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Understanding and Advancing Tax Incentives

For Low-Carbon Building Retrofits

BOMA BRITISH COLUMBIA

LANDLORDBC

FRESCo Building Efficiency

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IMPORTANT NOTICE

This report is intended for informational and research purposes only. It does not constitute legal, accounting, or tax advice. The content reflects the findings of independent research as of the date of publication and may not account for recent changes to legislation, guidance, or program details. Readers are strongly advised to consult with a qualified tax professional or accountant before making any financial or investment decisions based on the information contained herein. These programs are subject to change, and individual eligibility should be assessed on a case-by-case basis.

EXECUTIVE SUMMARY

This report provides an overview of three key tax incentives available to support building efficiency and decarbonization retrofits in British Columbia (BC), Canada: **The Clean Technology Investment Tax Credit (CT ITC), the BC Clean Buildings Tax Credit (CBTC), and the Accelerated Investment Incentive (AII)**. These incentives, available to taxable Canadian corporations, provide financial support for building retrofit projects by encouraging investment in clean or renewable technologies and reducing energy consumption and GHG emissions.

Commissioned by the Building Owners and Managers Association of BC (BOMABC) and LandlordBC (LLBC), this report is intended to help private sector building owners, managers, and industry stakeholders better understand how to access and apply for tax incentives. It outlines each program's eligibility criteria, application process, and benefits, while also identifying common challenges - such as eligibility constraints, incentive underutilization, delayed payment terms, and the need for third-party professional support.

The report addresses three specific tax incentives that present notable opportunities for advancing building retrofit projects:

1. Clean Technology Investment Tax Credit (CT ITC)

The CT ITC is a federal refundable tax credit intended to incentivize the acquisition and installation of eligible clean technology equipment in any type of building owned by taxable Canadian corporations. The credit covers 30% of capital costs, or 20% if federal labour requirements are not met. It is designed to promote investment in specific clean technology equipment, such as air-source heat pumps, ground-source heat pumps, solar photovoltaic equipment, battery storage, and geothermal energy equipment. Many core eligibility requirements, including technical specifications, are intentionally left vague in the legislation to allow the program to evolve over time. As the Canada Revenue Agency continues to assess claims, guidance is expected to become clearer. However, in the immediate term, the absence of a formal pre-approval process increases risk, as businesses must invest before receiving certainty that their equipment qualifies. Applicants are strongly advised to consult experienced tax professionals and engineers early in the claim process. This guide is intended to help applicants understand and navigate the evolving program requirements.

2. BC Clean Building Tax Credit (CBTC)

The CBTC is a provincial refundable tax credit of 5% for retrofits that reduce a building's Energy Use Intensity (EUI). This credit applies to a broad range of building types, including multi-unit residential buildings, commercial properties (offices, retail, warehouses), schools, hospitals, long-term care homes, and more (based on BC Assessment classes 6 and 8). The credit can apply to a broad range of retrofit types, including heating, ventilation, cooling, envelope, among other upgrades. To claim the credit, the building retrofit must be certified, this involves consultation with a third-party provider, such as an engineer, architect, or energy advisor, to

submit the EUI reduction calculations for approval by the Ministry of Finance. Compared to the CT ITC, this credit is simpler to access and interpret but still requires a moderate level of professional assistance and government approval.

3. Accelerated Investment Incentive (AII)

The Accelerated Investment Incentive (AII) is a federal tax rule that speeds up depreciation, letting businesses deduct more of an asset's cost in the first year than they normally could. It covers most depreciable assets acquired after November 20, 2018, and is made available for use before 2028. In most cases, the incentive allows a first-year deduction that is one and a half times higher than usual by removing the "half-year" restriction that normally limits first-year claims. Clean technology equipment, such as solar panels, heat pumps, energy storage, and EV charging stations, falls under special CCA classes (43.1 and 43.2). These classes benefit from their own full expensing rules, which allow the entire cost to be deducted in the first year, with a gradual phase-out having been started in 2024.

While each of these three incentives can improve the financial viability of retrofit projects, they each come with administrative complexity. All three require **early-stage planning** and **qualified professional support**.

To reduce confusion and assist stakeholders, the report is organized into the following sections:

- **Introduction to Tax Incentives:** Provides background on the role of tax incentives in supporting energy-efficient and low-carbon building retrofits.
- **Incentive Summary:** Summarizes each incentive's core features, eligibility, and application processes.
- **Comparison:** Contrasts the key features, benefits, and limitations of each incentive.
- **Key Findings:** Synthesizes cross-cutting themes across incentives.

Introduction To Tax Incentives

What Are Tax Incentives?

Tax incentives are policy tools used by governments to reduce a taxpayer's financial obligations and encourage specific behaviors — such as investing in energy-efficient and low-carbon technologies. In the context of building retrofits, tax incentives play a critical role by:

- Offsetting the high capital costs of clean technology equipment upgrades.
- Improving cash flow during project delivery.
- Rewarding measurable improvements in energy performance.

Understanding how these incentives function is essential for building owners, project developers, and financial planners evaluating the feasibility of retrofit projects.

Types of Tax Incentives

Before diving into specific incentives, it's helpful to understand the different forms that tax incentives can take. Each type provides financial benefit in a slightly different way:

- Tax credits - Direct reductions in taxes owed.
- Tax deductions - Reductions in taxable income.
- Accelerated depreciation - Faster tax write-offs for capital assets.
- Exemptions or deferrals - Delays or waivers of tax obligations.

Each mechanism can support retrofits differently depending on the timing of project costs, ownership structure, and broader financial strategy.

