CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

CFE CANDIDATE NUMBER:

Common Final Examination
May 21, 2025 – Day 1
(Booklet #1 – VTL Version 1)

Total examination time: 4 hours.
Further details on the examination can be found on the next page.

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1. Fill in your candidate number on the booklets. The examination booklets (or paper response, as instructed) must be submitted before leaving the examination writing centre. They must NOT BE REMOVED from the writing centre. If these items are not received, the response may not be accepted.
2. Follow the instructions provided. Instructions must not be removed from the writing centre.
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____________________________ ____________________________

CANDIDATE NAME (Please print) SIGNATURE

Examination Details

The examination consists of:
Booklet #1 – Linked Case (240 minutes) (this booklet)
Booklet #2 – Capstone 1 Case (for reference) and rough notes

The case should be answered using the examination software provided, which includes a word processor and spreadsheet for inputting your response. The main body of your response should be in the word processor file. Only supporting calculations should appear in the spreadsheet file, in **Sheet 1**. All financial tables in the case with ten lines or more have been preloaded into the spreadsheets that follow Sheet 1. Those spreadsheets are in read-only mode. You must copy and paste the financial information into your Sheet 1, where you can then do all your calculations. You are responsible for clearly explaining all your calculations.

Answers or part answers will not be evaluated if they are recorded on anything other than the examination software or, in the event of computer failure, the CPA Canada writing paper provided.

Rough-note paper is available in a separate booklet, which also includes a copy of the Capstone 1 case for reference only. Rough notes, and any other notations made in the examination booklets, will not be evaluated.

The CPA Canada Handbooks, the *Income Tax Act* and the *Excise Tax Act* are available in the examination software throughout the entire examination. These materials provide the standards in effect and tax laws substantively enacted as at December 31, 2024.

A tax shield formula and other relevant tax information are available at the end of this booklet.

Candidates are instructed to consider and respond to the examination questions as presented even though the circumstances described in the examination questions may not be reflective of the current environment.

Common Final Examination, 2025

Chartered Professional Accountants of Canada
277 Wellington Street West
Toronto, Ontario M5V 3H2

<u>Case</u> **(Suggested time: 240 minutes)**

It is May 17, 2027, and you, CPA, are still working at Bowden, Krauss, and Rideau LLP (BKR). Viviana's Trattoria Ltd. (VTL) has again engaged BKR to assist with its strategic analysis and planning.

In 2025, VTL accepted two strategic proposals. First, the company closed its four struggling restaurants and decided against allowing its chefs to make local variations of VTL's restaurant menu. Second, the company decided to manufacture Viviana's famous vegetable pasta sauce and distribute it through Special Foods Distributors Ltd. (SFDL). Both decisions have so far proven successful. At present, both the reviews for VTL's restaurants and its customer loyalty have never been better. Further, VTL's brand recognition has grown because of the company's pasta sauce product, which is currently offered across Canada in some small- to mid-sized grocery stores.

In 2026, an increase in the cost of living led to a drop in household disposable income and consumer spending, pushing the Canadian economy into a recession. However, with wages expected to rise, most economists forecast a mild recession, anticipating a rebound in consumer spending and more favourable economic conditions within the next two years.

Given the decline in disposable income, reduced spending at full-service restaurants is an industry-wide concern, as more Canadians are choosing lower cost options instead of dining out. Quick-service restaurants and grocery stores have seen an increase in sales, given that they offer customers cheaper food options compared to full-service restaurants. These trends are expected to continue until the economy recovers from the current recession. As a result, VTL has suffered a drop in the number of customers at several of its restaurants.

Since 2018, VTL has not changed its vision, mission, or core values, apart from revising the vision and mission statements to include its new manufacturing operation. Both the vision and mission statement now include a pledge to produce high-quality, superior-tasting Italian foods through the company's manufacturing operation.

For any new strategic investments, VTL currently has $2.5 million of investment capital available. This strict spending limit has been carefully set to ensure VTL can continue to repay its debt, as well as pay the annual dividends on the company's preferred shares.

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VTL's Board of Directors would like to use the company's available investment capital to meet the following objectives:

- Increase the company's annual cash flow by $750,000 within three years.
- Position the company as well as possible for future growth.
- Increase the number of customers visiting VTL's existing restaurants.

VTL's board has asked you to review the information provided and draft a report that discusses VTL's main strategic considerations, including strategically analyzing and making a recommendation for each proposal presented. For this engagement, ignore any tax implications within your analysis and recommendations.

