



Canadian tax alert

2012 Alberta budget highlights



February 9, 2012

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Budget highlights

Finance Minister Ron Liepert presented the Alberta government's 2012 budget this afternoon. This pre-election budget maintains the status quo, with no significant changes in taxes or spending. The budget forecasts:

- Gross domestic product (GDP) growth of 3.8% in 2012-13 followed by growth of 3% in the following two years
- 2012-13 expenses of \$41.1 billion and revenue of \$40.3 billion, representing a projected \$800 million deficit for 2012-13
- A surplus of \$950 million is forecasted for 2013-14, followed by a surplus of \$5.2 billion for 2014-15 primarily on the basis of increased energy revenue
- While balancing the budget is important, it is not being done at the expense of spending on priority areas

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Fiscal/economic outlook

The budget notes that, in light of the global economy, both Alberta and Canada as a whole have performed relatively well in 2011.

In 2012, Alberta GDP growth is expected to be at 3.8%, significantly ahead of the 2.0% forecast for Canada. Taxes from a stronger economy along with revenues from a strengthening resource sector will drive government revenues from \$38.5 billion at the end of 2012 to \$49.0 billion in fiscal 2014-15.

The Alberta unemployment rate is 5% and is expected to fall to 4% by 2015. The Alberta inflation rate is expected to increase to 2.5% in 2012 and is expected to remain over 2% for the balance of the forecast period.

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Expenditures

The budget provides for a moderate increase in government spending with 2012-13 expenses expected to be \$1.3 billion higher than in 2011-12. Increased expenditures are focused in three areas: health and wellness, education and technology, and support for families, seniors and vulnerable Albertans.

Government spending is expected to increase by a further \$1.9 billion and \$900 million in 2013-14 and 2014-15 respectively.

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Capital plan

The three-year Capital Plan has \$16.5 billion in infrastructure spending, including \$5.7 billion in 2012-13. Spending priorities over the next three years include:

- \$5.1 billion for municipal infrastructure
- \$3.5 billion for roads and highways
- \$2.6 billion for healthcare facilities and equipment
- \$1.3 billion for schools and post-secondary facilities

These figures remain fairly consistent with the 2011-12 budget and are above historical capital spending levels.

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Tax measures

There were no income tax rate increases or decreases announced in the Alberta 2012 budget.

The Alberta personal tax rate remains at a flat 10%. Personal income tax credits will increase by 1.8 percent to partially offset inflation. Education property tax rates also remain unchanged.

The Alberta general corporate income tax rate remains at 10% while the Alberta small business income tax rate remains at 3%. While the small business rate is lower in four provinces, the budget highlights that small business owners continue to pay lower overall taxes due to the fact that Alberta does not have sales taxes, payroll taxes or health premiums and has the lowest fuel taxes.

For tax years ending after March 31, 2012, the Alberta Scientific Research and Experimental Development Tax Credit will no longer be affected by the federal Scientific Research & Experimental Development investment tax credits. This change is intended to improve the benefits realized by companies and reduce the complexity of the program.

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Our budget highlights will be available in French: notre résumé des faits saillants du budget 2012-2013 de l'Alberta sera affiché sur [notre site](#) le 10 février 2012.

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