Tax Incentives Supporting Building Retrofits in BC

This report focuses on three tax incentives available to taxable Canadian corporations undertaking retrofit projects in British Columbia. These incentives can be used independently or in combination to strengthen the business case for energy and carbon reduction investments:

- **Clean Technology Investment Tax Credit (CT ITC).**
- **BC Clean Buildings Tax Credit (CBTC).**
- **Accelerated Investment Incentive (AII).**

Each program uses a different approach — some offer cash refunds after projects are completed, while others reduce taxable income in the year of investment. Together, they provide a valuable toolkit for supporting building retrofits.

Tax Credits: Direct Financial Support

One of the most straightforward forms of tax incentive is the tax credit, which directly reduces the amount of tax a business owes. There are two main types:

- Refundable tax credits provide a full refund, even if the credit amount exceeds the taxes owed.
- Non-refundable tax credits reduce taxes owed to zero but do not generate a refund beyond that point.

Both the **CT ITC** and **BC CBTC** are refundable tax credits, meaning businesses can receive a financial benefit even if their tax liability is low. These credits are typically claimed after a retrofit is complete and the equipment is fully installed, requiring upfront investment but offering a meaningful post-project benefit.

Accelerated Depreciation: Boosting First-Year Deductions

In contrast to credits, accelerated depreciation doesn't reduce taxes directly-it allows businesses to deduct the cost of a capital asset faster than usual, reducing taxable income in the early years of an investment.

This can lead to:

- Immediate tax savings.
- Stronger cash flow early in a project.
- Improved return on investment for capital-intensive upgrades (e.g., heat pumps, solar PV, battery storage).

The **AII** is a federal measure that enhances depreciation rules under Canada's Capital Cost Allowance (CCA) system. By suspending the half-year rule and increasing first-year deduction rates, the AII can substantially improve project economics in the year equipment is acquired.

INCENTIVE SUMMARY

This section provides a high-level summary of the three tax incentives examined in this report, the Clean Technology Investment Tax Credit (CT ITC), the BC Clean Buildings Tax Credit (CBTC), and the Accelerated Investment Incentive (AII). Each incentive offers distinct mechanisms to support investments in clean energy and building decarbonization. This information was sourced from research and interviews with accounting professionals, tax consultants, and program administrators involved in implementing and overseeing tax incentives supporting low-carbon building retrofits in Canada. The findings synthesize technical analysis, desk-top research, and real-world perspectives from those directly supporting applicants in accessing tax incentives. The following pages outline the key features, eligibility requirements, and technical considerations for each incentive.

1. Clean Technology Investment Tax Credit (CT ITC)

Type: Federal Refundable Tax Credit.

Value: 30% of capital cost, decreased to 20% if federal labour conditions are not met.

Official Incentive Website: Link.

Purpose: In June 2023, Bill C-59 and Bill C-69 were passed, which marked the beginning of the CT ITC. This credit is intended to incentivize the acquisition and installation of eligible clean technology equipment by taxable Canadian corporations and real estate investment trusts (REITs). Unlike broader building retrofit programs, it is designed to promote investment in specific assets such as air-source-heat-pumps (ASHPs) and solar photovoltaic equipment - rather than comprehensive building upgrades.

Eligible Clean Technology Equipment

- The following equipment types are considered eligible under NRCan's current guidance, though clarity and criteria vary:
    - Air-source heat pump equipment.
    - Ground-source heat pump equipment.
    - Solar photovoltaic (PV) equipment.
    - Battery storage equipment.
    - Geothermal energy equipment.

Notes and Clarifications:

- There is no complete list of pre-approved equipment for any category, eligibility is determined case-by-case.
- Natural Resources Canada (NRCan) has issued technical guidance documents for some technologies but guidance for others remains limited. As a result, there may be significant uncertainty around eligibility and guidelines for some categories of equipment. For example:
    - Ground-source heat pumps (GSHPs) are better supported by NRCan technical documentation.
    - There is no official guidance for air-source heat pumps (ASHPs), NRCan has cited that further technical guidance is to come.
- Eligible equipment must be zero-emissions rated. Dual-fuel or hybrid equipment powered by both electricity and gas are not eligible.
- Only the core clean technology equipment that directly performs the primary energy conversion (e.g., converting electricity, thermal, or solar energy into usable heating, cooling, or power) is eligible under the CT ITC. For example, in the case of a domestic hot water (DHW) heat pump, the heat pump unit itself would qualify. However, secondary or downstream distribution components, such as storage tanks, piping, recirculation systems, or other equipment that stores, moves, or uses the heated water, are not currently eligible. Backup equipment such as gas burners, heat exchangers, and electric resistance heaters is also not eligible.
- For equipment that provides both heating and cooling, it must be designed and intended primarily for heating (i.e., more than 50% of energy delivered must be heating, based on kWh output). *Example:* A heat pump delivering 70,000 kWh heating and 30,000 kWh cooling per year would qualify.

Technical Opinion from NRCan

- Taxpayers may request a formal technical opinion from NRCan to help clarify eligibility.
- This is an optional and non-binding process.
- Likely requires a third party with technical knowledge of the equipment and design, such as a professional engineer, to assist in preparing the needed documentation to obtain the technical opinion.
- Submission materials must be detailed, similar to a feasibility study, and include:
    - A list of equipment, manufacturer, and model numbers.
    - Process flow schematic and single-line diagram.
    - Narrative explaining how equipment functions as a system.
    - Description of any used, refurbished, or pre-existing equipment.
- At the time of publication of this report, timelines for receiving a response to the technical opinion were between three to four weeks.