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APPENDIX I
BOARD MEETING WITH CPA IN ATTENDANCE

May 17, 2027

Marco: Salutations everyone, and thank you for joining us today, CPA.

Before we discuss the investment opportunities, I want to address a significant industry development. Due to an ongoing drought in California that has worsened over the past year, it is getting increasingly difficult to procure high-quality produce. Because of the decline in both the quality and availability of Californian produce, many American companies have begun purchasing their supplies from Canadian farmers.

Bianca: I have noticed our local suppliers in British Columbia have recently increased their prices, especially the price of tomatoes. This is a major concern because tomatoes are perhaps the most important ingredient we use in our restaurants.

Marco: Yes Bianca, I'm not surprised. The tomato crop has been particularly affected by the drought. Based on the research my team at Global Home Foods Ltd. (GHFL) has performed, we should expect those prices to continue to increase, potentially significantly. GHFL has already begun risk management procedures and has attempted to lock in as many long-term supply contracts as possible. But unfortunately, no Canadian farms have been willing to agree to such contracts, given the expected decline in produce availability. It is possible the drought could last for years.

Sofia: Our existing strategy to sign only short-term supply contracts has always ensured we can choose the highest quality and freshest ingredients, which our reputation was built on. But if prices continue to rise while quality declines, our entire business will be affected.

Nicholas: Agreed, and this uncertainty could not have come at a worse time, as the popularity of VTL's manufactured vegetable pasta sauce is quickly increasing. We can barely keep up with demand! What's more, Caroline from SFDL has proven to be an asset, and she wants to expand our current distribution agreement, which is set to expire soon. She says the time is right to manufacture and introduce more VTL products.

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APPENDIX I (CONTINUED)
BOARD MEETING WITH CPA IN ATTENDANCE

May 17, 2027

Antonio: I agree with Caroline. Not only have the sales of Viviana's sauce exceeded our expectations, but the sauce has also helped promote the VTL brand, which has brought in new customers to our restaurants. If we begin to offer more products, that trend should continue. What kind of expansion did Caroline suggest?

Nicholas: She thinks introducing two new pasta sauces would be ideal, because without at least three products total, it is unlikely that any large grocery store chain will consider offering Viviana's pasta sauces. So, with two new products, the growth rate of our pasta sauce sales is likely to be especially strong. But she also said that adding just one additional new product would be great if that's all we can commit to. Regardless, because the facility where we manufacture our vegetable pasta sauce is not big enough to manufacture additional products, we will need to lease another facility.

Bianca: I have two new potential pasta sauces in mind: a marinara sauce and a bolognese sauce. These have always been popular choices among our restaurant customers, especially the marinara sauce. I am also confident that these recipes would transfer well to the manufacturing process.

Marco: I see two considerable challenges. First, unlike with our original manufacturing facility, we would need to find and hire all the managers and staff required to operate the new facility—which would be harder to do with two new products instead of just one. Second, I am not sure whether we will be able to procure the high-quality ingredients necessary to produce these products. Tomatoes are the main ingredient in both marinara and bolognese sauce.

Sofia: I think this expansion, whether it's one or two new products, is premature. First, it has barely been a year since we offered the vegetable pasta sauce in stores. Although it has been successful so far, the product's long-term success is far from certain. Second, our current agreement with SFDL is restrictive because we cannot use any other distributor. That limits our ability to take better opportunities should they arise. Does the expanded agreement proposed by Caroline contain the same exclusivity clause?

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APPENDIX I (CONTINUED)
BOARD MEETING WITH CPA IN ATTENDANCE

May 17, 2027

Nicholas: It does. If we agree to it, we can only sell our manufactured products to SFDL or within VTL's restaurants.

Sofia: I am also concerned that we are giving too much attention to our manufactured products at a time when our company faces other challenges. Our restaurants are the most important part of VTL's business.

Antonio: I agree, Sofia. That's why continuing to use SFDL is attractive. Caroline is highly competent, and our arrangement with SFDL simplifies our process because we don't need to worry about distributing our products across the country ourselves. This also helps reduce the administrative burden of our manufacturing operation.

Nicholas: I also like how this expansion will further diversify VTL's sources of revenue. With the ongoing uncertainty in the industry and economy, the more sources of revenue we have, the better.

