



Canadian tax alert

2013 Alberta budget highlights

March 7, 2013

Budget highlights

This afternoon, Finance Minister Doug Horner presented the Alberta government's *Budget 2013: Responsible Change*. This budget will hold operating expenses flat (a sharp deviation from the average spending increases of 7.3 per cent over the past ten years). The budget notes:

- Gross domestic product (GDP) growth of 2.9% in 2013-14
- Expenses of \$38 billion and revenue of \$37.6 billion, representing a projected deficit of \$400 million
- No new taxes or rate increases
- A 1.8% reduction in the education property tax rate
- Non-renewable resource revenue of \$7.3 billion, up from \$7.2 billion in 2012-13
- A surplus of \$1.5 billion is forecasted for 2014-15, followed by a surplus of \$3.3 billion for 2015-16
- Total savings to exceed \$24 billion in three years

Industry outlook

The 2013-14 budget acknowledges the shortfall in 2012 revenues of \$6 billion from the "bitumen bubble" and commits to changing the manner in which the government forecasts energy prices. This will begin with an energy forecasting summit to be held in summer 2013, the results of which should be of interest to industry leaders.

Projected resource prices used in the budget are as follows:

- West Texas Intermediate (US\$/bbl): \$92.50
- Western Canada Select (Cdn\$/bbl): \$68.21
- Natural gas (Cdn\$/gj)

These prices appear to be more in line with current market conditions. Further, the government expects a dampening of revenues from corporate income taxes in the coming year followed by growth in the subsequent years.

The Future of Tax

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Fiscal/economic outlook

In 2013, Alberta GDP growth is expected to be 2.9%, behind the 3.5% growth forecasted global GDP. A forecasted growth in royalties from bitumen production of \$3.4 billion in 2013-14 to \$6.7 billion in 2015-16 will help drive government revenues from \$38.6 billion at the end of 2013 to \$41.9 billion in fiscal 2014-15. Reflecting what appears to be a cautionary tone, the government has not earmarked specific spending for this additional revenue.

Alberta's unemployment rate is 4.5% and is expected to fall to 4.3% for 2015 and 2016.

Expenditures

The budget holds expenses even at \$38 billion but is expected to rise to \$39.6 billion in 2015-16. This reflects a commitment to keeping spending in line with revenues. Spending priorities include healthcare, supporting vulnerable Albertans and ensuring safe and prosperous communities.

The Ministry of Health will see an increase of \$500 million (3%) over the 2012-13 forecast, taking it to \$17.1 billion. The Ministry of Human Services' budget will remain consistent with the previous year at \$4.3 billion. Direct operating support to municipalities will rise from \$284 million in 2013-14 to \$294 million in 2015-16.

However, spending on post-secondary education will decrease by \$147 million.

Capital plan

Although down \$1.5 billion from 2012-13, capital spending will continue. The three-year Capital Plan allocates \$15 billion, \$12.7 billion of which will be financed through debt "to support Albertans' priorities of investing in families and communities, securing Alberta's economic future, and advancing world-leading resource stewardship." Spending allocations are as follows:

- \$7.9 billion to family and community investment
- \$6.1 billion to highways, schools and post-secondary institutions
- \$1 billion between carbon capture and storage (\$585 million), the Climate Change and Emissions Management Fund (\$361 million) and the Canada eco-Trust Initiative (\$36 million)

Tax measures

Budget 2013 has no tax rate increases. There is, however, a 1.8% increase in the personal income tax credits to offset inflation. This is in addition to the education property tax decrease noted above.

Our highlights of the 2013 Alberta budget will be available on Deloitte.ca in French at [this link](#) by the end-of-day on March 8, 2013

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