Eligibility and Conditions

- Eligible Claimants: Taxable Canadian corporations and REITs. Claims cannot be made by sole proprietors, strata corporations, not-for-profit organizations, or social housing.
- Building Type: There is no requirement that the equipment be installed in a specific building type. If the building is owned by the corporation and used for business purposes, it can qualify.
- Rental Properties: Equipment used in rental buildings is generally eligible, as long as the equipment itself is not rented. This distinction is important for MURBs and commercial landlords planning upgrades.
- Ownership: The corporation must own the eligible equipment. The corporation is also required to retain ownership of the equipment (or the building in which it is installed) for a period of 10 years; otherwise, the credit may be subject to recapture. This credit cannot be transferred upon a change of ownership. In the event of a recapture, the amount would be prorated based on the fair market value of the equipment at the time of disposition.
- Timing: Equipment must be acquired and placed into service before the claim can be made. Claims must be filed within 18 months of the tax year-end in which the asset became available for use.

Labour Requirement

- To receive the full 30% tax credit, projects must meet federal labour conditions, including:
    - Paying prevailing wages (as defined by Employment and Social Development Canada).
    - Ensuring that at least 10% of total labour hours on the installation site are completed by registered apprentices in Red Seal trades.
- Challenges include:
    - The labour requirement is frequently cited as the most difficult component to comply with.
    - May involve substantial documentation and coordination, including payroll records, apprenticeship agreements, and job logs. For instance, one element of the labour requirement mandates that specific signage be posted at the job site. A professional shared that their client was found non-compliant simply because they lacked photo evidence confirming that the sign had been displayed while workers were on site.
    - Complex to coordinate and apply responsibility for compliance to subcontractors, and wage databases are not always clear.
    - Consultants find that retroactive compliance of the labour requirement is not typically feasible, labour planning must begin at the procurement/tendering

stage. CT ITC claims made retroactively after a project has been completed will typically only qualify for 20%, as the federal labour requirement is difficult to meet after the fact.

- Exception: Currently, the labour requirement does not apply to the acquisition and installation of low-carbon heat equipment. This allows full 30% CT ITC claims without meeting labour conditions for:
    - Air-source heat pumps.
    - Ground-source heat pumps.
  - *Note: This exemption is expected to end. Sources have indicated that low-carbon heating equipment may soon need to comply with the prevailing wage and apprentice hour conditions to qualify for the full 30% credit.

Cost Coverage

- Eligible Costs:
  - Hard costs (equipment and installation) are typically covered.
  - Soft Costs: Design, permitting, and energy modeling may be eligible if directly required for the equipment to function, but this is not explicitly defined in legislation.
- Many tax professionals recommend submitting all reasonable costs and allowing CRA to disallow any ineligible portions, there is currently no penalty for submitting costs that later become disallowed.

Audit Process, Risk, and Documentation Burden

- All CT ITC claims are subject to audit by the Canada Revenue Agency (CRA). These audits focus specifically on the CT ITC claim and do not imply a broader audit of the corporation's full tax filings.
- CRA audits serve two functions: they verify compliance and help the federal government develop and refine the administration of the tax credit. In practice, audits are being used to train CRA staff and shape future guidance, which has led to inconsistent outcomes across regions. Even well-documented claims have been denied based on subjective interpretations by individual auditors.
- The design of the CT ITC is deliberately vague. Many core eligibility criteria, such as acceptable technical specifications, are undefined, especially for technologies not explicitly listed in CRA or NRCan guidance (e.g., air-source heat pumps). CRA intends to clarify eligibility through ongoing audits, meaning that claims involving "grey area" technologies carry heightened risk.
- Unlike rebate programs or grants, there is no mechanism for pre-approval. Applicants must complete the investment, including purchasing, installing, and commissioning the equipment, before filing a claim. As a result, businesses must commit capital without

certainty that the claim will be accepted, and CRA may disallow part or all of the credit during audit.

- Audits can require significant back-and-forth with CRA. Businesses may need to submit extensive documentation to confirm eligibility and compliance with all program requirements. This process can be time-consuming and often requires the support of tax professionals familiar with CT ITC audit protocols.
    - While the burden of documentation is high, CRA will no longer request compliance site-visits.
- CRA has shown that even minor administrative oversights can result in claim reductions or denials. Examples include:
    - An invoice missing the partner's name, which led to disqualification.
    - Failure to produce photo evidence of required job-site signage that states on-site workers are paid the prevailing wage.
- Documentation required typically includes:
    - Equipment invoices.
    - Proof of payment.
    - Labour tracking logs.
    - Technical specifications, schematics, and operational documentation.
    - Evidence of labour requirement compliance (if claiming the full 30% credit).
- Due to the complexity, early planning and documentation are critical to reduce audit risk and avoid costly errors.
- Projects with early, well-organized planning and documentation faced significantly lower audit burdens. Interviewees noted that proactive oversight from professionals reduced both the frequency and duration of audits.
- High-value projects are most likely to benefit. According to one tax professional, the high cost of professional consultation means that eligible equipment should generally have a minimum value of around $50,000 to justify the effort and expense of claiming the CT ITC. This threshold can vary considerably depending on the complexity of the claim and the consultant rates involved.

Managing Risk: Early Engagement with Qualified Professionals

- Due to the complexity and financial stakes, early engagement with professional tax advisors that have experience in CT ITC claims, particularly clean technology filings, is strongly recommended. Some firms prepare audit-ready packages from the outset, including compliance logs and internal memos to substantiate eligibility. One accounting firm shared estimated effort for reviewing eligibility of claims:
    - Clearly ineligible projects: ~1 hour.
    - Complex "grey area" projects: 5+ hours, involving engineers and technical reviewers.

- Larger accounting firms typically have dedicated clean tech tax specialists. These professionals are well versed with requirements and can assist with:
    - Determining eligible equipment and costs.
    - Structuring documentation and internal tracking systems.
    - Anticipating audit risks and preparing defensible claims.
    - File correct schedules.
- Risk mitigation depends on early engagement of both accountants and engineers to evaluate feasibility and align project design, procurement, and implementation with CT ITC criteria. Waiting until after installation to seek advice greatly increases the risk of disallowed claims.

