Clean Technology Investment Tax Credit

The Clean Economy Investment Tax Credits (ITCs), representing $93 billion in federal incentives by 2035, will play an essential role in attracting investment, supporting Canadian innovation, creating jobs and driving Canada's economy toward net zero by 2050.

Clean Technology Investment Tax Credit

The Clean Technology (CT) Investment Tax Credit (ITC) is a refundable tax credit for eligible capital invested in the adoption and operation of new CT property in Canada between March 28, 2023, and December 31, 2034.

The credit provides a refundable credit of up to 30% of the capital cost of qualifying clean technology property that is acquired and becomes available for use before December 31, 2033. A reduced rate of 15% applies to eligible property available for use in 2034, after which the Clean Technology ITC will be fully phased out.

Clean Technology ITCs may be partly recaptured if certain events occur in the year of acquisition or within the proceeding 10 calendar years.

Eligible businesses in the Atlantic Canada and Atlantic Region can claim both the CT ITC and the Atlantic Investment Tax Credit (AITC).

Eligible CT property

The CT ITC is available for investments in the following types of CT property:

- Equipment used to generate electricity from solar, wind (excluding a test wind turbine), and water energy.
- Fixed location electrical energy storage property or pumped hydroelectric energy storage property, excluding equipment that uses any fossil fuel in operation.
- Active solar heating equipment, air-source heat pumps and ground-source heat pumps.
- Non-road zero-emission vehicles and related charging and refueling equipment, including the use of hydrogen, that is used primarily for such vehicles.
- Equipment used exclusively for the purpose of generating electrical energy or heat energy (or a combination of both), solely from geothermal energy, unless it is part of a system that extracts fossil fuels for sale.
- Concentrated solar energy equipment.
- Small nuclear energy property.
- Waste biomass electricity generation equipment or waste biomass heat generation equipment that is acquired after November 20, 2023.

Supporting documentation must be retained

You may request a technical opinion from Natural Resources Canada (NRCan), as to whether equipment in a planned or complete project meets the engineering and scientific requirements of CT property.

Clean Technology Manufacturing (CTM) Investment Tax Credit (ITC)

The proposed Clean Technology Manufacturing (CTM) Investment Tax Credit (ITC) is a refundable tax credit designed to encourage investment in new clean technology manufacturing and processing and critical mineral extraction and processing in Canada, including some polymetallics. It applies to eligible property acquired on or after January 1, 2024, that becomes available for use by December 31, 2034.

Eligible taxpayers may claim a credit equal to 30% of the capital cost of qualifying property. This rate will gradually decline for property acquired in later years, decreasing to 20% in 2032, 10% in 2033, and 5% in 2034, reinforcing an incentive for earlier investment.

Clean Hydrogen Investment Tax Credit (ITC)

The proposed Clean Hydrogen (CH) Investment Tax Credit (ITC) is a refundable tax credit available for eligible clean hydrogen property acquired after March 28, 2023, that's available for use on or before December 31, 2034.

The credit supports projects that produce clean hydrogen with a carbon intensity of less than 4 kilograms of carbon dioxide equivalent (CO_2e) per kilogram of hydrogen. It may also extend to the production of clean ammonia, provided it's derived from clean hydrogen generated by a qualifying project.

The value of the credit ranges from 15% to 40% of eligible capital costs, depending on the project's carbon intensity—lower-emission projects receive higher credit rates.

Carbon Capture, Utilization, and Storage (CCUS) Investment Tax Credit (ITC)

The Carbon Capture, Utilization and Storage (CCUS) ITC is a refundable tax credit for eligible expenditures incurred on qualified CCUS projects between January 1, 2022, and December 31, 2040. The credit is available across a broad range of industrial applications, including concrete, plastics, and fuels, provided that at least 10% of the captured CO_2 is put to an eligible use.

The CCUS ITC is related to the acquisition of property in specific industries to capture CO_2 emissions from fuel combustion, industrial processes, or directly from the air, as well as equipment used to transport, store, or utilize the captured carbon.

The credit is based on the type of eligible expenditure and generally provides:

- 60% for qualified carbon capture equipment used in direct air capture (DAC) projects.
- 50% for other qualified carbon capture equipment.
- 37.5% for qualified transportation, storage, and utilization equipment.

These rates apply through 2030 and are reduced by half for expenditures from 2036 to 2040.

Generally, only one of the clean economy ITCs can be claimed for the same property. Multiple ITCs for the same project may be claimed if the project includes different types of eligible property.

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