



TAX HIGHLIGHTS FROM THE 2021 ALBERTA BUDGET

Finance Minister Travis Toews tabled the 2021 Alberta provincial budget on February 25, 2021.

The budget projects a record-breaking deficit of \$20.2 billion for 2020-2021, \$18.2 billion for the 2021-2022 and \$11 billion for 2022-23 fiscal year respectively.

Budget 2021 revealed no changes to personal tax rates for 2021. Note that indexing of tax credits and brackets was suspended after 2019. Alberta also remains an attractive jurisdiction for individuals, with low personal income taxes, no sales tax, low fuel tax rates, and no health care premium.

In 2020, the government accelerated the Job Creation Tax Cut by reducing Alberta's general corporate income tax rate from 12% in the first half of 2019 to 8% as of July 1, 2020. Alberta's corporate tax advantage includes no payroll tax, no sales tax and the lowest general corporate income tax rate in Canada.

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

PERSONAL TAX MATTERS

Personal income tax rates and brackets for 2021

Taxable income brackets	2021 Tax rates
First \$131,220	10%
\$131,220 to \$157,464	12%
\$157,465 to \$209,952	13%
\$209,953 to \$314,928	14%
Over \$314,928	15%

The table below shows the 2021 combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2021 Combined tax rates
Regular income	48%
Capital gains	24.0%
Eligible dividends	34.31%
Non-eligible dividends	42.31%

Working Parent Benefit

Working parents are eligible for a one-time \$561 child-care benefit per child born on or after February 29, 2008. The child must be enrolled in at least 3 months of child care between April 1, 2020 and December 31, 2020, and household income must be \$100,000 or less in the 2020 tax year. Applications are open between March 1 and March 31, 2021 and child care receipts are required.

CORPORATE TAX MATTERS

Corporate income tax rates

There were no changes proposed to corporate income tax rates. The table below shows Alberta tax rates and the small business limit for 2021.

Category	2021 Tax rates
General rate	8%
Manufacturing and processing rate	8%
Investment income rate	8%
Small business rate	2%
Small business limit	\$500,000

The table below shows the 2021 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

Type of income	2021 Combined tax rates
Small business income	11%
Active income over \$500,000	23%
Manufacturing and processing income	23%
Investment income	46.67%

OTHER INITIATIVES

Enhanced COVID-19 Business Benefit

The government has committed \$120 million in funding for the Enhanced COVID-19 Business Benefit, which will provide funding to businesses that have experienced a revenue reduction of at least 60%. Payments will be calculated based on 15% of the eligible business's monthly revenue, up to a maximum of \$10,000. Organizations can continue to apply for the Small and Medium Enterprise Relaunch Grant until March 31, 2021.

Tourism levy and short-term rentals

As first announced in Budget 2019, the government will extend the tourism levy to short-term rentals (STRs) offered through online marketplaces such as Airbnb, HomeAway and Vrbo. A new exemption will be in place for properties not listed on an online marketplace, where the price of the rental is under \$30 per day or \$210 per week, or the operator has annual gross revenue from the rental of temporary accommodation in Alberta under \$5,000. These changes will be effective April 1, 2021. As part of a tourism recovery plan to support the industry in the short term, the government also introduced a tourism levy abatement for the period of March 1, 2020 to March 31, 2021.

Innovation Employment Grant (IEG)

The legislated IEG supports innovation by small and medium sized business across all sectors who make annual qualifying expenditures of up to \$4 million on or after January 1, 2021. This expenditure limit is phased out between taxable capital of \$10 million and \$50 million. The IEG provides an 8% payment up to a corporation's base level of research and development (R&D) spending in a given year. The base level is calculated as the firm's average R&D spending in Alberta over the previous two years. Corporations that increase R&D activity and spend above their base level are eligible for an additional 12% payment on this incremental amount. Startups and firms moving to Alberta can receive 20% on their entire first-year qualifying R&D spend.

Property Tax Assessment Review

Four assessment and tax incentives aimed to encourage new investment in the oil and gas sector and improve the viability of existing assets have been implemented. These incentives include:

- Beginning in the 2022 property tax year, new wells and pipelines will not be subject to property taxation until 2025.
- The well drilling equipment tax will be eliminated beginning in 2021.
- Beginning in 2021, further depreciation of lower producing wells will result in lower assessed values.
- The previously implemented 35% assessment reduction for shallow gas wells and associated pipelines will continue through the 2023 tax year.

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