Claiming the Credit

- The CT ITC is claimed after installation, once equipment is available for use. Corporations will submit the claim as part of its corporate tax return or trust tax return.

Practical Insights

Stacking with Other Incentives

- The CT ITC may be claimed alongside other incentives, such as provincial tax credits or utility rebates, provided costs are not double claimed. However, stacking rules can be complex, and tax professionals should review each case.

Technology-Specific Risk:

- Solar PV systems are generally low risk, with strong alignment to CRA expectations.
- Air-source heat pumps (ASHPs) have been successfully included in several CT ITC claims, but these have not yet been audited. As such, ASHPs remain a grey area with elevated risk due to lack of formal guidance.
- Other emerging technologies face similar uncertainties, especially where CRA guidance is limited or evolving.

Managing Grey Area Claims:

- Projects involving ASHPs or similar equipment should include early consultation with tax professionals in conjunction with a qualified engineer or energy professional to provide detailed technical documentation. Where appropriate a formal technical opinion from NRCan is recommended. These steps can reduce the risk of disallowed claims.

Don't Rely Solely on Contractors:

- Contractor claims of CT ITC eligibility of their products are often optimistic and should not be relied upon without the verification of eligibility and compliance with qualified tax professionals and engineers who are knowledgeable about the CT ITC

Professional Support is Critical:

- Experienced tax professionals can assess claim strength, prepare audit-ready documentation, and determine whether pursuing the credit is worthwhile.
- Engineers help design systems that meet technical criteria and provide necessary specifications.

Common Barriers

- Unclear eligibility rules, especially for less-established technologies.
- High professional service costs.
- Does not support some common retrofit scenarios, such as hybrid systems.

How to Claim the Credit

1. Confirm Basic Eligibility: Ensure your business is a *taxable Canadian corporation* and that your investment in clean technology equipment falls within the eligible timeframe (March 28, 2023, to December 31, 2034). For official details, review the Canada Revenue Agency's Clean Technology Investment Tax Credit guidance and consult eligible equipment types on the Natural Resources Canada website.
2. Work with Qualified and Experienced Professionals: Consult a qualified tax professional and engineer early on to ensure likelihood of compliance.
3. Prepare and File Your Return.
4. Submit Supporting Documents.

CT ITC Resources and Contact Information

- Questions about eligible clean technology equipment or obtaining a technical opinion can be directed to Natural Resources Canada at: nrcan.class43-1-categorie43-1.rncan@canada.ca.
- For questions about eligibility, the labour requirement, or claiming the credit, contact the CRA's Clean Economy Tax Incentives Division at 1-855-825-3262 (Monday to Friday, 8:00 a.m. – 4:00 p.m.).

2. BC Clean Building Tax Credit (BC CBTC)

Type: BC Provincial Refundable Tax Credit.

Value: 5% of eligible retrofit expenditures.

Official Incentive Website: Link.

Purpose: The BC CBTC supports decarbonization and efficiency improvements by rewarding whole-building retrofits that achieve a measurable reduction in Energy Use Intensity (EUI). This straightforward and performance-based tax credit is aimed at encouraging building owners to undertake more impactful building upgrades.

Energy Use Intensity Requirement

EUI is a measure of a building's annual energy consumption per unit of floor area (expressed in megajoules per square meter MJ/m²). It reflects the building's overall energy performance and is influenced by systems such as heating, ventilation and cooling, lighting, water heating, and the building envelope.

- To be eligible for the BC CBTC, a retrofit must demonstrate that the building's EUI has been reduced:
  - Below the pre-retrofit EUI.
  - Below the applicable target EUI for that building type.
- A building's target EUI is determined based on:
  - Location (climate zone).
  - Building type.
  - Typical weekly operating hours.
- To calculate a building's EUI for the tax credit:
  - Determine the net annual energy use of the building in megajoules (MJ).
  - Determine the floor area of the building in square meters (m²).
  - Calculate the EUI: EUI = Net Energy Use (MJ) ÷ Floor Area (m²)
- The target EUI is calculated using the following formula: Target EUI (MJ/m²) = Base EUI × Operating Hours Multiplier.
- Reference: The Clean Buildings Tax Credit EUI Calculator found here can be used to assist with these calculations and confirm target EUI values.

Eligibility and Conditions

- Eligible Claimants: BC-based taxable corporations only.
- Eligible Buildings:
    - Multi-unit residential (MURBs).
    - Commercial/institutional buildings (e.g., offices, schools, and care homes).
    - Must meet classification under BC Assessment.
- Verification: Requires a qualified Professional Engineer, Architect, or Certified, by Natural Resources Canada (NRCan), Energy Advisor employed or under contract with a licensed service organization to:
    - Calculate pre- and post-retrofit EUI.
    - Certify that the retrofit meets target thresholds.
- Ministry Certification: Must be approved by the BC Ministry of Finance before the credit is included in a tax return.

Which Costs Can Be Captured?

- Only expenditures directly attributable to the qualifying retrofit are eligible. A qualifying retrofit is defined as any measure undertaken that reduce the building's Energy Use Intensity (EUI) to the target level.

Examples of Eligible Measures Include

- Heating, ventilation and air-conditioning systems.
- Fans.
- Interior and exterior lighting devices.
- Service water heating equipment.
- Pumps.
- Receptacle loads and miscellaneous equipment.
- Elevators and escalators.
- Building envelope, including improvement to the insulation.
- Permits required for, or for the rental of equipment used in the course of, the qualifying retrofit.
- Qualified person certifying the retrofit.

