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Global Tax Alert

News from EY Americas Tax

Canada: Alberta issues budget 2019-20

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Executive summary

On 24 October 2019, Alberta Finance Minister Travis Toews tabled the province's fiscal 2019-20 budget. The budget contains several tax measures affecting individuals and corporations.

The Minister anticipates a deficit of CA\$8.7b¹ for 2019-20 and projects further deficits of \$5.9b in 2020-21 and \$2.6b in 2021-22. A surplus of \$0.6b is projected in 2022-23.

The following is a brief summary of the key tax measures.

Detailed discussion

Business tax measures

Corporate tax rates

No changes are proposed to the corporate tax rates or the \$500,000 small business limit.

Alberta's 2019 and 2020 corporate tax rates are summarized in Table A.

Table A: Corporate tax rates 2019-20

	2019		2020	
	Alberta	Federal and Alberta combined	Alberta	Federal and Alberta combined
Small-business tax rate*,**	2.00%	11.00%	2.00%	11.00%
General corporate tax rate***	11.50%	26.50%	10.00%	25.00%

* The small business rate and the general corporate rate are based on a 31 December year-end.

** The federal small business rate was reduced from 10.00% to 9.00% effective 1 January 2019.

*** Alberta is gradually reducing the province's general corporate income tax rate from 12.00% to 8.00% by 2022. The general corporate tax rate is reduced to 11.00% effective 1 July 2019 and will continue to decrease by 1.00% every 1 January until 2022.

Other business tax measures

The Minister also proposed the following business tax measures:

- ▶ Enhanced capital cost allowance (CCA) regime (to parallel federal measures) for new capital assets to permit corporations to depreciate them more quickly for tax purposes. Corporations will be able to immediately claim the full cost of manufacturing and processing equipment and clean energy generation equipment. Corporations will also be eligible to claim up to three times the normal first-year CCA rate related to other capital investments. The resource sector will be able to claim a first-year deduction of one and a half times the amount of qualifying development expenses. These measures begin to phase out in 2023 and will be completely eliminated by 2027.
- ▶ The elimination of five tax credits:
 - Scientific Research and Experimental Development Tax Credit (SR&ED)
 - The Alberta Investor Tax Credit (AITC)
 - Community Economic Development Corporation Tax Credit (CEDTC)
 - Capital Investment Tax Credit
 - Interactive Digital Media Tax Credit
- ▶ The SR&ED credit will be eliminated starting in 2020, with expenses incurred after 31 December 2019 being no longer eligible.
- ▶ For the other targeted credits, no new approvals will be granted after 24 October 2019. Businesses already approved under the AITC or the CEDTC have until 31 December 2019 to raise capital for these credits. Corporations and individuals will still be able to claim any unused credits, where applicable.

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2019 and 2020 Alberta personal tax rates are summarized in Table B.

Table B: Alberta personal tax rates 2019-20

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$131,220	\$131,221 to \$157,464	\$157,465 to \$209,952	\$209,953 to \$314,928	Above \$314,928
10.00%	12.00%	13.00%	14.00%	15.00%

For taxable income in excess of \$209,952, the 2019 combined federal-Alberta personal income tax rates are outlined in Table C.

Table C: Combined federal and Alberta 2019 personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$209,953 to \$210,371	43.00%	24.81%	36.55%
\$210,372 to \$314,928	47.00%	30.33%	41.15%
Above \$314,928	48.00%	31.71%	42.30%

* The rate on capital gains is one-half the ordinary income tax rate.

Personal tax credits

This budget proposes changes to the following personal credits/amounts:

- ▶ Alberta will pause the indexation of non-refundable tax credits and tax bracket thresholds, with the 2019 amounts carried forward for the 2020 and future tax years. Alberta will resume indexing the tax system once economic and fiscal conditions can support it.
- ▶ Alberta will eliminate education and tuition tax credits beginning with the 2020 taxation year. Alberta students will still be able to claim amounts earned prior to 2020.
- ▶ The dividend tax credit for dividends paid out of income taxed at the general corporate income tax rate (eligible dividends) will be adjusted on 1 January 2021 and then again on 1 January 2022, corresponding with the legislated reductions to the general corporate income tax rate.

Other personal tax measures

- ▶ Introduction of the New Alberta Child and Family Benefit (ACFB) - The ACFB replaces the Alberta Family Employment Tax Credit and the Alberta Child Benefit with a single program. The ACFB includes both a base component and a working component with combined benefits increasing to a maximum of \$5,120, subject to certain family income limits. The ACFB will be paid out quarterly and the amounts are non-taxable.
- ▶ Canada Workers Benefit (CWB) - Alberta will reconfigure the CWB to better align with the existing income support program and to shift slightly more benefits to single individuals without children recognizing that the ACFB will provide additional benefits to families with children.

Other tax measures

Tourism levy

The Government intends to bring forward legislation in spring 2020 to level the playing field on short-term rentals offered through online marketplaces.

Tobacco tax

The tax on a carton of 200 cigarettes will be increased \$5 to \$55 per carton effective 12:01 a.m. on 25 October 2019. Tax on other tobacco products such as loose tobacco and cigars will be increased by the same proportion.

The Government also announced that it will explore the best approaches for implementing a tax on vaping products, with more details to come in the 2020 budget.

Education property tax

Education property tax rates will be frozen in 2019-20.

Support for Alberta's film industry

It was announced during the budget that the Government will transform the way support is currently provided to Alberta's film industry by issuing payments through the income tax system beginning in spring 2020.

Endnote

1. Currency references in this Alert are to CA\$.

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