

# Taxes in the Edmonton Metropolitan Region

Information brief

"Death, taxes and childbirth! There's never any convenient time for any of them." Margaret Mitchell, *Gone with the Wind* (Goodreads 2019)

## Tax Summary Overview

This brief is for companies that are incorporated, with (actual/forecasted) income over \$500,000, and operating in the Edmonton Metropolitan Region.

Corporations in Alberta pay taxes on property, income (profit), and payroll (Employment Insurance, EI; Canada Pension Plan, CPP). Employers are responsible for withholding employee contribution portion for EI and CPP.

This brief does not discuss:

- Taxation related to farmland and energy in particular electricity generation, mining, oil extraction and gas extraction.
- Taxation of linear property (such as pipelines) and vacant land.
- Small businesses with incomes below \$500,000, which may be subject to tax relief.
- Taxation of other legal organizations such as sole proprietorships and partnerships.
- The [Municipal Government \(Property Tax Incentives\) Amendment Act, 2019](#). Implementation is still underway (Government of Alberta 2019).

**Table 1. Summary of Taxes and Tax Incentives in the Edmonton Metropolitan Region.**

<b>Name</b>	<b>Reference in this document (hyperlink)</b>	<b>Rate (in %)</b>	<b>Level of government that is collecting the tax</b>	<b>Who must pay</b>
<b>Property</b>	Non-Residential	*	Municipal	Property owner
	Taxes on Machinery and Equipment	*	Municipal	Property owner
	Education Property Tax	*	Municipal (revenues transferred to province)	Property owner
<b>Corporate income</b>	Corporate Income Taxes	26%	Federal & Provincial	Corporation
<b>Goods and Services Tax (GST)</b>	Goods and Services Tax	5%	Federal	Consumer; <i>Corporation claims input tax credit</i>
<b>Payroll tax</b>	<b>Error! Reference source not found.</b>	1.66%	Federal	Employer & Employee
	<b>Error! Reference source not found.</b>	5.10%	Federal	Employer & Employee
<b>Tax incentives</b>	Corporate Tax Incentives	**	<i>Federal incentives</i>	

**Notes:** \* = varies by geography/ \*\* = varies by program.

## Non-Residential Tax

- Businesses pay taxes based on the value of the non-residential property.
- The tax rate can be expressed as a mill rate, which is equal to the amount of tax paid per \$1,000 of assessed value.
- Current municipal tax rates are available in the Tax Rate Bylaws and published by Alberta Municipal Affairs, in the [Audited Financial Statements and Tax Rate Bylaws](#) (Government of Alberta 2018).

*A firm that is leasing property would pay based on the terms in their lease.*

## Education Property Tax

- Property owners pay education taxes.
- The Government of Alberta determines the amount of education tax that is requisitioned from municipalities.
- The individual municipality is responsible for collecting the education tax dollars from property owners.
- The education property tax is levied on the value of non-residential buildings.
- Machinery and equipment property is exempt from education tax (Government of Alberta 2019).

## Taxes on Machinery and Equipment

Some, but not all, municipalities in Alberta charge an assessed-value tax on equipment.

- The tax the property owner pays is based on the value of machinery and equipment.
- The tax rate for machinery and equipment at the level of the municipality is available from the [Alberta Municipal Affair Tax Rate Bylaws](#) (Government of Alberta 2018).

## Goods and Services Tax

*There are no consumption, retail or sales taxes at the provincial or municipal level in Alberta.*

- The federal Goods and Services Tax (GST) is a multi-level value-added tax. The ultimate tax liability is intended to be borne entirely by the final consumer. To achieve this result, businesses that purchase goods and services that are consumed, used or supplied in the course of their commercial activities, can claim input tax credits.
- To claim the input tax credit businesses must register with the Canada Revenue Agency (CRA) as GST registrants.
- The GST in Alberta/Canada is currently 5% and has not changed since January 1, 2008.
- The treatment for the GST differs from the U.S., which does not charge value-added tax. States and municipalities may charge a single-stage retail sales tax.

