

# Tax and Revenue Administration (TRA)

## *Alberta Corporate Tax Act*

### Special Notice Vol. 5 No. 54

## Budget 2019 Elimination of Corporate Tax Credits

Last updated: November 4, 2019

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*NOTE: This special notice is intended to explain legislation and provide specific information. Every effort has been made to ensure the contents are accurate. However, if a discrepancy should occur in interpretation between this special notice and governing legislation, the legislation takes precedence.*

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### Introduction

As announced in Budget 2019, with the Job Creation Tax Cut and enhancements to Capital Cost Allowance rates (see Special Notices [Vol. 5 No. 52](#) and [Vol. 5 No. 53](#), respectively), Alberta is moving toward a low-rate, broad-based corporate tax system. Accordingly, the Alberta Investor Tax Credit, Community Economic Development Corporation Tax Credit, Capital Investment Tax Credit, Interactive Digital Media Tax Credit and the Scientific Research and Experimental Development Tax Credit are being eliminated.

As appropriate, amendments to the *Alberta Corporate Tax Act*, *Investing in a Diversified Alberta Economy Act*, and the *Interactive Digital Media Tax Credit Act* will be made in order to eliminate the various tax credits.

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Note: for toll-free service in Alberta, call 310-0000, then enter the number.



## **Alberta Investor Tax Credit (AITC)**

Corporations to which tax credit certificates have been issued by Economic Development, Trade and Tourism (EDTT) will remain eligible to deduct the AITC from tax payable in the taxation year in which the respective investment was made. In general, the AITC is the total of all amounts shown on all of the investor tax credit certificates issued to the corporation for share purchases made during the taxation year.

The amount of AITC that a corporation may deduct from tax payable is calculated on AT1 Schedule 3, *Alberta Other Tax Deductions and Credits*, and reported on line 076 of Form AT1, *Alberta Corporate Income Tax Return*. The AT1 Return and Schedule 3 are available on the [Corporate Income Tax](#) page of the Government of Alberta website.

As the AITC is **non-refundable**, the deduction is limited to the amount of tax payable calculated before deducting the AITC. The provisions permitting unused AITC to be carried forward four taxation years will remain unchanged.

For additional information on the AITC, refer to the [Alberta Investor Tax Credit](#) page of the Government of Alberta website, as well as [Special Notice Vol. 5 No. 46](#).

## **Community Economic Development Corporation Tax Credit (CEDCTC)**

The CEDCTC was established as a part of the AITC program. Registered Community Economic Development Corporations to which tax credit certificates have been issued by EDTT will remain eligible to deduct the CEDCTC from tax payable in the taxation year in which the respective investment was made.

The amount of CEDCTC that a Community Economic Development Corporation may deduct from tax payable is calculated on AT1 Schedule 3, *Alberta Other Tax Deductions and Credits*, and reported on line 076 of Form AT1, *Alberta Corporate Income Tax Return*. The AT1 Return and Schedule 3 are available on the [Corporate Income Tax](#) page of the Government of Alberta website.

As the CEDCTC is **non-refundable**, the deduction is limited to the amount of tax payable calculated before deducting the CEDCTC. Like other AITCs, the provisions permitting unused CEDCTCs to be carried forward four taxation years will remain unchanged.

For additional information on the CEDCTC, refer to the [Community Economic Development Corporation Tax Credit](#) page of the Government of Alberta website, as well as [Special Notice Vol. 5 No. 50](#).

## **Capital Investment Tax Credit (CITC)**

Corporations to which tax credit certificates have been issued by EDTT will remain eligible to deduct the CITC from tax payable in the taxation year in which the respective investment was made. In general, the CITC is the total of all amounts shown on all of the capital investment tax credit certificates issued to the corporation for acquisitions of eligible qualified property made during the taxation year.

The amount of CITC that a corporation may deduct from tax payable is calculated on AT1 Schedule 3, *Alberta Other Tax Deductions and Credits*, and reported on line 076 of Form AT1, *Alberta Corporate Income Tax Return*. The AT1 Return and Schedule 3 are available on the [Corporate Income Tax](#) page of the Government of Alberta website.