Challenges and Risks

- Moderate Complexity: Requires energy modeling and documentation but is more predictable than federal programs like CT ITC.
- Not All Upgrades Qualify: Lighting-only or some envelope-only retrofits may not yield enough EUI improvement to meet thresholds.
- Tight Timeline: The deadline for qualifying expenditures has been extended to March 31, 2026, with qualifying retrofits to be completed by March 31, 2027. The deadline to

apply for a retrofit certificate is now September 30, 2028, and building energy use intensity measurements must be completed by March 31, 2028.

- No Phased Retrofits: Projects must be implemented all at once, staged work is ineligible.

Utility Data Access Barrier

- Electricity Data (BC Hydro):
    - Provides aggregated electricity consumption data for eligible buildings based on the number of utility accounts. Specifically, data requests are supported for:
        - Multi-unit residential buildings (MURBs) with five or more residential accounts.
        - Commercial buildings with three or more commercial accounts
        - Mixed-use buildings that have at least three commercial accounts and five or more residential accounts.
    - In most cases, the requested data is made available within approximately one week and is uploaded directly to the building's Energy Star Portfolio Manager (ESPM) account.

- Gas Data (FortisBC):
    - FortisBC will only upload gas consumption data to ESPM if the building has a single gas meter.
    - For buildings with multiple gas meters, FortisBC does not aggregate data, even upon request.* This creates significant challenges for many building owners:
        - Owners must contact each tenant individually to request their gas usage information, which is both time-consuming and invasive.
        - Tenants are not required to provide this information, and many may choose not to share their bills.
    - In one reported BC CBTC application, an engineer described a process that lasted over two months attempting to retrieve gas data for a multi-metered building. Despite repeated follow-ups, FortisBC did not release the data, which placed the project at risk of delay or ineligibility.
    - This lack of access to gas consumption data creates a structural barrier to BC CBTC participation, particularly for:
        - Mixed-use buildings.
        - Rental buildings with sub-metered gas systems.
        - Owners who are unable to secure cooperation from tenants.
- Owners should secure complete utility data early before committing to a BC CBTC project.

- **Note:* Similar challenges with accessing aggregated utility data are expected across all Fortis accounts, including both FortisBC Gas and FortisBC Electric SST.

Practical Insights

- The program is viewed by some professionals as technically rigorous but more accessible than federal credits, particularly because of its public resources and clear calculation methodology.
- Unlike the CT ITC, the BC CBTC does not require a specialized accountant beyond basic tax filing, making it more accessible for smaller firms or owners with limited capacity.
- The program is accessible but requires energy modeling to determine the EUI, good utility data access, and coordination with a certified professional.
- The EUI reduction requirement, while conceptually simple, can exclude common upgrades (e.g., lighting-only or minor envelope improvements) that don't achieve significant energy savings.
- The program's structure does not allow phased or staged retrofits, only fully completed, whole-building projects qualify. This means that buildings undertaking larger, multi-phased, retrofits over multiple years, which is common, will not be able to access the full benefits of the program.
- The program is best suited to:
    - Single-metered buildings.
    - Projects with multiple ECMs (e.g., HVAC + envelope) that are being completed at the same time
    - Buildings where energy modeling or engineering calculations and data tracking are already in place.
    - Owners planning to participate in other utility or provincial incentive programs may consider timing and sequencing retrofit work to ensure it meets EUI thresholds in a single phase.

How to Claim the Credit

- Complete the Retrofit and Obtain Certification:
    - Ensure the retrofit is completed before April 1, 2026.
    - Apply for a retrofit certificate from the BC Ministry of Finance.
- File the Necessary Forms:
    - Complete Form T1356, British Columbia Clean Buildings Tax Credit.
    - Enter the credit amount on line 685 of Schedule 5 in your tax return.
- Submit Your Tax Return:
    - File your income tax return with the Canada Revenue Agency (CRA), including the completed forms
    - Retain the retrofit certificate(s) in case the CRA requests them later.

BC CBTC Resources and Contact Information

- General Tax Credit Questions:
  - Email: ITBTaxQuestions@gov.bc.ca.
  - Phone: 1-877-387-3332.
- More information about aggregated data: Here.
- To Request BC Hydro aggregated Data: Here.
- FortisBC currently does not provide whole-building data aggregation for multi- metered buildings. Please contact your Key Account Manager for questions about your gas account.

3. Accelerated Investment Incentive (AII)

Type: Accelerated Depreciation.

Value: Accelerated Capital Cost Allowance (CCA)**.**

Official Incentive Website: Link.

Purpose: The AII is designed to stimulate business investment by allowing companies to deduct more of an asset's cost in the year it is purchased. Instead of spreading deductions evenly over many years, AII provides a much larger upfront tax deduction, improving near-term cash flow. This is not a tax credit or rebate; it only reduces taxes if the business has taxable income to apply it against.

Eligibility and Timing

- Available to taxable Canadian entities, including corporations, partnerships, and trusts.
- Applies to most depreciable capital assets acquired after November 20, 2018, and made available for use before January 1, 2028.
  Assets must be classified into the correct CCA class and depreciated correctly.

How the AII Works

For most capital assets (general rule):

- Businesses can deduct 1.5× the normal depreciation rate in the first year.
- The "half-year rule" is suspended, allowing a full year's depreciation immediately.
- Combined, this can mean up to 3× the normal first-year deduction compared to regular rules.

For Clean Technology Assets (Classes 43.1 and 43.2)

- Clean technology equipment was given a special "full expensing" rule at the same time AII was introduced.
- This meant that from 2018 through 2023, businesses could deduct 100% of the cost of eligible expenditures in the first year (instead of spreading it over time).
- However, the government is gradually phasing out this full write-off. The deduction percentage you can take in the first year goes down over time until it returns to normal depreciation rules.
- In plain terms: the special benefit is being scaled back, from 100% upfront (2018–2023), to 75% (2024–25), then 55% (2026–27), and finally back to the slower standard depreciation after 2027.

