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# Current expenses or capital expenses

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A **current expense** is one that generally reoccurs after a short period. For example, the cost of painting the exterior of a wooden property is a current expense.

A **capital expense** generally gives a lasting benefit or advantage. For example, the cost of putting vinyl siding on the exterior walls of a wooden property is a capital expense.

Renovations and expenses that extend the useful life of your property or improve it beyond its original condition are usually capital expenses. However, an increase in a property's market value because of an expense is not a major factor in deciding whether the expense is capital or current. To decide whether an amount is a current expense or a capital expense, consider your answers to the questions in the following chart.

## Criteria for determining whether it is a capital expense or a current expense

Criteria	Capital expenses	Current expenses
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<p><b>Does the expense provide a lasting benefit?</b></p>	<p>A capital expense generally gives a lasting benefit or advantage. For example, the cost of putting vinyl siding on the exterior walls of a wooden house is a capital expense. <sup>1</sup></p>	<p>A current expense is one that usually recurs after a short period. For example, the cost of painting the exterior of a wooden house is a current expense.</p>
<p><b>Does the expense maintain or improve the property?</b></p>	<p>The cost of a repair that improves a property beyond its original condition is probably a capital expense. If you replace wooden steps with concrete steps, the cost is a capital expense. <sup>1</sup></p>	<p>An expense that simply restores a property to its original condition is usually a current expense. For example, the cost of repairing wooden steps is a current expense.</p>
<p><b>Is the expense for a part of the property or for a separate asset?</b></p>	<p>The cost of replacing a separate asset within a property is a capital expense. For example, the cost of buying a refrigerator to use in your rental operation is a capital expense. This is the case because a refrigerator is a separate asset and is not a part of the building. <sup>1</sup></p>	<p>The cost of repairing a property by replacing one of its parts is usually a current expense. For instance, electrical wiring is part of a building. Therefore, an amount you spend to rewire is usually a current expense, as long as the rewiring does not improve the property beyond its original condition.</p>

<p><b>What is the value of the expense?</b> (Use this criteria only if you cannot determine whether an expense is capital or current based on the three previous criteria.)</p>	<p>Compare the cost of the expense to the value of the property. Generally, if the cost is of considerable value in relation to the property, it is a capital expense. <sup>1</sup></p>	<p>This test is not a determining factor by itself. You might spend a large amount of money for maintenance and repairs to your property all at once. If this cost was for ordinary maintenance that was not done when it was necessary, it is a maintenance expense, and you deduct it as a current expense.</p>
<p><b>Is the expense for repairs made to used property you acquired to put it in a suitable condition for use?</b></p>	<p>The cost of repairing used property you acquired to put it in a suitable condition for use in your business is considered a capital expense even though in other circumstances it would be treated as a current operating expense.</p>	<p>Where the repairs were for ordinary maintenance of a property you already had in your business, the expense is usually current.</p>
<p><b>Is the expense for repairs made to an asset in order to sell it?</b></p>	<p>The cost of repairs made in anticipation of selling a property, or as a condition of sale, is regarded as a capital expense.</p>	<p>Where the repairs would have been made anyway, but a sale was negotiated during the course of the repairs or after their completion, the expense is considered current.</p>

# Footnote

- 1 If based on the criteria, the expense is determined to be a capital expense, some special situations might change the way you would usually deduct this expense. For more information on these special situations, go to [Capital expenses – Special situations](#).

## Forms and publications

- [Guide T4036, Rental Income](#)
- [Form T776, Statement of Real Estate Rentals](#)

## Related link

- [Capital cost allowance \(CCA\) for rental property](#)

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