## Corporate Income Taxes

As of July 1, 2019, the combined federal and provincial rate in Alberta is 26%.

- The current federal corporate income tax rate is 15% (Government of Canada 2019).
- The current provincial corporate income tax rate is 11% (Government of Alberta 2019).

**Table 2. Federal and provincial corporate income rates, 2019 to 2022.**

Date	Provincial tax rate	Federal tax rate	Combined Federal and Provincial rate
<b>Current (as of July 1, 2019)</b>	11%	15%	26%
<b>January 1, 2020</b>	10%	15%	25%
<b>January 1, 2021</b>	9%	15%	24%
<b>January 1, 2022</b>	8%	15%	23%

**Sources:** [Corporate income tax special notice](#) (Tax and Revenue Administration (TRA) 2019) and [Corporation Tax Rates](#) (Government of Canada 2019).

## Employment Insurance (EI) and Canada Pension Plan (CPP)

All businesses in Canada with employees must pay EI and CPP. Additionally the employer is responsible for submitting employer and employee premiums for EI and CPP to the Canada Revenue Agency.

- The rate is set annually and covers up to an annual earnings maximum.
- The **EI** rate is 1.66% up to maximum annual insurable earnings (2019 maximum earnings are \$53,100).
- The maximum annual employer premium for EI is \$1,204.31 (Government of Canada 2018).
- For **CPP**, the maximum annual pensionable earnings in 2019 are \$57,400. The employer and employee contribution rate is 5.10%. The maximum yearly employee and employer contributions in 2019 are \$2,748.90 (Government of Canada 2018).
- The CPP contribution rate increases over the 2019 to 2023 period from 4.95% to 5.95%.
- The CPP program will shift to a tiered model in 2024 with the introduction of a second higher-earnings ceiling with a higher contribution rate in addition to the 5.95% contribution rate on the first earnings ceiling.

## Other Taxes

- Municipalities may charge a Business Improvement Areas tax (BIA), Local Improvement tax (LI), and special tax (The Alberta Urban Municipalities Association 2019).
  - A group of businesses within an area can use BIA to make their area more attractive. Budgeting and spending are all controlled by the businesses themselves.
  - LI is levied only in specific instances when a capital project is requested by local property owners. The local improvement requires 50% agreement from property owners in the area to be undertaken. If sufficient support exists, the municipality borrows money to perform the capital project and amortizes the cost of that project over a 15 to 25 year period. Cost accrue to the property owner and follow the property (new owners take over existing LI charges).
  - Special tax is similar to LI, but the full project cost is levied within a specific year.
- The province also collects taxes on the consumption of fuel, tobacco, and tourism (hotel levy) (Government of Alberta 2019). There's also a Federal Excise on gasoline in addition to the provincial, which is levied on consumption but not businesses specifically.
- The provincial and federal government may also charge fees (cost recovery) related to business permits and applications; utilities; transportation.
- Alberta Recycling is a not-for-profit managing the province's recycling programs for tires, electronics, paint, and used oil (Alberta Recycling Management Authority (Alberta Recycling) 2019).

More information on municipal taxes in Alberta can be found on the Alberta Urban Municipalities Association and Alberta Municipal Services Corporation webpage [Fundamentals of the Property Taxation System](#) (Alberta Urban Municipalities Association and Alberta Municipal Services Corporation 2019).

## Corporate Tax Incentives

Detailed and up to date listing on subsidies and incentives for corporations are available from the web application called [Grow Your Business](#) (Government of Canada 2019).

Two programs may be relevant to companies making a capital investment in Alberta:

- The **Accelerated Capital Cost Allowance** came into effect on November 21, 2018. The incentive is scheduled to expire in 2028 (Government of Canada 2018). There are three categories of the allowance:
  - **Immediate Expensing for Manufacturers and Processors.** This incentive allows businesses to immediately write off the cost of machinery and equipment used for the manufacturing or processing of goods.
  - **Immediate Expensing for Clean Energy Investments.** This incentive allows businesses to immediately write off the full cost of specified clean energy equipment.
  - **The Accelerated Investment Incentive** is an accelerated capital cost allowance (i.e., the larger deduction for depreciation) for businesses of all sizes, across all sectors of the economy, that are making capital investments.