YEAR	FIRST YEAR DEDUCTION (43.1/43.2)	WHAT THIS MEANS
2018 - 2023	100% of cost (full expensing)	Full expensing: the entire cost can be deducted upfront.
2024 - 2025	75% of cost	Only three-quarters of the cost can be deducted immediately; the rest follows normal depreciation.
2026 - 2027	55% of cost	Just over half the cost can be deducted in the first year.
2028 - Onward	Reverts to standard CCA rules (15% / 25%)	No more accelerated benefit, clean tech reverts to normal depreciation rules.

Full Expensing Classes

- Some retrofit-relevant clean technologies fall under CCA Classes 43.1 and 43.2, this includes:
    - Class 43.1 / 43.2: Clean energy equipment, including:
        - Solar PV systems.
        - Heat pumps (ASHPs and GSHPs).
        - Electrical energy storage.
        - EV charging infrastructure.

Practical Insights

- AII and full expensing only help if the entity has taxable income to offset.
- AII can be combined with other incentives such as the Clean Technology Investment Tax Credit (CT ITC), but the tax "base" for depreciation must be reduced by the credit amount (no double-claiming).
- Some equipment that supports clean tech (e.g., software, leasehold improvements) might fall outside 43.1/43.2. In those cases, AII could apply to give an extra-large first-year deduction.
- CRA requires proper documentation (invoices, commissioning records, asset classifications).
- Proper planning is important: asset classification should be confirmed before filing, as reclassifying later can result in reassessments or penalties.
- Professional tax advice is strongly recommended to ensure assets are classified correctly and the maximum benefit is captured.

How to Apply the Incentive

- Speak with your accountant or tax professional to confirm eligibility of assets and determine the correct Capital Cost Allowance (CCA) class.
- Apply the appropriate accelerated depreciation rate to the eligible asset costs when filing your corporate tax return.

All Resources and Contact Information

- Overview of Capital Cost Allowance (CCA) classes used to claim depreciation on eligible equipment: Link.
- Technical Guidance on Clean Energy Equipment (Class 43.1/43.2): Link.
- Info on recent updates to include ASHPs under Class 43.1**:** Link.

INCENTIVE SUMMARY

This incentive comparison is provided to highlight how the programs differ in structure, application process, and suitability for various project types. This summary is intended to help building owners and industry professionals quickly assess which incentive or combination of incentives may be most applicable to their retrofit plans.

Incentive Name	CLEAN TECHNOLOGY INVESTMENT TAX CREDIT (CT ITC)	BC CLEAN BUILDING TAX CREDIT (CBTC)	ACCELERATED INVESTMENT INCENTIVE (AII)
Type	Federal Tax Credit	Provincial Tax Credit	Accelerated Depreciation
Administered By	Canada Revenue Agency (CRA) **Equipment eligibility defined by Natural Resources Canada (NRCan)*	BC Ministry of Finance	Canada Revenue Agency
Application	Refundable tax credit Full credit: 30% Reduced Credit: 20% (Failure to meet labour requirement)	Refundable tax credit Credit: 5%	Accelerated depreciation of capital costs (non-refundable)
Eligibility	Canadian taxable corporation	Taxable entity (Corporation, trust, partnership)	Canadian taxable corporation
Applies To	Specified clean technology property.	Retrofits that improve energy efficiency and reduce the EUI of the building.	Most depreciable capital assets acquired after November 20, 2018, and

Incentive Name	CLEAN TECHNOLOGY INVESTMENT TAX CREDIT (CT ITC)	BC CLEAN BUILDING TAX CREDIT (CBTC)	ACCELERATED INVESTMENT INCENTIVE (AII)
			available for use before 2028.
Equipment Types	• Air-source heat pumps • Ground-source heat pumps • Photovoltaic electrical generation equipment • Battery storage systems	Eligible retrofit equipment contributing to reduced EUI: • Heating, ventilation and air-conditioning systems • Fans • Interior and exterior lighting devices • Service water heating equipment • Pumps • Receptacle loads and miscellaneous equipment • Elevators and escalators • Building envelope, including improvement to the insulation	**General Eligible Property**: Assets in CCA classes not subject to full expensing can claim up to 1.5 times the normal CCA rate in the first year. **Full Expensing Classes**: **Classes 43.1 and 43.2**: Clean energy equipment. Includes: • Air-source heat pumps • Ground-source heat pumps • Photovoltaic electrical generation equipment • Heat recovery equipment • Battery storage systems • Electric vehicle charging infrastructure. These follow a phase-out schedule: • 100% first-year deduction until 2023 • 75% in 2024–25 • 55% in 2026–27 • Normal rates after 2027

Incentive Name	CLEAN TECHNOLOGY INVESTMENT TAX CREDIT (CT ITC)	BC CLEAN BUILDING TAX CREDIT (CBTC)	ACCELERATED INVESTMENT INCENTIVE (AII)
Other Eligibility Details	Labour requirement to access full 30%.	Energy Use Intensity (EUI) Reductions.	None
Pre-Approval/ Certification Needed	Requires equipment to meet NRCan eligibility criteria but no pre-installation certification step required.	Yes—requires post-installation third-party verification of energy-savings for retrofit approval from the BC Ministry of Finance.	No
Deadline	Available until end of 2034.	Available for retrofits completed before April 1, 2026 (proposed extension to March 31, 2027).	Available for property acquired after Nov 20, 2018, and before Jan 1, 2028.
Claimed Through	Claimed via corporate income tax return.	Claimed via corporate income tax return after certification.	Claimed via CCA in the tax return.
Claim Timing	Filed within 18 months of the tax year-end in which the equipment becomes available for use.	Claimed 12 months after retrofit is completed.	Claimed in first tax year the equipment is available for use.
Stacking With Other programs	Yes	Yes	Yes
Incentive Complexity	High	Moderate	Moderate

