2025-1081921E5 -- Labour requirements—Preparation or Installation
Date: February 25, 2026

Please note that the following document, although believed to be correct at the time of issue, may not represent the current position of the CRA.

Prenez note que ce document, bien qu'exact au moment émis, peut ne pas représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES

Assuming all the other conditions to qualify for the CCUS ITC are met, whether the activities of: (i) excavating a hole into which a foundation will be placed that will solely be used for the installation or operation of a Class 57 paragraph (a) property, and (ii) the installation of pilings and the pouring of concrete into the hole in order to construct the foundation, are considered to be the "preparation or installation of specified property" for purposes of the labour requirements in section 127.46.

POSITION

Yes.

REASONS

The foundation appears to be described in paragraph (f) of Class 57 and would therefore be a specified property, assuming all the other conditions to qualify for the CCUS ITC are met. The excavation of the hole into which the foundation will be placed, the installation of the pilings and the pouring of the concrete to construct the foundation are part of the installation of the foundation (a specified property) and therefore would constitute the "preparation or installation of specified property".

XXXXXXXXXX 2025-108192

Fiona Lin

February 25, 2026

Dear XXXXXXXXXX,

Re: Labour Requirements—the meaning of "preparation or installation of specified property"

We are writing in response to your email inquiry sent to Kim Wharram of the Income Tax Rulings Directorate on October 15, 2025.

In your email you presented us with a hypothetical fact scenario and a list of questions relating to the labour requirements[1] for the purposes of the carbon capture, utilization and storage investment tax credit ("CCUS ITC"). This letter responds to the sixth question which asks for a clarification of the meaning and the scope of the phrase "preparation or installation of specified property" contained in the labour requirements in section 127.46 of the *Income Tax Act*. A separate letter (reference no. XXXXXXXXXX) will be sent to you in response to the other questions.

Unless otherwise stated, all references to a statute are to the relevant provision of the *Income Tax Act* R.S.C. 1985 (5th Supp.), c.1, as amended (the "Act"), or, where appropriate, the *Income Tax Regulations*, C.R.C., c.945, as amended (the "Regulations").

Relevant hypothetical fact scenario

- A taxable Canadian corporation ("Canco") will acquire a piece of equipment (the "Property") described in paragraph (a) of Class 57 in Schedule II to the Regulations in respect of a qualified CCUS project (as defined in subsection 127.44(1) of the Act) of Canco.
- The Property will be located at the site of the CCUS project, which will be a "designated work site" of Canco, as that term is defined in subsection 127.46(1).
- Covered workers (as defined in subsection 127.46(1)) will be engaged in the preparation or installation of the Property at the designated work site of Canco.
- The Property is industrial equipment that is of substantial size. A concrete base/foundation (the "Foundation"), which is substantial in size and a separate property from the Property, will be constructed to exclusively support the Property. The Foundation will permanently remain in the ground and will be used all or substantially all for the installation or operation of the Property.
- In order to construct the Foundation:
    - a hole will be excavated at the designated work site of Canco for placing the Foundation;
    - pilings will be installed inside the hole; and
    - concrete will be poured into the hole to build the Foundation.
    - Canco intends to elect to meet the labour requirements under subsection 127.46(2) of the Act.

Question

Assuming all the other conditions to qualify for the CCUS ITC are met by Canco, whether the activities of: (i) excavating a hole into which the Foundation will be placed and (ii) the installation of pilings and the pouring of concrete into the hole in order to construct the Foundation, are considered to be the "preparation or installation of specified property" for purposes of the labour requirements in section 127.46.

Our Comments

This technical interpretation provides general comments about the provisions of the *Income Tax Act* and related legislation (where referenced). It does not confirm the income tax treatment of a particular situation involving a specific taxpayer but is intended to assist you in making that determination. The income tax treatment of particular transactions proposed by a specific taxpayer will only be confirmed by this Directorate in the context of an advance income tax ruling request submitted in the manner set out in Information Circular IC 70-6R12, Advance Income Tax Rulings and Technical Interpretations.

Relevant Legislative Provisions

To be eligible for the CCUS ITC, a cost must be a qualified CCUS expenditure (as defined in subsection 127.44(1)). Qualified CCUS expenditures generally include the capital cost of Class 57 property, Class 58 property, and dual-use equipment in respect of a qualified CCUS project of a taxpayer, subject to various adjustments set out in section 127.44.

The "regular tax credit rate" (as defined in subsection 127.46(1)) for the CCUS ITC is currently 60%, 50%, or 37.5%, depending on the type of qualified CCUS expenditure. However, pursuant to subsection 127.46(2), the regular tax credit rate for a specified tax credit, such as the CCUS ITC, will be reduced by 10 percentage points, unless the incentive claimant elects in prescribed form and manner to meet the prevailing wage requirements in subsection 127.46(3) and the apprenticeship requirements in subsection 127.46(5) for each installation taxation year in respect of the specified tax credit.

One of the conditions to meet the prevailing wage requirements is that each covered worker at a designated work site of an incentive claimant must be compensated for their work on the preparation or installation of specified property in accordance with the requirements set out in clause 127.46(3)(b)(i)(A) or (B), as applicable.[2] "Specified property" is defined in subsection 127.46(1) as "property all or a portion of the cost of which qualifies for a specified tax credit".

Response

Based on the hypothetical facts provided above, the Foundation will be constructed by installing the pilings and pouring the concrete into the hole in which the Foundation will be constructed. The Foundation will be of substantial size, will permanently remain in the ground, and will be used all or substantially all for the installation or operation of the Property, which is a Class 57 paragraph (a) property. As a result, it appears that the Foundation would fall within paragraph (f) of Class 57, such that the capital cost of the Foundation would qualify for the CCUS ITC, assuming all the other conditions to qualify for the CCUS ITC are met by Canco and subject to the various adjustments set out in section 127.44. Accordingly, the Foundation itself appears to be a "specified property", as that term is defined in subsection 127.46(1).

As a result, Canco would be subject to the labour requirements for the preparation or installation of the Foundation (a specified property), provided that Canco elects to meet the labour requirements under subsection 127.46(2). In our view, this would include the excavation of the hole into which the Foundation will be placed, the installation of the pilings and the pouring of the concrete to construct the Foundation. All of these activities are part of the installation of the Foundation and therefore would constitute the "preparation or installation of specified property" for purposes of the labour requirements in section 127.46.

We trust that these comments will be of assistance.

Yours truly,

Kimberley Wharram

Manager

Resources Section

for Division Director

Reorganizations Division

Income Tax Rulings Directorate

Legislative Policy and Regulatory Affairs Branch

Footnotes

1 The term “labour requirements” refers to the prevailing wage requirements in subsection 127.46(3) and the apprenticeship requirements in subsection 127.46(5), collectively.

2 The phrase “preparation or installation of specified property” appears in various other provisions within section 127.46 as well.