For more information on the Accelerated Capital Cost Allowance, see (Oakey 2018).

Two programs may be relevant to companies that are interested in investing in research and development activities in Alberta:

- The **Scientific Research and Experimental Development (SR&ED) Program** is a federal tax incentive program designed to encourage Canadian businesses of all sizes and in all sectors to conduct research and development (R&D) in Canada. (Government of Canada 2018)
  - The investment tax credit will be at least 15% and can be as much as 35% of qualified SR&ED expenditures. Generally, Canadian-controlled private corporations can earn an investment tax credit of 35% on their qualified expenditures up to a maximum of \$3 million. The investment tax can be refundable or applied against taxes the corporation owes. (Government of Canada 2014)

*For more information on eligibility and refundability, see (Martineau 2019).*

## Works Cited and More Information

- Alberta Recycling Management Authority (Alberta Recycling). 2019. *About*. Accessed May 2, 2019. <https://www.albertarecycling.ca/about/>.
- Alberta Urban Municipalities Association and Alberta Municipal Services Corporation. 2019. "Fundamentals of the Property Taxation System." *AUMA & AMSC*. Accessed July 5, 2019. <https://auma.ca/advocacy-services/programs-initiatives/property-assessment-and-taxation-hub/fundamentals-alberta%E2%80%99s-property-assessment-and-taxation-system/fundamentals-property-taxation-system>.
- City of Edmonton. 2019. *Property Tax Estimator*. May 3. Accessed May 3, 2019. <http://taxestimator.edmonton.ca/>.
- Goodreads. 2019. *Margaret Mitchell Quotes*. Accessed 10 29, 2019. <https://www.goodreads.com/quotes/223569-death-taxes-and-childbirth-there-s-never-any-convenient-time-for>.
- Government of Alberta. 2019. *About tax and levy rates and prescribed interest rate*. May 3. Accessed May 3, 2019. <https://www.alberta.ca/about-tax-levy-rates-prescribed-interest-rates.aspx>.
- . 2018. "Audited Financial Statements and Tax Rate Bylaws." *Alberta Municipal Affairs*. 09 26. Accessed 06 27, 2019. [http://municipalaffairs.alberta.ca/mc\\_financial\\_tax\\_bylaws](http://municipalaffairs.alberta.ca/mc_financial_tax_bylaws).
- . 2019. *Capital Investment Tax Credit (CITC)*. Accessed May 3, 2019. <https://www.alberta.ca/capital-investment-tax-credit.aspx>.
- . 2013. *Corporate income tax information circular SRED-1 : Alberta Scientific Research and Experimental Development (SR&ED) Tax Credit*. April 1. Accessed May 3, 2019. <https://open.alberta.ca/dataset/8b8e98e2-1a0c-4b5a-a2da-f2f0a7cd3c39/resource/d11c1352-1f7d-4b16-b646-3fa4df847877/download/info-circ-sred-1r2-sred-tax-credit.pdf>.
- . 2019. *Corporate income tax rates*. May 3. Accessed May 3, 2019. <https://www.alberta.ca/about-tax-levy-rates-prescribed-interest-rates.aspx#corporate>.
- . 2019. *Education property tax*. Accessed May 3, 2019. [https://www.alberta.ca/education-property-tax.aspx?utm\\_source=redirector](https://www.alberta.ca/education-property-tax.aspx?utm_source=redirector).
- . 2019. *Property Tax Incentives*. June 24. Accessed July 5, 2019. <https://www.alberta.ca/property-tax-incentives.aspx>.
- Government of Canada. 2018. "Chapter 3 - Confidence in Canada's Economic Future." *Fall Economic Statement 2018*. November 21. Accessed July 5, 2019. <https://www.budget.gc.ca/fes-eea/2018/docs/statement-enonce/chap03-en.html>.

