



TaxNewsFlash Canada

Alberta Drops Corporate Tax Rate to 8% — Effective July 1

June 29, 2020
No. 2020-59

Alberta is fast-tracking a previously scheduled general corporate income tax rate reduction and introducing a new refundable tax credit for certain small businesses, according to the province's economic recovery plan released June 29, 2020. Alberta says it will reduce the general corporate income tax rate to 8% (from 10%) effective July 1, 2020. Previously, the general corporate income tax rate was not scheduled to decrease to 8% until 2022. Alberta says it is also introducing a new refundable tax credit that is intended for small companies to facilitate investment in research and development.

Alberta's economic recovery plan comes in the wake of the economic challenges faced by the province as a result of COVID-19.

Background

Previously, Alberta was set to take several years to reach a targeted, gradual, decrease of its general corporate income tax rate to 8% (from a starting point of 12% in 2019). The provincial government initially enacted legislation to decrease the general corporate income tax rate to 11% (from 12%) on July 1, 2019, with further 1% rate reductions every year on January 1 until the general corporate tax rate reached 8% on January 1, 2022.

Alberta's corporate income tax rates

The economic recovery plan accelerates the general corporate income tax rate decrease to 8%, effective July 1, 2020. As a result, the province's corporate income tax rates will be as follows:

| Corporate Income Tax Rates | | | | |
|-----------------------------|-----------------------|-------------------------------|--------------------|-------------------------------|
| | As of January 1, 2020 | | As of July 1, 2020 | |
| | Province | Combined Federal and Province | Province | Combined Federal and Province |
| General | 10% | 25% | 8% | 23% |
| M&P | 10% | 25% | 8% | 23% |
| Small business ¹ | 2% | 11% | 2% | 11% |

¹ On first \$500,000 of active business income.

Innovation Employment Grant

The economic recovery plan announces a new Innovation Employment Grant that will provide a refundable tax credit to certain Alberta-based companies that invest in research and development. Although an effective date has not been announced and few details are available, Alberta says that this new program is intended as an incentive for newer start-ups in high-growth industries to encourage technology and investment in the province. According to the plan, this refundable tax credit is specifically intended to benefit smaller companies performing research and development, which are in their pre-income and start-up phases and may not immediately benefit from the reduced general corporate income tax rate.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in Alberta's recovery plan on your personal finances or business affairs, and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

kpmg.ca



[Contact Us](#) | [KPMG in Canada Privacy Policy](#) | [KPMG On-Line Privacy Policy](#) | [Legal](#)

Information is current to June 29, 2020. The information contained in this *TaxNewsFlash-Canada* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.