completion Grant amounting to \$3,000 for that year. Support documents are required to validate certification.

For more information, visit www.servicecanada.gc.ca/eng/goc/apprenticeship.

If you have any questions or need some assistance, contact:

1. The CRA Business Window helpline at 1 800 959-5525 or consult www.cra-arc.gc.ca
2. A CFIB Business Counsellor at 1 888 234-2232

www.cfib.ca

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