



Tax incentives for retrofit projects

Intro to Emissions-Neutral
Buildings Series:
Deep Retrofits



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Retrofit
accelerator

Why tax incentives?

Canadian companies pay federal taxes on their taxable income. One way for the federal government to drive investment by the corporate sector in a particular direction is to temporarily reduce the amount of corporate tax paid on eligible expenses. This is the case with tax incentives designed to encourage the adoption and operation of clean technology, clean energy equipment and energy conservation equipment in Canada. If a building owner acquires and operates eligible equipment as part of a retrofit, the company may be able to reduce its annual tax burden.

Key Definitions

Refundable Tax Credit: A refundable tax credit can reduce the tax owing to less than zero. If the tax credit amount exceeds the total amount of tax owing, the difference will be distributed as a refund.

Capital Cost Allowance (CCA): Some assets that companies own lose value (or depreciate) as they age. The Capital Cost Allowance (CCA) is a tax mechanism which allows companies to deduct a portion of the cost of depreciable assets each year, based on fixed rates set by the Canada Revenue Agency (CRA). Higher depreciation claimed in a given year will lower the taxable income for that year.

Clean Technology (CT) Property: Clean technology property refers to specific equipment as identified by the CRA [here](#). A summary table is provided on the next page and includes equipment relevant to building retrofits like solar panels and heat pumps.

What federal tax programs apply to retrofits?

Clean Technology (CT) Investment Tax Credit (ITC)

The [Clean Technology \(CT\) Investment Tax Credit \(ITC\)](#) is a one-time **refundable tax credit** for capital invested in the adoption and operation of new clean technology (CT) property (equipment) in Canada after March 28, 2023. The CT ITC rate may be up to 30 per cent of the capital cost of equipment acquired and available for use before December 31, 2033. In order to qualify, in addition to other limitations, clean technology (CT) property must:

- Be equipment that is situated in, and intended for use exclusively in, Canada.
- Not have been previously used or acquired for use or lease before acquisition by the taxpayer.

This tax credit is:

- 30 per cent if CRA [labour requirements](#) relating to prevailing wage and apprenticeships are met;
- 20 per cent if these labour requirements are not met.

Accelerated Investment Incentive (AII)

The [Accelerated Investment Incentive \(AII\)](#) is a temporary measure designed to provide additional incentive to encourage businesses to invest in new assets. This one-time incentive enhances the **capital cost allowance** (CCA) deduction for eligible property in its first year of operation. The first-year enhanced allowance on eligible property acquired after November 20, 2018 is:

- 75 per cent if available for use before December 31, 2025; and
- 55 per cent if available for use before December 31, 2027.

The standard (non-accelerated) first-year CCA deduction for specified clean energy generation and energy conservation equipment is 15 per cent in the first year and 30 per cent declining balance in subsequent years.

What retrofit equipment is eligible?

Eligibility is based on federal guidance as of July 2025 and may expand in the future.

Where equipment is eligible for both tax incentives, the amount of the refundable tax credit must be deducted from the capital cost used to calculate the depreciation amount.

Retrofit Equipment	CT ITC Refundable Tax Credit	AII Accelerated CCA
Solar Photovoltaic System	✓	✓
Stationary Battery Storage	✓	✓
Air Source Heat Pumps	✓	✓
Ground Source Heat Pumps	✓	✓
Geothermal Systems	✓	✓
Active Solar Heating Equipment (Solar Thermal)	✗	✓
Hydrogen Fuel Cells	✗	✓
Charging Equipment for On-Road Electric Vehicles	✗	✓

Disclaimer: The information provided in this document is for general informational purposes only and does not constitute legal, financial or tax advice. Eligibility for tax incentives may vary depending on the specific circumstances of each building owner and project. We strongly recommend that building owners consult with their own financial advisors, accountants or legal counsel to assess their individual eligibility and the implications of any retrofit-related incentives.