



TAX HIGHLIGHTS FROM THE 2019 ALBERTA BUDGET

Finance Minister Travis Toews tabled the 2019 Alberta provincial budget on October 24, 2019.

The United Conservative Party 2019 budget projects a deficit of \$8.7 billion for the 2019-2020 fiscal year, flat revenue over the next two years and provincial debt rising from \$63 billion to \$93 billion by 2023. The budget favors rationalized spending and lower taxes to move the province toward a fiscal surplus and make Alberta one of North America's most competitive tax jurisdictions by 2023.

Budget 2019 revealed no changes to personal tax rates for 2019 or 2020. However, indexing of provincial personal tax credits and brackets is suspended for the time being. The legislated Job Creation Tax Cut will reduce general corporate tax rates by 4% over the next four years. The following is a summary of tax related budget changes. Please note that many of these changes remain 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 both 2019 and 2020.

Taxable income range	2019/2020 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 combined federal and provincial highest marginal tax rates by income category:

Type of income	2019/2020 tax rates
Regular income	48%
Capital gains	24.00%
Eligible dividends	31.71%
Non-eligible dividends	42.31%

Tuition and Education Tax Credits

Tuition and education tax credits will be eliminated beginning in 2020.

Provincial Child Benefits

Beginning July 2020, the new Alberta Child and Family Benefit (ACFB) will replace the Alberta Child Benefit and the Alberta Family Employment Tax Credit. The ACFB will have a base component and a working component.

The maximum base component will range from \$1,330 to \$3,325, depending on the number of children. 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. Annual maximum ACFB family benefits will be \$5,120.

CORPORATE TAX MATTERS

Corporate income tax rates

The Job Creation Tax Cut reduces corporate tax rates from 12% to 8% over the next four years. The small business tax rate remains unchanged. The table below shows the scheduled rate reductions to the general corporate tax rate for Alberta.

Scheduled Reductions to Alberta's General Corporate Income Tax Rate	
July 1, 2015 – June 30, 2019	12.0%
July 1, 2019	11.0%
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.



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

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

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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	2019 tax rates	2020 tax rates
General rate	11.5%	10%
Manufacturing and processing rate	11.5%	10%
Investment income rate	11.5%	10%
Small business rate	2.0%	
Small business limit	\$500,000	

The table below shows the 2019 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

Type of income	2019 combined tax rates
Small business income	11.0%
Active income over \$500,000	26.5%
Manufacturing and processing income	26.5%
Investment income	50.17%

The Carbon Tax Repeal

The carbon tax is eliminated effective immediately.

Enhanced Capital Cost Allowance

The budget parallels federal measures to enhance the capital cost allowance (CCA) regime for new capital investment in Alberta. Consistent with the federal announcement, these measures begin to phase out in 2023 and will be completely phased out by 2027.

Tax Credits

The following targeted tax credits will be eliminated:

- Alberta Investor Tax Credit
- Community Economic Development Corporation Tax Credit
- Capital Investment Tax Credit
- The Interactive Digital Media Tax Credit
- The Scientific Research and Experimental Development Tax Credit (SR&ED)

Expenses incurred after December 31, 2019 will no longer be eligible for the SR&ED credit. Effective immediately, no new approvals will be granted for the other targeted credits. Businesses already approved under the Alberta Investor Tax Credit or the Community Economic Development Tax Credit have until December 31, 2019 to raise capital for these credits. Unused credits may be claimed where applicable.



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Film Industry Tax Credit

In spring 2020, the province will move from grant-based support to a tax credit program. Eligible companies will be able to receive up to 22% of eligible expenditures, to a maximum of \$10 million. Funding under the new program is expected to be capped \$15 million in 2020-21, \$30 million in 2021-22 and \$45 million in 2022-23. Additional details are yet to be released.

OTHER PROPOSALS

Tuition Freeze Thaws

Post-secondary tuition caps will be removed, allowing institutions to raise tuition fees by up to 7% annually for the next three years. Post-secondary funding will also be reduced from \$5.4 billion to \$4.8 billion by 2023. In-line with MacKinnon Panel recommendations, the overall funding framework for post-secondary education will move to a performance-based model encouraging industry input.

These changes will take effect in 2020-2021.

Assured Income for the Severely Handicapped (AISH)

Income Support (IS) and Assured Income for the Severely Handicapped (AISH) benefits will be maintained at current levels. Annual inflation adjusting of benefits will be paused for the time-being.

Programs for Seniors

While no reductions in senior' benefits were announced, indexation of several benefits will pause.

Provincial Tourism Tax on Temporary Short-term Rentals

Beginning spring 2020, temporary short-term rentals such as Airbnb and vacation rentals by owner (Vrbo) can expect to face the same 4% provincial tourism tax already levied on other accommodation providers such as hotels.

Tobacco Tax and Vaping Tax

Effective immediately the price of a carton cigarettes will increase by \$5 to \$55 per carton. Tax on other tobacco related products will increase in proportion. A brand-new tax on vaping products is expected to be announced in the 2020 budget.



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