

FEDERAL TAX DEDUCTION FOR APPRENTICE TOOLS STARTS JAN. 1, 2002**Industry groups successful in changing budget****January 2, 2002**

Thanks to the persistent effort of a joint lobby of industry associations (such as the Automotive Industries Association of Canada), private companies and dedicated individuals, Finance Minister Paul Martin announced in his December 10 budget, tax relief plans for automotive apprentices.

Effective January 1, 2002, apprentices in the motive power trades will be able to deduct the costs of their tools from their income tax.

The cost of tools required by apprentices in order to work has been viewed as a serious barrier to attracting more apprentices into the automotive repair industries.

The Minister announced that the tax relief is in the form of a tax deduction versus a tax credit. All tools purchased in a tax return year will be eligible, less a deduction of the greater of \$1,000 and 5% of an individual's apprenticeship income for the year.

Apprenticeship tool loans, such as Ontario's \$800 interest-free loan for the purchase of an apprentice's tools, will not affect the credit.

Any part of the eligible deduction not taken in the year the tools are purchased can be carried forward and deducted in subsequent taxation years. The individual will also be eligible for a rebate of the goods and services tax/harmonized tax paid on the portion of the purchase price that is deducted in calculating employment income.

The apprentice's employer will need to certify that the tools are required as a condition of, and for use in, the apprenticeship.

The following has been provided by the government as a sample tool tax deduction example:

Alexandra, an automotive service technician apprentice earns \$25,000 as an apprentice in a year and spends \$5,000 on new tools in the year. Alexandra's deduction is \$3,750 (\$5,000-\$1,250 (the greater of \$1,000 and 5% of \$25,000)), representing a federal income tax savings of \$600.

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