



## Canadian tax alert

### 2018-2019 Alberta budget highlights

March 22, 2018

The Minister of Finance, Joe Ceci, presented the 2018-2019 Alberta budget today, entitled "A recovery built to last". The budget focused on three pillars: diversifying the economy, protecting public services and returning to balanced budgets by 2023-2024.

The following is a summary of the tax highlights contained in the budget.

#### **Fiscal/economic outlook**

Revenue in 2018-2019 is expected to be \$47.9 billion, with \$56.2 billion in expenses, leaving a preliminary deficit of \$8.3 billion. A further \$500 million "risk adjustment factor", an effort to provide a cushion against commodity price volatility, leaves a total estimated deficit for 2018-2019 of \$8.8 billion.

The deficit is projected to decline until ultimately yielding a surplus of \$700 million in 2023-2024.

Spending in 2018-2019 is expected to increase by only \$234 million from 2017-2018. The constraint in expenses is largely driven by a significant decrease in capital grants, which are expected to decline by slightly more than \$2 billion. This decrease is offset by approximately \$1.4 billion in increased operating expense, a \$500 million increased Climate Leadership Plan operating expense, and an increase to debt servicing costs of \$566 million, with total debt servicing costs in 2018-2019 expected to reach \$1.9 billion.

Embedded in projections is an increase in carbon levy revenue of \$146 million in 2020-2021 as a result of the federally-imposed carbon price of \$40/tonne, which takes effect January 1, 2021.

Revenue from the taxation of cannabis is expected to be \$26 million in 2018-2019, increasing to \$99 million by 2020-2021.

### Resource price forecasts

Resources, particularly oil and gas, remain significant drivers of revenue for the province. The revenue projections contained in the budget are based on certain commodity price estimates, as well as foreign exchange rate assumptions. The estimated West Texas Intermediate price estimates are noted below, with the Deloitte Resource Evaluation & Advisory price forecast, at December 31, 2017, being shown as a reference point.

	Budget estimate	Deloitte forecast <sup>1</sup>
<b>2019</b>	\$59.00	\$58.65
<b>2020</b>	\$60.00	\$62.40
<b>2021</b>	\$63.00	\$69.00

In addition to expected price escalation, it is anticipated that raw bitumen production will increase from an estimated 3.1 million barrels/day to 3.5 million barrels/day in 2020-2021.

A \$1 change in the price of West Texas Intermediate is forecast to have a \$265 million impact to revenues.

### Personal tax measures

No significant changes to personal taxes were announced.

### Business tax measures

The budget introduces the Interactive Digital Media Tax Credit, representing up to \$20 million per year investment by 2020-2021. This credit is expected to be fully

<sup>1</sup> As at December 31, 2017. Deloitte Resource Evaluation & Advisory price forecasts are scheduled to be updated and released after March 31, 2018.

refundable, providing a benefit of 25% of eligible labour costs incurred after April 1, 2018. The credit could be up to 5% larger, through a diversity and inclusion enhancement, where the workers employed are from underrepresented groups. Further details will be released at a future date; however, the credit is anticipated to be allocated based on an application system to be launched in the summer of 2018.

No other significant business tax measures were announced.

## Other measures

Other tax measures announced in the budget include:

- \$60 million a year for the Alberta Investor Tax Credit and the Capital Investment Tax Credit, both of which are extended to 2021-2022.
- An enhancement to the Alberta Investor Tax Credit is expected, providing an additional 5% for individual and corporate investors (taking the total credit to 35%) where the investment is made in eligible businesses that meet select diversity and inclusion criteria. The maximum credit that can be claimed by an individual investor remains limited to \$60,000 in any year. The criteria for the enhanced credit will be announced at a later date.

Several notable commitments to non-tax measures were included in the budget.

These include:

- \$1 billion, over eight years beginning in 2019-2020, for partial upgrading of oil sands bitumen. This is expected to be deployed via loan guarantees, grants and other measures. The funding is expected to support the construction of two to five partial upgrading facilities.
- \$500 million in royalty credits related to the second phase of the Petrochemicals Diversification Program, specifically targeted at supporting access to natural gas liquids.
- \$500 million for a Petrochemicals Feedstock Infrastructure Program, aimed at encouraging mid-stream projects to support natural gas liquids extraction.
- 3,000 new post-secondary technology spaces, over the course of the next five years, to support technology, life sciences, clean technology and health innovation.

For further details, we refer you to the [Ministry of Finance website](#).

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