Incentive Name	CLEAN TECHNOLOGY INVESTMENT TAX CREDIT (CT ITC)	BC CLEAN BUILDING TAX CREDIT (CBTC)	ACCELERATED INVESTMENT INCENTIVE (AII)
Expert Guidance Needed	It is *strongly recommended* to consult an accountant with experience filing CT ITC claims before purchasing any clean technology equipment. An accountant can advise on eligibility, review documentation requirements, and provide owners with all necessary information based on their specific project. An engineer should also be involved early to help select and design equipment that meets the program's technical requirements.	Retrofit certification for the Clean Buildings Tax Credit must be completed with the involvement of one of the following qualified professionals: • A professional engineer • A registered architect • A certified energy advisor	To claim the AII, an accountant must classify the equipment in the correct CCA class and apply the appropriate prescribed depreciation rate. Proper classification is essential, and businesses should work with a qualified accountant to ensure compliance with CRA rules.
Best Use Case	Capital-intensive new clean energy equipment installation.	Deep retrofit targeting long-term energy performance.	Front-loaded depreciation of equipment for faster tax write-offs.

KEY FINDINGS

This section presents key findings with the objective to identify both the opportunities these incentives offer and the barriers that limit their practical application in building retrofit contexts. This section outlines cross-cutting issues that affect all three programs including common challenges, limitations, and considerations.

1. Eligibility Constraints

- These tax incentives are only available to taxable Canadian corporations and REITs, which limits eligibility to many ownership types of buildings.
- Common building ownership types that are generally not eligible include:
    - Non-Canadian-owned REITs.
    - Sole proprietors.
    - Strata corporations.
    - Not-for-profit housing providers.
    - Social housing agencies.

2. Underutilization in Building Retrofits

- While the CT ITC and BC CBTC can offer substantial financial benefit, they remain underutilized by eligible Canadian and BC building owners. For example, an interview with a stakeholder and other research identified that the CT ITC may cost up to $6.9 billion over 5 years (starting in 2023). However, as of early 2025 only 25 CT ITC audit claims had been processed, which would represent a very small percentage of the budget.
- Many eligible building owners are unaware of these incentives, discouraged by the complexity, lack the internal capacity to pursue them, or may be wary of investing in the professional support required to access them without certainty of receiving financial benefit.
- Few supporting stakeholders (accounting and engineering firms) are strongly familiar with the programs.

3. Delayed Payment & Cash Flow Barriers

- Tax credits are only received after the project is completed and the corporate tax return is filed.
- Given that there are few other financial rebate or incentive programs designed to reduce capital costs and improve the business case for retrofits, owners must cover 100% upfront capital costs with no guarantee of accessing a tax incentive. Actual payout timing depends on:
    - When the corporate return is filed.

    - CRA processing timelines.
- As such, these tax incentives should not be relied upon for immediate project financing or as a guaranteed source of retrofit funding.

4. High Need for Expert Guidance

- The technical complexity of the programs (e.g., needing to calculate EUI calculations or verify equipment specifications) and filing requirements create a "pay-to-play" environment where the applicant must hire professionals to proceed with applying.
- Determining eligibility, structuring claims, and ensuring compliance will often require assistance from one or more of the following:
    - CT ITC:
        - Accountant: Understanding CT ITC legislation, having knowledge of determining eligibility, ensuring equipment installation practices are met, claiming the credit on tax return.
        - Engineer: To assist client in selecting and designing equipment that satisfies CT equipment requirements.
    - BC CBTC:
        - Engineer/Architects/Certified Energy Advisor: Only professionals eligible by Ministry of Finance to calculate EUI.
        - Accountant: Claiming CT ITC on tax return.
    - AII:
        - Accountant: Determining classification of equipment and potential eligibility for accelerated depreciation or full expensing.
- Unlike provincial/utility rebate programs, no third-party free support is provided to advise applicants to inform their decision on applying for the tax incentives or for supporting applicants through the application process.
- The task of documentation, verification, and certification falls on the building owner or their hired professionals.

5. Lack of Support for Early-Stage Planning

- None of the incentives directly provide funding or structured guidance for early-stage project development, such as:
    - Identifying retrofit opportunities.
    - Feasibility studies/business case development.
    - Retrofit planning and scoping.
    - Energy modeling or audits.
- Building owners must fund these preparatory steps independently before confirming eligibility for the tax incentives. This may function as an indirect disincentive to participation in the incentive programs. For example:

- Some BC based market rental apartments owners may be able to use the LandlordBC Rental Apartment Retrofit Accelerator Program and the CleanBC MURB Retrofit Program to support identifying retrofit opportunities, feasibility studies, and retrofit planning and scoping.
- Some BC based commercial building owners may be able to use the BOMA BC Decarb Accelerator Program to support retrofit opportunity identification and other energy studies.

6. Incentive Stacking Rules

A. Tax Credit Stacking

- Credits cannot be claimed on the same cost more than once (e.g., CT ITC and BC CBTC cannot both apply to the same equipment purchase).
- There is no mandated order of application, owners may choose which credit to apply first, depending on strategic considerations.
- Strategic planning and sequencing should be overseen by a qualified accountant to avoid ineligible claims or missed opportunities.

B. Accelerated Depreciation Rules

- Accelerated depreciation (AII) cannot be claimed on the same cost portion that has already been refunded through a tax credit.
- Careful tracking and allocation of costs are required to ensure proper compliance and maximize benefit.