Antonio: As well, we have yet to cross-promote our manufactured products and our restaurants. By offering a promotion that provides coupons for our restaurants to customers who purchase our manufactured products, we might boost the sales of our sauces and our restaurant revenue at the same time. This could be especially appealing to VTL's customers during these tough economic times.

Marco: Good point, Antonio. I have put together some additional information for the two potential expansion scenarios that we should consider.

Nicholas: Okay, moving on. Sofia, please present the next opportunity.

Sofia: Bella Mercato Inc. (Bella) owns four Italian markets in three major Canadian cities. There are two Bella locations in Toronto and one in each of Vancouver and Montreal. Bella's markets are similar to mid-sized grocery stores, but they focus solely on selling classic Italian products. Each Bella market has a produce, meat, and bakery department, as well as a wide variety of Italian oils, pasta sauces, cheeses, coffees, and other packaged and specialty products.

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APPENDIX I (CONTINUED)
BOARD MEETING WITH CPA IN ATTENDANCE

May 17, 2027

Antonio: I am familiar with Bella—their Toronto markets are located in prime areas of the city. Although they have been around for only a few years, they are already popular. What's the opportunity?

Sofia: Bella's current locations do not offer hot, ready-to-eat food. Bella is convinced that by adding this service, they will attract even more customers. Therefore, Bella plans to introduce a quick-service food window where freshly cooked Italian classics can be purchased at each of its locations. Recognizing our expertise, Bella wants to work with VTL.

At present, the company has offered VTL 20% of Bella's outstanding common shares in exchange for $2 million plus the agreement that VTL will manage and operate the new food windows, which will be branded "Viviana's Osteria."

Marco: Using our limited supply of ingredients to support a different business is risky.

Sofia: I agree, Marco, but Bella has several long-term contracts with its produce suppliers, so it can provide all the fresh ingredients we need to operate the food windows. VTL would only be responsible for staffing each kitchen and cooking the food. That's what makes Bella's offer particularly attractive.

Bianca: It would be a challenge to staff four kitchens with qualified chefs and support cooks. I would need to train the chefs myself, which would be time consuming. Would we need to open all four food windows at once?

Sofia: Yes. Bella's objective is to introduce these new food windows within the next year. But compared to our full-service restaurants, the menu for these quick-service food windows is much simpler. Bella's menu would be limited to three or four meal options each day that can be cooked in large batches, which means fewer cooks will be required. As well, any leftovers will be sold as ready-to-eat meals that can be reheated at home.

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APPENDIX I (CONTINUED)
BOARD MEETING WITH CPA IN ATTENDANCE

May 17, 2027

Nicholas: Why would we invest our time and money in a retail business? We know nothing about retail!

Sofia: Dad, you were just saying how important diversification is, and I agree. Bella's offer provides us with a great way to achieve that. Also, Bella has an ambitious expansion plan. After the food windows are open and Bella has had enough time to raise more money by issuing more common shares, it plans to open two additional locations—one more in Toronto and another in Vancouver.

Nicholas: That's a good point, Sofia. But I am also reluctant to attach our brand to a venture we have so little control over. Both Bella's produce suppliers and this type of menu would be new to us. How can we ensure VTL's standard level of quality?

Sofia: Mom's recipes are the best in the business, Dad! The meals we make at Viviana's Osteria will always be of the highest quality.

One last thing, Bella also mentioned that VTL's manufactured food products would be prominently displayed and sold within each Bella location if we agree to invest.

Nicholas: Okay, let's move on. Antonio, you're next.

Antonio: Thanks, Dad! Okay, as you all know, the dining rooms of our restaurants are only used at full capacity during the peak lunch and dinner hours. For the rest of the day, there's underutilized space that I think we can put to better use.

Nicholas: What do you suggest?

Antonio: For a total renovation cost of $1.2 million, we could downsize the dining room of each of our eight restaurants to include a small boutique retail shop. Within each retail shop, we could sell specialty Italian products in addition to ready-to-eat meals that our chefs prepare fresh each day.

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APPENDIX I (CONTINUED)
BOARD MEETING WITH CPA IN ATTENDANCE

May 17, 2027

Sofia: If we downsize our dining rooms, we will need to turn customers away during peak hours—that would lower our revenue and could upset our loyal customers.

Antonio: The economic downturn has already caused the revenue growth of our restaurants to stagnate. In fact, several VTL restaurants have seen a considerable drop in their number of customers. If we repurpose a portion of the dining room for retail, we could win back customers who are looking for lower-cost alternatives.

