

2021 Alberta Budget Summary

Making sense of what's next.

February 2021

On February 25, 2021, Alberta Finance Minister Travis Toews tabled Alberta's 2021-24 three-year fiscal plan (Budget 2021).

The global pandemic and the crash in oil prices have brought significant challenges to the province.

Due to the spending on the province's COVID-19 response, the government is projecting unprecedented deficits over the next three years. Fiscal results are projected as follows:

| Year | Projected surplus/(deficit) | Net debt to GDP ratio |
|---------|-----------------------------|-----------------------|
| 2021-22 | (\$18.2 billion) | 24.5% |
| 2022-23 | (\$11.0 billion) | 26.1% |
| 2023-24 | (\$8.0 billion) | 26.6% |

Budget 2021 announces no new tax increases, instead proposing cuts to spending in the public sector. According to the Finance Minister, a plan to balance the budget would be unveiled after the pandemic is over.



Business tax measures

Corporate tax rates

As part of Alberta's Recovery Plan, the government's proposal to fast-track a scheduled general corporate income tax rate reduction was enacted on December 9, 2020. Previously, the general corporate income tax rate was not scheduled to decrease to 8% until 2022.

As a result of the accelerated reduction, the general corporate income tax rate was reduced to 8% from 10% effective July 1, 2020. Alberta's corporate tax rates are summarized as follows:

Alberta corporate tax rates

| | Small business tax rate | General corporate tax rate |
|------|-------------------------|----------------------------|
| 2020 | 2.0% | 9.0%* |
| 2021 | 2.0% | 8.0% |

Combined federal and Alberta corporate tax rates

| | Small business tax rate | General corporate tax rate |
|------|-------------------------|----------------------------|
| 2020 | 11.0% | 24.0%* |
| 2021 | 11.0% | 23.0% |

*Pro-rated for Alberta general corporate tax rate change effective July 1, 2020.

Innovation Employment Grant

As part of Alberta's Recovery Plan, the government introduced the [Innovation Employment Grant](#) (IEG). The IEG provides qualified corporations a refundable tax credit that is equal to 8% of eligible research and development (R&D) expenditures incurred in Alberta after December 31, 2020.

Qualified corporations will also be eligible to claim an additional refundable tax credit equal to 12% of eligible R&D expenditures in excess of their base amount¹ of spending.

The IEG will replace the 10% provincial Scientific Research and Experimental Development (SR&ED) tax credit, beginning January 1, 2021.

¹ "Base amount" is generally the corporation's average eligible R&D expenditures for the two immediately preceding taxation years.

Personal tax measures

Personal tax rates

Budget 2021 includes no changes to the personal tax brackets and rates. The rates for 2021 are as follows:

| Tax brackets | Marginal tax rates |
|-----------------------|--------------------|
| \$131,220 or less | 10% |
| \$131,221 - \$157,464 | 12% |
| \$157,465 - \$209,952 | 13% |
| \$209,953 - \$314,928 | 14% |
| \$314,929 and over | 15% |

Dividend tax credit

To align with the accelerated reduction in the general corporate tax rate, the new legislation passed on December 9, 2020 also includes an accelerated decrease in the provincial dividend tax credit rate on eligible dividends.

Starting January 1, 2021, the Alberta dividend tax credit for eligible dividends is reduced from 13.8% to 11.2%.

Working Parents Benefit

The government introduced a new Working Parents Benefit (WPB) prior to Budget 2021 which provides a one-time payment up to \$561 per child for parents with children in child care. Starting March 1, 2021, families with a household income of \$100,000 or less in 2020 and children (born after February 29, 2008) registered in licensed or unlicensed child care between April 1 and December 31, 2020, can apply for the WPB [online](#).

Sales and excise tax measures

Tourism levy

As previously announced, hotels and other lodging providers will be allowed to keep the tourism levy (4% of the purchase price of the accommodation) that they collected on behalf of the government between March 1, 2020 and March 31, 2021. The regular tourism levy remittance will resume on April 1, 2021.

Moreover, starting April 1, 2021, the government will be extending the tourism levy to short-term rentals (STRs) offered through online marketplaces. This measure was first introduced in Budget 2019. Online marketplaces will be authorized to collect and remit the tourism levy on behalf of operators. The existing exemption for establishments with fewer than four bedrooms is replaced with a new exemption 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 rental revenue of less than \$5,000.

Other notable items

Other key items mentioned in Budget 2021 include the following:

Education property tax – the government will continue to freeze the education property tax revenue at 2019 levels for 2021–22 to reduce the burden on taxpayers during the pandemic.

Property tax assessment review and incentives – the government will not implement comprehensive changes to the property tax assessment model for regulated oil and gas properties. The government also introduced four incentives for the oil and gas sector:

- 1 No property tax for new wells and pipelines from 2022 to 2025
- 2 Well drilling equipment tax eliminated beginning 2021
- 3 Lower producing wells will be further depreciated, resulting in lower assessed values, beginning in 2021
- 4 Previously implemented 35% assessment reduction for shallow gas wells and associated pipelines will continue through 2023

Investment in health care – the government is increasing spending for health care by \$900 million to \$23 billion in addition to the \$1.25 billion spending dedicated to COVID-19 response.



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