



TAX HIGHLIGHTS FROM THE 2020 ALBERTA BUDGET

Finance Minister Travis Toews tabled the 2020 Alberta provincial budget on February 27, 2020.

The budget projects a deficit of \$6.8 billion for the 2020-2021 fiscal year and a balanced budget by the 2022-23 fiscal year. The forecast deficit for the almost-completed 2019–2020 fiscal year now stands at \$7.5 billion compared to the 2019 budget projection of \$8.7 billion.

Budget 2020 revealed no changes to personal tax rates for 2020. However, indexing of provincial personal tax credits and brackets is suspended for the time being. The legislated Job Creation Tax Cut introduced in the 2019 budget will further reduce general corporate tax rates by 3% over the next three years.

Following is a summary of the changes announced in the budget. Please note that these changes are still proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

The table below shows Alberta tax rates and brackets for 2020.

Taxable income range	2020 tax rates
First \$131,220	10%
Over \$131,220 up to \$157,464	12%
Over \$157,464 up to \$209,952	13%
Over \$209,952 up to \$314,928	14%
Over \$314,928	15%

The table below shows the 2020 combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2020 tax rates
Regular income	48%
Capital gains	24.00%
Eligible dividends	31.71%
Non-eligible dividends	42.31%

Provincial Child Benefits

As announced in the 2019 budget, the new Alberta Child and Family Benefit (ACFB) will begin on July 1, 2020. The new ACFB will have a base component and a working component with a maximum combined annual benefit of \$5,120.

The maximum base component will range from \$1,330 to \$3,325, depending on the number of children in the family. The base component will begin to phase out once family net income exceeds \$24,467 and will be eliminated when family net income exceeds about \$41,000.

The working component will range from \$681 to \$1,795, depending on the number of children in the family. It will phase in at a rate of 15% once family employment income exceeds \$2,760. The working component will begin to phase out when family net income exceeds \$41,000 and will be eliminated once family net income reaches about \$61,000.

The ACFB is projected to deliver more benefits to low income families. Those with two children may receive up to \$593 more per year and those with four children, up to \$889 more per year.

CORPORATE TAX MATTERS

Corporate income tax rates

The Job Creation Tax Cut introduced in the 2019 budget reduces corporate tax rates from 12% to 8% over a four-year period. The table below shows the scheduled rate reductions to the general corporate tax rate for the remaining three years.

Scheduled reductions to Alberta's general corporate income tax rate	
January 1, 2020	10.0%
January 1, 2021	9.0%
January 1, 2022	8.0%

Corresponding with the legislated reductions to general corporate income tax rates shown above, the dividend tax credit on dividends paid out of income taxed at general corporate rates (eligible dividends) will be adjusted on January 1, 2021 and again on January 1, 2022. This will help ensure the combined corporate and personal income tax paid on dividend income approximates individual personal tax rates.

The table below shows corporate income tax rates on various types of income and the threshold up to which the small business rate applies.

Category	2020 tax rates	2021 tax rates
General rate	10%	9%
Manufacturing and processing rate	10%	9%
Investment income rate	10%	9%
Small business rate	2.0%	
Small business limit	\$500,000	



2 Queen Street East, Twentieth Floor, Toronto, Ontario M5C 3G7 | www.ci.com

Head Office / Toronto
416-364-1145
1-800-268-9374

Calgary
403-205-4396
1-800-776-9027

Montreal
514-875-0090
1-800-268-1602

Vancouver
604-681-3346
1-800-665-6994

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The table below shows the 2020 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

Type of income	2020 combined tax rates
Small business income	11.0%
Active income over \$500,000	26.0%
Manufacturing and processing income	26.0%
Investment income	49.67%

OTHER PROPOSALS

Tourism levy and short-term rentals

Alberta's 4% tourism levy will be extended to short-term rental accommodations listed with online marketplaces such as Airbnb, HomeAway and vacation rentals by owner. These changes are expected to take effect in summer 2020, with legislation implementing these changes introduced in spring 2020.

A new exemption will be introduced for properties that are not listed on any online marketplace, where the purchase price of the rental is less than \$30 per day or \$210 per week, or the operator has annual gross revenue from the rental of temporary accommodation in Alberta of less than \$5,000.

Vaping product tax

Alberta will introduce a 20% tax on the retail sale price of vaping products. The tax will apply to all vaping liquids, including cannabis liquids, as well as all vaping devices. Online sales to Albertans from other jurisdictions will be subject to this tax. The date of implementation for the tax, as well as other details, will be announced with the introduction of the legislation and associated regulations in spring 2020.



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