7. Broader Industry Needs

A. Lack of Education and Tools

There is a significant lack of broadly available information and tools to support building owners and industry learn about the various tax incentives.

- To learn more about government tax incentives, accountants rely on:
  - CRA webinars, budget updates, and peer conversations to stay current. These methods are often not broadly available, not frequently updated with current information and often times do not provide sufficient depth of information.
- There have been no widely available trainings or webinars targeted at engineering firms, contractors, or other professionals who could help promote the tax incentives to clients. While some accounting firms have taken steps to raise awareness of the CT ITC, all interviewed accountants emphasized an ongoing lack of public understanding.
- Few publicly available resources offer detailed guidance on incentive eligibility.

B. Recommendations for Stakeholders

i. **Clarify General Eligibility Upfront**

Stakeholders should prioritize developing simple tools or guidance to help businesses assess whether they meet the basic eligibility criteria for each tax incentive before engaging consultants or incurring significant costs. While some claims require in-depth review by accountants or professionals, there are clear, non-negotiable criteria, such as business type, project timing, and eligible technologies, that can be pre-screened.

Recommended actions:

- Create a plain-language checklist or online self-assessment tool for owners and managers.
- Emphasize clear exclusion rules (e.g., projects started before March 28, 2023, are not eligible for the CT ITC).
- Use flowcharts or "yes/no" guides to show whether a project or entity has a high likelihood of eligibility.

ii. **Develop and Share Illustrative Case Studies**

Develop practical examples of eligible and ineligible projects. These case studies should include:

- Equipment types that meet and fail to meet technical criteria.
- Scenarios that show common misunderstandings.
- Templates showing compliant vs. non-compliant project documentation.

iii. **Promote Early Engagement with Tax Professionals**

Applicants should be encouraged to involve experienced tax accountants or advisors at the earliest planning stages. Early engagement can:

- Reduce the risk of ineligible expenditures.
- Help navigate complex eligibility requirements.
- Ensure all documentation and tax filings are correctly prepared.

iv. **Advocate for Enhanced CRA Guidance**

Advocate for clearer, more accessible guidance from the Canada Revenue Agency (CRA) and NRCAN on the CT ITC. Specific areas where clarity is needed include:

- Equipment eligibility.
- Documentation requirements.
- Labour requirements.
- Response time on Technical Opinion from NRCan.

v. **Request Sector-Specific Resources**

Associations and industry groups should collaborate with CRA and program administrators to create sector-specific resources tailored to commercial, residential, and institutional building owners and to the industry stakeholders that would support building retrofits (engineers, contractors and others). These resources could include:

- Decision trees or flowcharts on eligibility.
- Retrofit planning tools that incorporate tax considerations.
- FAQs for commonly encountered challenges.

vi. **Standardize Supporting Documentation Templates**

To ease the application process, BOMA BC and LandlordBC should work with members to create and promote standard documentation templates that satisfy CRA requirements. These templates might include:

- Equipment specification summaries.
- Installation verification checklists.
- Accountant attestation forms.

For More Information

The BOMA BC Decarb Accelerator Program

BOMA BC is the leading voice for the commercial real estate industry in BC. BOMA BC provides advocacy on policy and regulatory issues, education and resources for industry professionals, networking events and industry recognition programs, leadership in sustainability and inclusion initiatives. BOMA BC delivers the Decarb Accelerator Program supporting commercial building owners and managers across BC in identifying and reducing greenhouse gas (GHG) emissions. The program provides dedicated support through a Decarb Program Manager or Engineer. Participants receive:

- Tailored decarbonization plans.
- Retrofit assessments and energy audits.
- Access to technical guidance, benchmarking tools, and business case development.

With funding support for participants, the program helps buildings navigate current and future carbon regulations while supporting long-term operational and financial performance.

Contact Information:

- **Email:** decarb@boma.bc.ca
- **Website:** https://www.boma.bc.ca/decarb-accelerator-program

The LandlordBC Rental Apartment Retrofit Accelerator (RARA)

LandlordBC (LLBC) is the largest professional association for the residential housing industry in BC. LLBC's mission is to professionalize the rental housing industry, provide education, support and advocacy, help members navigate legislation and compliance, promote safe, secure, and sustainable rental housing. LLBC hosts the Rental Apartment Retrofit Accelerator (RARA) program, a free, flexible retrofit support program for owners and managers of multi-unit residential buildings across BC. Tailored to the unique needs of each building, RARA offers support at every stage of retrofit planning and implementation. Participants receive:

- Retrofit opportunity assessment.
- Energy benchmarking.
- Feasibility studies.
- Implementation support and incentive navigation (rebates, grants, tax credits, etc.).

RARA is designed to accelerate impactful retrofits that reduce emissions, improve building performance, and support co-benefits for tenants.

Contact Information:

- ***Email:*** ianc@landlordbc.ca
- ***Website:*** https://landlordbc.ca/rara/

FRESCo Building Efficiency:

FRESCo, the authors of this report, is a multi-disciplinary building retrofit focused firm that provides energy assessments and feasibility studies, mechanical and electrical design, retrofit program design and delivery, and applied research for reports that inform policy, program design, workforce training, retrofit best practices, and identifying solutions to all the key challenges limiting building retrofits. FRESCo supports a wide range of building types including multi-unit residential, commercial, and non-profit housing. FRESCo also helps building owners and managers identify and access available incentives, such as utility rebates, grants, tax credits, and other programs, ensuring projects are financially viable and deliver energy savings, emissions reductions, operational savings, and other tenant and owner benefits

Contact Information:

- ***Email:*** **psundbeg@frescoltd.com**
- ***Website*****: https://www.frescoltd.ca/**