Regulations covering capital-cost allowances (depreciation) permit taxpayers to deduct over a period of years the actual cost of all depreciable property. The yearly deductions of normal capital-cost allowances are computed on the diminishing balance principle. (Taxpayers engaged in farming and fishing may choose between this and the straight-line method.) Published regulations establish a number of classes of property and maximum rates. There is provision for recapture of any amount allowed in excess of the ultimate net capital cost of any asset.

Accelerated depreciation is available to taxpayers in certain circumstances and for a limited period of time. Straight-line depreciation at a rate not exceeding 50 per cent is granted in respect of new machinery and equipment that would otherwise fall in Class 8 of the Income Tax Regulations acquired in the period June 14, 1963, to December 31, 1966, for use in manufacturing or processing businesses by individuals resident in Canada or by companies resident in Canada that have a degree of Canadian ownership. A company that has a degree of Canadian ownership is one which, throughout the 60-day period included in the 120-day period commencing 60 days before the first day of the year in question, complies with the following conditions:

(1) it was resident in Canada;

(2) not less than 25 per cent of its directors were residents of Canada; and

(3) either

(a) not less than 25 per cent of its shares having full voting rights and shares representing not less than 25 per cent of its equity-share capital were owned by individuals resident in Canada or corporations controlled in Canada; or

(b) a class or classes of its shares having full voting rights were listed on a Canadian stock exchange and no one non-resident person and no one corporation that did not comply with (a) above owned more than 75 per cent of the shares having full voting rights, and equity shares of the corporation representing not less than 50 per cent of the equity-share capital of the corporation were listed on a Canadian stock exchange and no one non-resident person or no one corporation that did not comply with (a) above owned equity shares representing more than 75 per cent of its equity-share capital.

For new manufacturing or processing businesses in designated areas of slower growth, there is no requirement that they have a degree of Canadian ownership to qualify for this 50 percent straight-line depreciation. Moreover, the period during which their expenditures on eligible assets qualify for accelerated write-off extends from December 5, 1963, to March 31, 1967. Depreciation at the accelerated rate of 20 per cent on a straight-line basis is also available