The base amount would be $40,000 since this is less than the 3-year average expenditures of $50,000

Computation of amount on which additional allowance may be claimed:

| | |
|---|---|
| Purchases of depreciable property in 1962: | |
| Buildings (class 3) | $20,000 |
| Machinery (class 8) | 30,000 |
| Automotive equipment (class 10) | 15,000 |
| Total | 65,000 |
| Base amount | 40,000 |
| Amount on which additional allowance may be claimed | 25,000 |

The taxpayer may claim the additional allowance with respect to any of the property acquired by him in 1962. Assume the following allocation:

| | |
|---|---|
| Buildings (class 3) | |
| Machinery (class 8) | $10,000 |
| Automotive equipment (class 10) | 15,000 |
| Total | 25,000 |

The additional allowance would be computed as follows:

| | Normal rate | Rate of additional allowance | Cost of property | Allowance |
|---|---|---|---|---|
| | *Percent* | *Percent* | | |
| Machinery | 20 | 10 | $10,000 | $1,000 |
| Automatic equipment | 30 | 15 | 15,000 | 2,250 |
| Total | | | | 3,250 |

The taxpayer's total deductions under the class system would be computed as follows given the undepreciated cost at December 31, 1961, and disposals credited to the accounts during the year:

| | Class 3 (5 percent) | Class 8 (20 percent) | Class 10 (30 percent) | Total |
|---|---|---|---|---|
| Undepreciated cost at Dec. 31, 1961 | $110,000 | $135,000 | $5,000 | $250,000 |
| Additions, 1962 | 20,000 | 30,000 | 15,000 | 65,000 |
| Disposals, 1962 | | (5,000) | (6,000) | (11,000) |
| Total | 130,000 | 160,000 | 14,000 | 304,000 |
| Normal allowance | 6,500 | 32,000 | 4,200 | 42,700 |
| Additional allowance | | 1,000 | 2,250 | 3,250 |
| Depreciation, 1962 | 6,500 | 33,000 | 6,450 | 45,950 |
| Undepreciated cost at Dec. 31, 1962 | 123,500 | 127,000 | 7,550 | 258,050 |

Another form of accelerated depreciation may be claimed in respect of most types of assets acquired after 1960 which are used either (1) in making a product not previously produced in Canada or (2) in making a product not previously produced in an area of labor surplus. The taxpayer must apply to the Minister of Trade and Commerce for certification of the project as qualifying under the regulations. Structures, machinery and equipment, and patent and license costs are eligible for the special allowance. No distinction is made between new and used assets. However, office furniture and equipment, automobiles, and assets having a capital cost allowance rate in excess of 30 percent are not eligible. The additional allowance is equal to the maximum normal allowance for the year in which the assets are acquired. The full amount of the allowance may be taken in the year of acquisition of the assets or in either of the 2 years following ac-