I have provided additional details on the expected impact of introducing a retail shop for our restaurant location that has been most severely affected by the recession, TOR3.

Nicholas: With our own retail shops, we could sell VTL manufactured products without violating our distribution agreement with SFDL.

Marco: Yes, Dad. We would also be able to reduce food wastage by using whatever leftover restaurant ingredients we have to make ready-to-eat food that we can sell at discounted prices.

Antonio: As well, if we move forward with the Bella investment, we could take what we learn there and apply it to our own retail operations.

Bianca: Would we need to close our restaurants during renovations?

Antonio: Yes, but only for a short time. It would take just four to six weeks to renovate each location.

Sofia: I am worried about how this will affect the atmosphere of our restaurants. The dining experience of our restaurant customers could easily be damaged by having retail shop customers frequently coming and going through the front door.

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APPENDIX I (CONTINUED)
BOARD MEETING WITH CPA IN ATTENDANCE

May 17, 2027

Nicholas: Okay, last up is Vita Napoli (Vita), a company located near Naples, Italy—an area renowned for its traditional Italian cuisine. Vita has offered VTL the opportunity to sign a supply agreement.

Vita grows, processes, and exports a variety of produce used in Italian cuisine. Vita does not currently have an existing agreement with a Canadian company. Because of our family connections back in Italy, Vita has offered VTL an exclusive supply agreement for an initial fee of $1 million. If we sign the agreement, VTL would be the only company in Canada to import Vita's products.

Marco: Interesting. What do we know about the quality of Vita's products?

Nicholas: To maintain freshness, Vita processes its produce into premium canned products immediately after harvest. Vita's main export is tomatoes, but it also offers a variety of other canned vegetables, such as carrots, olives, artichokes, peppers, and mushrooms.

Once we receive Vita's products in Canada, we are free to use them in any way we wish. For example, Caroline expressed a strong interest in distributing Vita's products for VTL within Canada. We could also use Vita's products to support our own operations.

Sofia: Would these products be labelled with VTL's brand?

Nicholas: No, Vita will not allow that. Instead, the products will come with Vita's original label. However, because Vita has earned the required certification from the Italian government authority, its label includes a proof of origin and product quality.

Bianca: I am not sure about this, Dad. We always do our best to use only local suppliers. Does the agreement come with any restrictions?

Nicholas: Yes, the agreement requires a minimum annual purchase obligation, so VTL would need to spend at least that amount on Vita's products each year. But from what I can gather, Vita could ship much more product to Canada above the minimum purchase obligation.

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APPENDIX I (CONTINUED)
BOARD MEETING WITH CPA IN ATTENDANCE

May 17, 2027

Sofia: Working with an overseas company would complicate our processes. How often can Vita provide VTL with a shipment of products?

Nicholas: Only once per quarter, so we would need a storage facility. But because we would be buying in large quantities, our food expense would be slightly lowered. In fact, based on my initial analysis, the cost of Vita's tomatoes is essentially the same as the average price we paid in 2026.

Antonio: That may be, but these tomatoes would be far from fresh, which is something we have always prided ourselves on. As well, if the quality of Vita's produce declines, we would be stuck in a contract that forces us to still buy their product.

Nicholas: Vita has been in business for many decades, and their products have always been held in high regard. As well, all Vita products have a shelf life of at least two years.

Bianca: Although I am not very familiar with Vita, our restaurants occasionally use imported ingredients from Italy whenever we are short on our typical supplies. Many Italian brands, especially ones certified by the Italian government authority, have a surprisingly rich taste.

Nicholas: Okay everyone, thanks so much for your input. Although we only have \$2.5 million available for investment, if we use it wisely, I believe we can position VTL to thrive well into the future. CPA, we look forward to reading your report. Meeting adjourned.

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APPENDIX II
EXPANSION OF MANUFACTURING OPERATION

Prepared by Marco

Option A

The facility is only large enough to manufacture one new product, the marinara sauce. The production equipment will cost $3.25 million; however, the bank is willing to lend us $2.275 million, which will reduce our upfront cost to $975,000. Our annual loan repayment would be $325,000.

Option B

The facility is significantly larger relative to Option A and could manufacture both new proposed sauces. In addition, the size of the facility would allow VTL to produce a larger quantity of marinara sauce compared to Option A if customer demand were to increase. The production equipment will cost $5.525 million; however, the bank is willing to lend us $3.675 million, which will reduce our upfront cost to $1.85 million. Our annual loan repayment would be $525,000.

