



The Government Wants to Give You an Extra \$5,000 — But There's a Catch!

Description

With the tax deadline quickly approaching, many Canadians are likely scrambling to find last-minute tax deductions. If used properly, these deductions can help reduce taxes significantly. However, in addition to tax deductions, there are several purchase incentives that the Government of Canada provides to consumers. These incentives directly reduce the purchase price of certain products and are thus an indirect way of putting money back in the pockets of taxpayers.

One of these incentives is for zero-emission vehicles (ZEVs) and is called the [iZEV Program](#). The iZEV Program offers purchasers or leasers up to \$5,000 off the price of certain eligible ZEVs. The incentives are applied directly at the point of sale. This means that buyers will receive an immediate reduction in the price of certain ZEVs.

ZEV makers, such as **Tesla**, have seen a lot of success over the past year. However, this little-known Canadian company also stands to benefit significantly from the adoption of ZEVs. You may even consider using that \$5,000 you save on a new ZEV to buy some shares of this company.

A global automotive leader

Magna International ([TSX:MG](#))([NYSE:MGA](#)) is a global automotive powerhouse. The [company](#) is a tier one automotive supplier and counts the largest names in the global auto industry as clients. Magna has a large presence in North America and Europe as well as a growing presence in Asia. Magna is poised to benefit from the adoption of ZEVs in several ways.

First, Magna supplies components for several ZEVs. For example, Magna produces the BMW i3 liftgate. The BMW i3 is one of the ZEVs that the iZEV Program covers. Ultimately, Magna stands to benefit as more customers release ZEVs, and Magna supplies components for those ZEVs.

Second, Magna owns Magna Steyr, a contract manufacturer of vehicles. If vehicle manufacturers don't want to undergo the capital and operational complexity of producing a new vehicle, they can contract with Magna Steyr to build the vehicle for them. Magna Steyr does this in Graz, Austria. As some vehicle manufacturers enter the ZEV space, they may turn to Magna Steyr to build their initial ZEV

models. This occurred with Jaguar and the Jaguar I-PACE.

Third, Magna has a diversified customer base. Magna supplies many different automakers in multiple regions around the world. Thus, if ZEV adoption begins to accelerate in one region of the world while taking longer to develop in others, Magna is still in a good position to capitalize on the overall ZEV trend.

Takeaway

The Government of Canada is ready to give you (or more accurately, your car dealer) up to \$5,000 towards the purchase or lease of a ZEV. While this isn't a direct payment that you can take to the bank, it may be a significant factor in your next vehicle purchasing decision.

An extra \$5,000 that you don't have to spend on a car is an extra \$5,000 that you can invest for your future. If you invest that \$5,000 and can obtain a 10% annual return on it, you can turn that \$5,000 into \$10,000 in just over seven years. There are several stocks on the **TSX** that can easily help you reach this goal. Magna certainly appears to be one of them.

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