

Budget 2020

Alberta

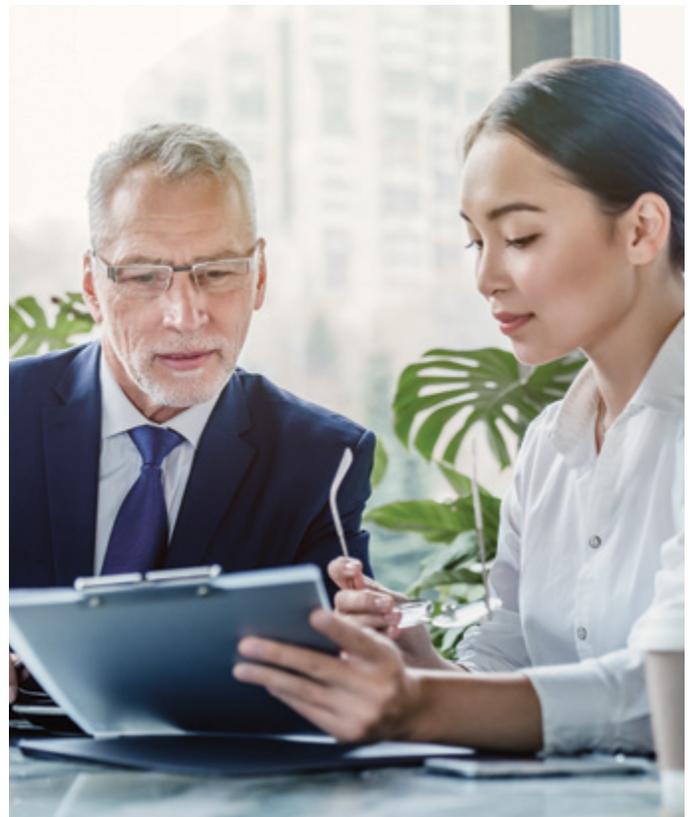
Making sense of what's next.

February 2020

On February 27, 2020, Finance Minister Travis Toews tabled Alberta's 2020-21 budget (Budget 2020). The United Conservative Party's (UCP) second budget continues the trend started with the previous year's budget to reduce annual spending, but also provides two new excise tax measures.

Budget 2020 outlines the government's plan to achieve fiscal balance by gradually reducing the deficit over the next three years. The UCP is projecting a surplus by the 2022-23 fiscal year. Fiscal results are projected as follows:

Year	Projected surplus/(deficit)
2020-21	(\$6.8 billion)
2021-22	(\$2.7 billion)
2022-23	\$0.7 billion



Business tax measures

Corporate tax rates

A reduction to corporate tax rates was previously introduced in June 2019 through the Job Creation Tax Cut. This measure, which came into effect on July 1, 2019, provides gradual reductions to Alberta's corporate tax rates, with a 1% decrease each year, as summarized in the following tables:

Alberta corporate tax rates

As of	Small business tax rate	General corporate tax rate
Jan. 1, 2020	2.00%	10.00%
Jan. 1, 2021	2.00%	9.00%
Jan. 1, 2022	2.00%	8.00%

Combined federal and Alberta corporate tax rates

As of	Small business tax rate	General corporate tax rate
Jan. 1, 2020	11.00%	25.00%
Jan. 1, 2021	11.00%	24.00%
Jan. 1, 2022	11.00%	23.00%

Personal tax measures

Personal tax rates

Budget 2020 includes no changes to the personal tax brackets and rates. The rates for 2020 are as follows:

- 10% on the first tax bracket (up to \$131,220)
- 12% on the second tax bracket (from \$131,221 - \$157,464)
- 13% on the third tax bracket (from \$157,465 - \$209,952)
- 14% on the fourth tax bracket (from \$209,953 - \$314,928)
- 15% on the fifth tax bracket (over \$314,928)

Sales and excise tax measures

Vaping products tax

Budget 2020 introduces a 20% tax on the retail sale price of vaping products. The following table summarizes the application of these rules:

Taxable	Non-taxable
All vaping devices (e.g. pens) and related accessories	Pharmaceutical products approved by Health Canada with a drug identification number (e.g. smoking cessation products)
All e-liquids, including cannabis e-liquids	Tobacco and heat-not-burn tobacco products, hookah/shisha
Other DIY vaping products sold for vaping (e.g. nicotine solutions, flavourings)	Non-vaping cannabis products

Retailers of vaping products that are subject to this tax will be required to collect the tax from their customers and remit it to the Alberta government. Online sales to Albertans from outside Alberta will also be subject to the tax, but Alberta retailers who sell online to customers outside the province will not be required to collect the tax.

Legislation and regulations for this tax will be introduced in the spring of 2020.

Tourism levy and short-term rentals

Although the tourism levy of 4% already applied to most temporary accommodation rentals in Alberta, many short-term rentals (STRs) listed on online marketplaces, such as Airbnb, were exempt from the levy if they offered fewer than four bedrooms separately for rent.

Budget 2020 removes this exemption, such that an STR will be subject to the 4% tourism levy unless it meets both of the following two (new) exemptions:

- it is not listed on an online marketplace, and
- the 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 the temporary accommodation in Alberta of less than \$5,000.

Online marketplaces will be authorized to collect and remit the tourism levy on behalf of the operator. If an online marketplace does not collect the levy, the operators will be required to register with Alberta's Tax and Revenue Administration, collect the tourism levy, file an online return and remit the levy to the Alberta government.

Legislation and regulations to implement this tax will be introduced in the spring of 2020, with the rules expected to come into effect in the summer of 2020.

Other notable items

Other key items mentioned in Budget 2020 include the following:

- Between 2020-2023, \$19 billion in capital spending, including funding from the federal government, on investments in healthcare facilities, schools and transportation networks.
- Continued support for the petrochemicals diversification program, which provides royalty credits to companies in exchange for building facilities for petrochemical refinery projects.
- Continued support for the Technology, Innovation and Emissions Reduction (TIER) program, which went into effect on January 1, 2020, and applies to facilities that emit over 100,000 tonnes in greenhouse gases per year.



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