As the CITC is **non-refundable**, the deduction is limited to the amount of tax payable calculated before deducting the CITC. The provisions permitting unused CITC to be carried forward 10 taxation years will remain unchanged.

For additional information on the CITC, refer to the [Capital Investment Tax Credit](#) page of the Government of Alberta website, as well as [Special Notice Vol. 5 No. 46](#).

### **Interactive Digital Media Tax Credit (IDMTC)**

Corporations to which tax credit certificates have been issued by EDTT will remain eligible to deduct the IDMTC from tax payable in the respective taxation year. In general, a corporation may deduct the IDMTC in a particular taxation year to a maximum of the amount shown on the respective IDMTC certificate issued by EDTT and the respective Alberta corporate tax payable calculated before deducting the IDMTC.

The amount of IDMTC that a corporation may deduct from tax payable is reported on line 085 of Form AT1, *Alberta Corporate Income Tax Return*. The AT1 Return is available on the [Corporate Income Tax](#) page of the Government of Alberta website. A corporation is not entitled to an IDMTC for a taxation year if the corporation claims an Alberta Scientific Research and Experimental Development Tax Credit in the same year.

As the IDMTC is **refundable**, the amount by which the corporation's IDMTC exceeds the corporation's tax otherwise payable for the year, net of any other Alberta tax, interest, penalties or other amount owing by the corporation to Alberta, will be paid to the corporation.

For additional information on the IDMTC, refer to the [Interactive Digital Media Tax Credit](#) page of the Government of Alberta website, as well as [Special Notice Vol. 5 No. 51](#).

### **Alberta Scientific Research and Experimental Development (SR&ED) Tax Credit**

Alberta's SR&ED Tax Credit program will be eliminated effective January 1, 2020.

In general, a qualified corporation is entitled to an SR&ED Tax Credit equal to 10 per cent of the lesser of its eligible expenditures for the taxation year and its maximum expenditure limit for the taxation year. The corporation may deduct from its tax payable for the year the lesser of its SR&ED Tax Credit and its tax otherwise payable for the year.

For the purposes of Alberta's SR&ED Tax Credit, the definition of "eligible expenditures" in section 26.6 of *Alberta Corporate Tax Act* will be amended to clarify that the amounts included in federal expenditures of the corporation that are in respect of SR&ED must be carried out in Alberta **before January 1, 2020**. The SR&ED Tax Credit may not be claimed in respect of any such expenditures carried out in Alberta after that date. For a corporation with a taxation year end other than December 31, 2019, the amount of eligible expenditures for the purposes of Alberta's SR&ED Tax Credit may not be the same as the amount reported for federal purposes.

The amount of SR&ED Tax Credit that a corporation may deduct from tax payable is calculated on AT1 Schedule 9, *Alberta Scientific Research & Experimental Development (SR&ED) Tax Credit*, and reported on line 081 of Form AT1, *Alberta Corporate Income Tax Return*. The AT1 Return and Schedule 9 are available on the [Corporate Income Tax](#) page of the Government of Alberta website. A corporation is not entitled to an SR&ED Tax Credit for a taxation year if the corporation claims an IDMTC in the same year.

As the SR&ED Tax Credit is **refundable**, the amount by which the corporation's SR&ED Tax Credit exceeds the corporation's tax otherwise payable for the year, net of any other Alberta tax, interest, penalties or other amount owing by the corporation to Alberta, will be paid to the corporation.

For additional information on the SR&ED Tax Credit, refer to [Information Circular SRED-1](#) on the Government of Alberta website.

### **Additional Information**

For complete information on Alberta's corporate income tax program, refer to the [Corporate Income Tax](#) page of our website.

### **Contact Information and Useful Links**

<b>Email TRA:</b>	<a href="mailto:TRA.Revenue@gov.ab.ca">TRA.Revenue@gov.ab.ca</a>
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