Canada extends clean economy ITC filing deadlines

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Over the past few years Canada has introduced a series of “clean economy” investment tax credits (ITCs) designed to support Canada’s transition towards a net-zero economy by 2050. These new ITCs (described here) represent a major tax policy expenditure by the Canadian government, with tax credit rates as high as 60 per cent of qualifying expenditures.

The general rule for claiming clean economy ITCs in any given taxation year is that the prescribed form must be completed and submitted to the Canada Revenue Agency within the later of (1) one year following that year’s tax return filing due date (generally 6 months after the taxation year-end), and (2) Dec. 31, 2025, with no discretion for the Canada Revenue Agency to accept claims received after that deadline. This time limit may be ready attainable for most clean economy ITC claimants. However, in a number of cases it could be a challenge for taxpayers faced with interpretational uncertainty in understanding the rules and/or practical difficulties in ensuring compliance (in particular with the labour requirements in s. 127.46 of the *Income Tax Act* (Canada)) to meet this deadline.

In its omnibus legislation to implement various provisions of the federal budget of November 4, 2025, the federal government helpfully included provisions to extend the time in which taxpayers may file their clean economy ITC claims. Specifically, Bill C-15 proposes to amend the following provisions:

- for the carbon capture, utilization and storage (CCUS) ITC, s. 127.44(17);
- for the clean technology ITC, s. 127.45(3)
- for the clean hydrogen ITC, s. 127.48(4);
- for the clean technology manufacturing ITC, s. 127.49(3) ; and
- for the clean electricity ITC, draft s. 127.491(6).

In each case, the amendment extends the deadline for filing clean economy ITC claims for any particular taxation year to the later of (1) one year after the tax return filing due date for that year, and (2) Dec. 31, 2026. For each particular clean economy ITC, the proposed amendment is applicable retroactively to the date on which expenditures for that particular clean economy ITC first became ITC-eligible. While this measure will be helpful for claimants of all clean economy ITCs, it will likely be of greatest assistance for

taxpayers claiming the CCUS ITC, since that particular clean economy ITC has the earliest eligibility date (Jan. 1, 2022).

With Bill C-15 having cleared the House of Commons and now before the Senate, the enactment of this measure would seem fairly certain. The government is to be commended for taking action to give taxpayers more time to complete and verify their clean economy ITC claims, which is in the interests of both taxpayers and tax administrators.

By

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