

Budget 2019

# Alberta

Making sense of what's next.



## October 2019

On October 24, 2019, Finance Minister, Travis Toews, tabled Alberta's 2019-20 budget (Budget 2019). This first budget of the newly-elected United Conservative Party (UCP) focuses on reducing spending and introducing measures to help create more jobs in a struggling economy. Some of the measures included in Budget 2019 are new, while others were introduced earlier in 2019 and are being reiterated in the budget documents.

Budget 2019 outlines the government's plan to achieve fiscal balance by gradually reducing the deficit over the next four years. The UCP is projecting a surplus by the 2022-23 fiscal year. Fiscal results are projected as follows:

Year	Projected surplus/ (deficit)
2019-20	(\$8.7 billion)
2020-21	(\$5.9 billion)
2021-22	(\$2.6 billion)
2022-23	\$0.6 billion



## Business tax measures

Budget 2019 reiterates the corporate tax rate decreases that were originally announced in June 2019. The Job Creation Tax Cut gradually reduces Alberta's corporate tax rates, starting July 1, 2019, with a 1% decrease each year, as summarized in the following table:

### Alberta corporate tax rates

Year	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
Jul 1, 2019	2.00%	11.00%	12.00%
Jan 1, 2020	2.00%	10.00%	12.00%
Jan 1, 2021	2.00%	9.00%	12.00%
Jan 1, 2022	2.00%	8.00%	12.00%

### Combined federal and Alberta corporate tax rates

Year	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
Jul 1, 2019	11.00%	26.00%	27.00%
Jan 1, 2020	11.00%	25.00%	27.00%
Jan 1, 2021	11.00%	24.00%	27.00%
Jan 1, 2022	11.00%	23.00%	27.00%

There are no changes proposed to the small business tax rate or the manufacturing and processing tax rate.

## Capital Cost Allowance (CCA)

Budget 2019 further echoes Alberta's July 2019 announcement to parallel the federal accelerated CCA rules, which were originally introduced by the federal government in the fall of 2018.

These rules provide the ability to take a faster tax write-off of capital assets in order to take advantage of the increased tax savings. Manufacturing assets and clean energy assets benefit from a full (i.e. 100%) write-off in the first year, with most other assets tripling the tax write-off available in the first year. The accelerated write-off will gradually be phased out starting in 2023, with a complete phase-out by 2027.



## Tax credits to be eliminated

The following tax credits are being eliminated:

Tax credit	Eliminated as of:
Alberta Investor Tax Credit	October 24, 2019
Community Economic Development Corporation Tax Credit	October 24, 2019 <sup>1</sup>
Capital Investment Tax Credit	October 24, 2019
Interactive Digital Media Tax Credit	October 24, 2019
Scientific Research and Experimental Development Tax Credit (SR&ED)	January 1, 2020 <sup>2</sup>

### NOTES:

<sup>1</sup> Businesses already approved have until December 31, 2019 to raise capital for these credits.

<sup>2</sup> Expenses incurred after December 31, 2019 will no longer be eligible.

Where applicable, unused credits can still be claimed.

## Film industry tax credit

The screen-based production grant program available to Alberta's film industry will be changed to a film tax credit, which will be administered by the Ministry of Economic Development, Trade and Tourism.

The ministry would issue certificates to successful applicants who would then submit those certificates with their tax returns to receive the tax credit equal to 22% of the eligible expenditures, up to \$10 million. More details are expected in the near future.

## Personal tax measures

### Personal tax rates

Budget 2019 includes no changes to the personal tax brackets and rates. The rates for 2019 are as follows:

- 10% on the first tax bracket (up to \$131,220)
- 12% on the second tax bracket (from \$131,221 - \$157,464)
- 13% on the third tax bracket (from \$157,465 - \$209,952)
- 14% on the fourth tax bracket (from \$209,953 - \$314,928)
- 15% on the fifth tax bracket (over \$314,928)

### Pausing indexation

Both the tax brackets and tax credits in Alberta are indexed to inflation. For example, in 2018, the basic personal amount was \$18,905 and in 2019, this amount increased to \$19,369, due to inflation. Budget 2019 indicates that, until Alberta's economic and fiscal conditions improve, indexing of both the tax brackets and tax credits will be paused.

Furthermore, indexation of the following seniors benefits will also be paused:

- Alberta Seniors Benefit
- Special Needs assistance program
- Supplementary Accommodations Benefit
- Seniors Lodge Assistance program

No specific timeline for reinstating indexation is mentioned, although it is the government's intention to resume indexing once economic and fiscal conditions can support it.



### Education and tuition tax credits

Effective the 2020 tax year, the education and tuition tax credits will be eliminated. Students will still be able to claim amounts earned prior to 2020.

### Dividend tax credit

To align with the changes in the general corporate tax rate, the dividend tax credit for dividends paid out of income taxed at the general corporate income tax rate (i.e. eligible dividends) will be adjusted on January 1, 2021 and on January 1, 2022.

### Alberta Child and Family Benefit

Effective July 2020, the new Alberta Child and Family Benefit (ACFB) will replace the Alberta Family Employment Tax Credit (AFETC) and the Alberta Child Benefit (ACB).

The benefits received from the ACFB depend on the number of children and family income. Families with more children and lower family income are expected to receive 15% more benefits under the new program.

## Sales and excise tax measures

### Tobacco tax and vaping

Increases to the tobacco tax will apply as of October 25, 2019 as follows:

- Carton of 200 cigarettes: increase of \$5 to \$55 per carton
- Cigars: tax rate increases from 129% to 142%
- Loose tobacco: increase of 3.75 cents to 41.25 cents per gram

The government also intends to tax vaping products, although no details have been provided in the current budget. The government did state that more details will be provided in Budget 2020 and that the tax revenues will be small, likely under \$10 million annually.

### Tourism levy

Budget 2019 states that the tourism levy – a 4% charge currently applied on most types of temporary accommodation rentals – will also soon apply to short-term rentals offered online, such as those available on websites such as Airbnb. The legislation is expected to be tabled sometime in spring 2020 and will allow the websites to collect and remit the levy on the government's behalf.

## Other notable changes

Alberta's Carbon Tax, originally introduced by the former NDP government in 2017, was repealed as of June 4, 2019. Alberta is set to impose its own environmental plan, the Technology Innovation and Emissions Reduction (TIER), which is scheduled to come into effect on January 1, 2020. Nevertheless, the federal government still appears scheduled to apply its own carbon tax in Alberta effective January 1, 2020.

The Education Property Tax, used to fund Alberta's education system, will be frozen in 2019-20.

