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Tax Alert – Canada

Alberta budget 2018-19

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“The recession is behind us and Alberta’s economy is looking up. Alberta’s economy is creating good, mortgage-paying jobs and Alberta led the country in economic growth last year and is poised to do so again in 2018. We will hold the line on spending increases and invest in new opportunities that create good jobs and diversify the economy. We will make sure the benefits of Alberta’s strengthening economic recovery will reach all Albertans and is built to last.”

*Alberta Finance Minister Joe Ceci
2018-19 budget speech*

On 22 March 2018, Alberta Finance Minister Joe Ceci tabled the province’s fiscal 2018-19 budget. The budget contained no new taxes, and no new tax increases or decreases that had not previously been announced.

The minister anticipates a deficit of \$8.8 billion for 2018-19, and projects further deficits of \$7.9 billion in 2019-20, \$7 billion in 2020-21, \$4.3 billion in 2021-22, and \$1.4 billion in 2022-23. A surplus of \$0.7 billion is projected in 2023-24.

Following is a brief summary of the key tax measures.

Business tax measures

Corporate tax rates

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



Alberta's 2018 and 2019 corporate tax rates are summarized in Table A.

Table A: Corporate tax rates

	2018		2019	
	Alberta	Federal and Alberta combined	Alberta	Federal and Alberta combined
Small-business tax rate*, **	2.00%	12.00%	2.00%	11.00%
General corporate tax rate	12.00%	27.00%	12.00%	27.00%

* The small-business rate is prorated based on a 31 December year end.

** On 24 October 2017, the federal government tabled a notice of ways and means motion to implement reductions in the small-business corporate income tax rate which were announced on 16 October 2017. The federal small-business rate is reduced from 10.5% to 10.0% effective 1 January 2018 and will be further reduced to 9.0% effective 1 January 2019.

Other business tax measures

The minister also proposed the following business tax measure:

- ▶ **Interactive Digital Media Tax Credit:** This credit reimburses eligible interactive digital media companies up to 25% of their eligible labour costs. The credit will be available for expenses incurred after 1 April 2018.

An additional credit of up to 5% will be available to eligible interactive digital media companies hiring under-represented groups. Further details will be available once regulations have been released.

The minister also provided an extension to 2021-22 of the Alberta Investor Tax Credit and the Capital Investment Tax Credit.

- ▶ **Alberta Investor Tax Credit (AITC)** – The AITC provides a 30% tax credit for investors who make equity investments in eligible Alberta businesses that undertake research, development or commercialization of new technology, products or processes, as well as for businesses engaged in interactive digital media development, video post-production, digital animation or tourism.

The AITC was originally planned to operate for three years; however, in order to continue supporting investment in non-traditional sectors, the AITC will be extended until 2021-22.

Investors will be eligible to receive an additional 5% credit if they invest in eligible business corporations that meet diversity and inclusion criteria. The new diversity and inclusion criteria requirements will be provided when the corresponding regulations are introduced.

- ▶ **Capital Investment Tax Credit (CITC)** – The CITC provides a 10% non-refundable tax credit of up to \$5 million for a corporation's eligible capital expenditures on manufacturing, processing and tourism infrastructure. The CITC was intended to operate for two years, but to continue to encourage investment in Alberta, the CITC will be extended until 2021-22.

Personal tax

Personal income tax rates

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

The 2018 Alberta personal tax rates are summarized in Table B.

Table B: 2018 Alberta provincial personal tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$128,145	\$128,146 to \$153,773	\$153,774 to \$205,031	\$205,032 to \$307,547	Above \$307,547
10.00%	12.00%	13.00%	14.00%	15.00%

For taxable income in excess of \$205,031, the 2018 combined federal-Alberta personal income tax rates are outlined in Table C.

Table C: Combined 2018 federal and Alberta personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$205,032 to \$205,842	43.00%	24.81%	35.84%
\$205,843 to \$307,547	47.00%	30.33%	40.48%
Above \$307,547	48.00%	31.71%	41.64%

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

Personal tax credits

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

- ▶ Alberta's tax system is annually indexed to inflation to ensure that the value of Alberta's basic non-refundable tax credits is not eroded over time. Credit amounts and bracket thresholds will rise by 1.2% in 2018. For instance, the non-refundable tax credits for basic personal and spousal amounts will increase to \$18,915 for 2018 (from \$18,690 in 2017).

Other tax measures

Cannabis

- ▶ The budget confirmed that the sale of cannabis in Alberta will be taxed by the federal government under a federal excise tax. The tax will apply when sold by licensed producers as follows:
 - \$1 per gram or 10% of the producer's price, whichever is greater (with Alberta receiving 75% of the amount collected), and
 - An additional amount equivalent to 10% of the estimated retail price (with Alberta receiving the entire amount collected).

Carbon levy

No changes have been proposed to the carbon levy.

Learn more

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