Earning Projections

Based on the information provided by Caroline, as well as our experience with the original vegetable pasta sauce product, I have prepared the following earning estimates:

Item	Option A ($)	Option B ($)
Revenue	3,721,000	7,591,000
Variable operating costs (Note 1)	2,047,000	4,175,000
Fixed operating costs	686,000	1,303,000
Amortization	550,000	950,000
Net income	438,000	1,163,000

Note 1: The variable operating cost projection is based on the average price VTL paid in 2026 to purchase tomatoes. However, given the scarcity concern, these costs could rise by 20% in the moderate case or 35% in the more severe case.

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APPENDIX III
INVESTMENT IN BELLA AND VIVIANA'S OSTERIA

Prepared by Sofia

Each Viviana's Osteria food window will be open from 11 am to 7 pm and will offer both hot food and a variety of ready-to-eat meals that can be reheated at home.

If VTL prefers, the $2 million required investment can be split into two equal payments, the first in 2027 and the second in 2028. In return for its investment, VTL will be entitled to 20% of Bella's guaranteed annual dividend. A representative from VTL will also be given a board position on Bella's five-person board of directors. According to Bella's shareholder agreement, the guaranteed annual dividend will equal 35% of Bella's annual net income and will increase to 40% if Bella's annual revenue exceeds $80 million.

Bella provided the following annual projections based on the combined actual results from its four existing locations during the prior year (2026):

Item	Actual Results (Audited) ($)	Projection Including New Food Windows (Note 1) ($)	Projection Including Next Expansion (Note 2) ($)
Revenue	64,400,000	74,060,000	115,534,000
Gross profit	25,760,000	29,624,000	46,214,000
Net income	6,118,000	7,036,000	10,976,000

Note 1: This projection is based on Bella's estimated annual earnings after all existing Bella locations have been renovated to include a Viviana's Osteria.

Note 2: This projection is based on Bella's estimated annual earnings after Bella's next planned expansion involving two new locations (each new location will include a Viviana's Osteria). An exact timeline has not been established for this expansion, but it is most likely to occur in four years.

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APPENDIX IV
RENOVATION OF RESTAURANTS FOR RETAIL BOUTIQUES

Prepared by Antonio

The TOR3 location earned $3.06 million during 2026, 45% of which was earned during the peak lunch and dinner hours. Only during these peak times is the dining room used at full capacity. Outside of peak hours, the dining room is rarely used above 60% of its capacity. The proposed renovation will reduce the dining room capacity by 30%. The food and beverage costs associated with the restaurant meals equal roughly 40% of revenue.

The new boutique retail shop will be 735 square feet in size and is expected to generate sales of $575 per square foot during its first year of operations. Sales should increase by roughly 3% each year until the fifth year of operations, when sales are expected to plateau and remain steady at that level. The cost of goods sold from these retail shops is expected to be 35% of revenue.

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APPENDIX V
VITA NAPOLI AGREEMENT DETAILS

Prepared by Nicholas

To enter into the five-year agreement, in addition to the initial fee, VTL must pay Vita $250,000 annually to maintain the agreement's exclusivity. In addition, VTL will be responsible for all associated import fees, which are estimated to equal 8% of the total value of the products imported. The agreement also carries a minimum purchase obligation clause that requires VTL to purchase at least CA$1.5 million of Vita's products annually. Should VTL violate this clause, it will be subject to a financial penalty, and Vita could even elect to cancel the agreement entirely. However, if VTL adheres to the agreement over the initial five-year term, it will be granted the option to extend the agreement for an additional five years.

Once the products are received in Canada, VTL must store them in a proper facility to maintain their quality. A suitable facility has already been located near Toronto and will cost $30,000 annually. From the storage facility, the products can be shipped to their next destination. Caroline mentioned that SFDL would be interested in purchasing Vita's products from VTL and distributing them to specialty grocery stores throughout Canada. Based on the preliminary information Caroline provided, if we decide to sell Vita's products through SFDL, VTL would earn a 45% margin.