- 2018. *Claiming SR&ED tax incentives*. June 26. Accessed May 3, 2019. <https://www.canada.ca/en/revenue-agency/services/scientific-research-experimental-development-tax-incentive-program/claiming-tax-incentives.html>.
  - 2019. *Corporation tax rates*. April 30. Accessed May 3, 2019. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-tax-rates.html>.
  - 2018. *CPP contribution rates, maximums and exemptions*. November 15. Accessed May 3, 2019. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductions-contributions/canada-pension-plan-cpp/cpp-contribution-rates-maximums-exemptions.html>.
  - 2018. *EI premium rates and maximums*. November 14. Accessed May 3, 2019. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductions-contributions/employment-insurance-ei/ei-premium-rates-maximums.html>.
  - 2019. *Grow your business*. May 3. Accessed May 3, 2019. [https://innovation.ised-isde.canada.ca/s/?language=en\\_CA](https://innovation.ised-isde.canada.ca/s/?language=en_CA).
  - 2014. *How do you calculate your SR&ED expenditures and investment tax credit? - Video 3*. September 19. Accessed May 3, 2019. <https://www.canada.ca/en/revenue-agency/news/cra-multimedia-library/businesses-video-gallery/transcript-video-3-you-calculate-your-expenditures-investment-tax-credit.html>.
- Martineau, Fasken. 2019. "Canada Taxation Doing Business in Canada 2019." *Mondaq Connecting Knowledge & People*. July 2. Accessed July 5, 2019. <http://www.mondaq.com/canada/x/820562/withholding+tax/Doing+Business+in+Canada+2019>
- Oakey, John. 2018. "Canada 2018 Fall Economic Update." *Mondaq Connecting Knowledge and People*. November 27. Accessed July 5, 2019. <http://www.mondaq.com/404.asp?404;http://www.mondaq.com:80/canada/x/758790/property+taxes/2018+Fall+Economic+Update>.
- Tax and Revenue Administration (TRA). 2019. "Corporate income tax special notice Vol. 5 No. 52 : Job Creation Tax Cut." *Government of Alberta*. May 30. Accessed July 5, 2019. <https://open.alberta.ca/dataset/8597b610-1826-43d5-bdb1-3f5ba938875d/resource/7fce8356-f05f-4fd5-a84e-cc7364f43c77/download/special-notice-ct-vol-5-no-52-job-creation-tax-cut.pdf>.
- The Alberta Urban Municipalities Association. 2019. *Fundamentals of the Property Taxation System*. May 3. Accessed May 3, 2019. <https://auma.ca/advocacy-services/programs-initiatives/property-assessment-and-taxation-hub/fundamentals-alberta%E2%80%99s-property-assessment-and-taxation-system/fundamentals-property-taxation-system>.

## About Edmonton Global

Edmonton Global is a not-for-profit corporation established by 15 regional municipalities to advance economic development and cooperation for the Edmonton Metropolitan Region. We are focused on transformational economic development. We will catalyze local, regional and federal investments in infrastructure, technology, and innovation to promote a stronger Canadian value proposition for investors. The Edmonton Metropolitan Region is a business location of choice for global investment, collaboratively built on regional assets.

Edmonton Global strengthens the Edmonton Metropolitan Region's global competitiveness, growth, and innovation. Edmonton Global is supported primarily by the 15 regional municipalities, as well as the province of Alberta and the Government of Canada.

**Table 3. Edmonton Global Shareholders.**

<b>Shareholders</b>
City of Edmonton
City of Fort Saskatchewan
City of Leduc
City of Spruce Grove
City of St. Albert
Leduc County
Parkland County
Strathcona County
Sturgeon County
Town of Beaumont
Town of Bon Accord
Town of Devon
Town of Gibbons
Town of Morinville
Town of Stony Plain

*Acknowledgments*

*Input from staff in the Alberta government and shareholder municipalities acknowledged.*

*Any remaining errors remain the responsibility of the author.*

*Tomas Nilsson, Edmonton Global.*

*Email [tnilsson@edmontonglobal.ca](mailto:tnilsson@edmontonglobal.ca)*

*Phone +1 (587) 415-4442.*

*Edmonton, Canada*