



CRA Tax Break: New Rules Mean a New Car

Description

There was so much going on this tax season, it's easy to think you may have forgotten a few new credits. The Canadian government tends to add a few new credits and tax breaks each year, and 2019 was no exception. However, with the pandemic taking over the headlines, a tax break was likely the last thing you noticed.

Whether you filed your taxes on time or not, even with the deadline, there are still tax breaks you can look into for the upcoming year. Canadians need every penny they can get, so one thing you'd hope wouldn't happen is the *need* to spend money.

If you were unlucky enough to have your car die out on you or if you just need to start looking into a new vehicle, then you're in luck. There's a brand new tax break just for you.

The EV tax break

The popularity of [electric vehicles \(EV\)](#) has hit both buyers and investors. In the markets, EV stocks have soared this past year, becoming defensive stocks at a time of uncertainty. Meanwhile, after a slump in the purchases of new EVs, there has been a rise this year. That's likely for one reason: a tax break

The government of Canada announced a brand new tax break for the 2019 year that applies to EVs you can now take advantage of. The program will last from the 2019 to 2024 tax year, so from your 2020 to 2025 filing. That means you can start taking advantage of this tax break right now!

The details

If you're thinking about buying a new car, it doesn't get much better than buying a brand new EV. To be eligible, you must buy a battery electric, plug-in hybrid, or hydrogen fuel cell car. These must be zero emission vehicle, acquired after Mar. 18, 2019, and be available before 2024.

There are multiple incentives to buying these vehicles. First, there is the old bonus of getting \$5,000 from the government for buying them, or \$2,500 for shorter-range vehicles. But the new tax break states that if you are using the car for your business (self-employed or otherwise), you can claim 100% tax deductible for the first year, up to a limit of \$55,000. The government will then phase this out to 75% for 2024 and 2025, and 55% for 2026 and 2027.

This incentive is working so far. The government blew through almost half its three-year budget this year. So, hopefully, the program will be expanded soon. But that also means you might want to get a new car before the program is suspended.

Invest elsewhere too!

Of course buying a car isn't the only way to take advantage of this program. There's also investing in EV stocks themselves. In the United States, multiple EV car makers have seen shares soar. Here in Canada, we may not have EV stocks, but we do have a very necessary part of the process: lithium.

If you're looking to invest in EVs, then **Lithium Americas Corp.** ([TSX:LAC](#))([NYSE:LAC](#)) is the perfect place. The company mines for lithium, and while it has experienced a slump during the pandemic, it's already [bouncing back](#) as countries around the world reopen.

Yet despite news of the slump, the stock is doing great. In fact, it's already reaching heights not seen since 2017! Yet another reason to get in before the EV explosion.

Bottom line:

It's both the perfect time to take advantage of this tax break, and the perfect time to invest in EV solutions like lithium. If you need a new car, it's usually because you're desperate — especially now, with a pandemic upon us. While this is limited for the next few years, choosing the right car could last you a decade.

And if the government budget continues to be blown out of the water, the initiative could be cut short. Meanwhile, use this new information to invest, and not only save money, but make money.

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