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End of Examination

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CPA COMMON FINAL EXAMINATION
REFERENCE SCHEDULE

Present Value of Tax Shield for Amortizable Assets

Present value of total tax shield from CCA for a new asset acquired on or after January 1, 2024, and before January 1, 2028, other than those eligible for immediate expensing, which would normally be subject to the half-year rule.

$$= \frac{CdT}{(d+k)}$$

Present value of total tax shield from CCA for a new asset acquired after November 20, 2018, and before January 1, 2024, or, under proposed legislation, on or after January 1, 2025, and before January 1, 2030, other than those eligible for immediate expensing.

$$= \frac{CdT}{(d+k)}\left(\frac{1+1.5k}{1+k}\right)$$

Notation for above formula:
C = net initial investment
T = corporate tax rate
k = discount rate or time value of money
d = maximum rate of capital cost allowance

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Selected Prescribed Automobile Amounts

Item	2024	2025
Maximum depreciable cost — Class 10.1	$37,000 + sales tax	$38,000 + sales tax
Maximum depreciable cost — Class 54	$61,000 + sales tax	$61,000 + sales tax
Maximum monthly deductible lease cost	$1,050 + sales tax	$1,100 + sales tax
Maximum monthly deductible interest cost	$350	$350
Operating cost benefit — employee	33¢ per km of personal use	34¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	70¢ per km	72¢ per km
— balance	64¢ per km	66¢ per km

Individual Federal Income Tax Rates

For 2024:

If taxable income is between	Tax on base amount	Tax on excess
$0 and $55,867	$0	15%
$55,868 and $111,733	$8,380	20.5%
$111,734 and $173,205	$19,833	26%
$173,206 and $246,752	$35,815	29%
$246,753 and any amount	$57,144	33%

For 2025:

If taxable income is between	Tax on base amount	Tax on excess
$0 and $57,375	$0	15%
$57,376 and $114,750	$8,606	20.5%
$114,751 and $177,882	$20,368	26%
$177,883 and $253,414	$36,782	29%
$253,415 and any amount	$58,687	33%

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Selected indexed amounts for purposes of computing income tax

Personal tax credits are a maximum of 15% of the following amounts:

Item	2024	2025
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins	$14,156	$14,538
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins	15,705	16,129
Age amount if 65 or over in the year	8,790	9,028
Net income threshold for age amount	44,325	45,522
Canada employment amount	1,433	1,471
Disability amount	9,872	10,138
Canada caregiver amount for children under age 18, and addition to spouse, common-law partner, or eligible dependant amount with respect to the Canada caregiver amount	2,616	2,687
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	8,375	8,601
Net income threshold for Canada caregiver amount	19,666	20,197
Adoption expense credit limit	19,066	19,580

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Other indexed amounts are as follows:

Item	2024	2025
Medical expense tax credit — 3% of net income ceiling	$2,759	$2,834
Old age security repayment threshold	90,997	93,454
Annual TFSA dollar limit	7,000	7,000
RRSP dollar limit	31,560	32,490
Lifetime capital gains exemption		1,250,000
Lifetime capital gains exemption for dispositions before June 25	1,016,836	
Lifetime capital gains exemption for dispositions after June 24	1,250,000	

Prescribed interest rates (base rates)

Year	Jan. 1 – Mar. 31	Apr. 1 – June 30	July 1 – Sep. 30	Oct. 1 – Dec. 31
2025	4	4		
2024	6	6	5	5
2023	4	5	5	5

This is the rate used for taxable benefits for employees and shareholders from interest-free and low-interest loans. The rate is 4 percentage points higher for overdue income taxes payments and unremitted withholdings. The rate is 2 percentage points higher for tax refunds to taxpayers, with the exception of corporations, for which the base rate is used.

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Maximum capital cost allowance rates for selected classes

Class	Rate	Additional information
Class 1	4%	For all buildings except those below
Class 1	6%	For buildings acquired for first use after March 18, 2007, and ≥ 90% of the square footage is used for non-residential activities
Class 1	10%	For buildings acquired for first use after March 18, 2007, and ≥ 90% of the square footage is used for manufacturing and processing activities
Class 8	20%	
Class 10	30%	
Class 10.1	30%	
Class 12	100%	
Class 13	N/A	Straight-line over original lease period plus one renewal period (minimum 5 years and maximum 40 years)
Class 14	N/A	Straight-line over length of life of property
Class 14.1	5%	For property acquired after December 31, 2016
Class 17	8%	
Class 29	50%	Straight-line
Class 43	30%	
Class 44	25%	
Class 45	45%	
Class 50	55%	
Class 53	50%	
Class 54	30%	

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