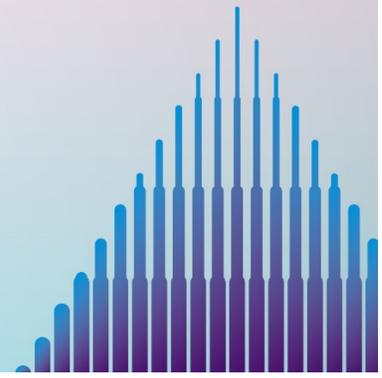




TaxNewsNow

Canada



October 27, 2020

Alberta's Accelerated Corporate Tax Rate Drop to 8% — Now Substantively Enacted

Bill 35 reduces Alberta's general corporate income tax rate to 8% (from 10%) and introduces the Innovation Employment Grant

Alberta Bill 35 received first reading on October 20, 2020. The bill includes several previously announced measures including the accelerated drop in the province's general corporate income tax rate to 8% (from 10%), effective July 1, 2020. The bill also includes measures granting ministerial authority for certain temporary deadline extensions, introduces the Innovation Employment Grant and changes the eligible dividend tax credit rate effective in 2021.

The corporate income tax measures included in Bill 35 are considered substantively enacted for the purposes of IFRS and Accounting Standards for Private Enterprise (ASPE) on October 20, 2020, the date Bill 35 received first reading (as Alberta has a majority government). The measures will be considered enacted for U.S. GAAP purposes on the date the bill receives Royal Assent.

Corporate tax measures

Corporate income tax rate

Bill 35 reduces Alberta's general corporate income tax rate to 8% (from 10%) effective July 1, 2020. As a result, the province's substantively enacted corporate income tax rates as of October 20, 2020 are as follows for 2020:

KPMG Publications

For the latest tax news, see KPMG's full line of tax publications available at www.kpmg.ca/taxnews.

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.

The province previously announced that it would accelerate the general corporate income tax rate decrease to 8%, effective July 1, 2020 in its economic recovery plan on June 29, 2020 in response to the COVID-19 pandemic. Previously, the general corporate income tax rate was not scheduled to decrease to 8% until January 1, 2022.

Extension of certain legislated deadlines

Bill 35 grants Alberta ministerial authority to temporarily extend certain tax filing deadlines, including for certain provincial SR&ED claims and applications for an extension to file notices of objections, that Alberta recently announced.

For details, see TaxNewsNow, "[Alberta extends SR&ED and other tax deadlines](#)".

New Innovation Employment Grant

Bill 35 introduces the new Innovation Employment Grant that provides a refundable tax credit to certain small and medium-sized Alberta-based companies that invest in research and development (R&D) after December 31, 2020. Those who qualify for the grant could receive an amount equal to 8% of their base R&D expenditures (calculated as the company's average qualifying R&D spending over the previous two years), and 20% of spending that is above that base amount. Expenditures must relate to R&D carried out in Alberta after December 31, 2020 in order to be eligible for the grant.

Corporations may qualify for the grant on up to \$4 million in annual R&D spending. Where the corporation is associated with one or more corporations, this annual limit must be shared among the associated group. The amount of the grant is gradually reduced for corporations or associated corporations with taxable capital between \$10 million and \$50 million, and is completely eliminated when taxable capital reaches \$50 million.

The Innovation Employment Grant was originally announced on June 29, 2020.

For details, see *TaxNewsFlash-Canada* 2020-63, "[Alberta's New 20% R&D Grant — Coming Soon](#)" and *TaxNewsFlash-Canada* 2020-63, "[Alberta Drops Corporate Tax Rate to 8% — Effective July 1](#)".

Personal tax measure

Bill 35 also decreases the provincial dividend tax credit rate on eligible dividends to 8.12% (from 10%) effective January 1, 2021. As a result, the combined top marginal rate on eligible dividends for residents of Alberta in 2021 will increase to 34.31% (from 31.71%). This change was previously scheduled to come into effect January 1, 2022.

For more information, contact your KPMG advisor.

kpmg.ca



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

Information is current to October 27, 2020. The information contained in this publication 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. For more information, contact KPMG's National Tax Centre at 416.777.8500.

This email was sent to you by [KPMG](#). To sign up to receive other communications from us (we have some informative publications that may be of interest to you), or to stop receiving electronic messages sent by KPMG, visit the [KPMG Online Subscription Centre](#).

At KPMG we are passionate about earning your trust and building a long-term relationship through service excellence. This extends to our communications with you.

Our lawyers have recommended that we provide certain disclaimer language with our messages. Rather than including them here, we're drawing your attention to the following links where the full legal wording appears.

[Disclaimer concerning confidential and privileged information/unintended recipient](#)
[Disclaimer concerning tax advice](#)

© 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.