

# TAX FLASH

## 2015 Alberta Budget Highlights

Alberta Finance Minister, Robin Campbell, tabled the 2015 provincial budget on March 26, 2017. The recent drop in oil prices has significantly affected Alberta's projected tax revenues. The province's heavy reliance on volatile resource revenue has pushed the 2015-16 budgets into an anticipated deficit of \$5 billion, with plans to return to a balanced budget in the 2017-18 fiscal year. In order to decrease the revenue gap, the budget introduces a number of tax changes for individuals. We have highlighted some of the budget measures that affect Alberta resident individuals and businesses.

### INDIVIDUALS

Albertans have enjoyed a flat 10% provincial tax rate since 2001. The budget now proposes to create two new tax brackets for individuals with taxable income over \$100,000. The rates will also increase over a period of three years and will include a temporary 0.5% additional tax on individuals earning income over \$250,000 for 2016 to 2018. The new brackets and rates take effect January 1, 2016. Despite the increase, Alberta will continue to have the lowest top marginal tax rates among the provinces.

| Taxable Income         | 2015  | 2016  | 2017  | 2018  | 2019 - and later |
|------------------------|-------|-------|-------|-------|------------------|
| \$0 to \$100,000       | 10.0% | 10.0% | 10.0% | 10.0% | 10.0%            |
| \$100,000 to \$250,000 | 10.0% | 10.5% | 11.0% | 11.5% | 11.5%            |
| \$250,000 and up       | 10.0% | 11.0% | 11.5% | 12.0% | 11.5%            |

Brackets will be indexed to inflation starting 2017

### Top Combined Alberta and Federal Rates

| Taxable Income                   | 2015   | 2016   |
|----------------------------------|--------|--------|
| Salary, interest, foreign income | 39.00% | 40.00% |
| Eligible dividends               | 19.29% | 20.67% |
| Non-eligible dividends           | 29.36% | 30.54% |
| Capital gains                    | 19.50% | 20.00% |

Based on known federal and Alberta rates at March 26, 2015

### *New Health Care Contribution Levy*

The budget introduces a new Health Care Contribution Levy for individuals with income over \$50,000. The levy increases in \$200 increments as income rises, but is capped at \$1,000 per income earner. The levy will be collected through the personal tax system by CRA and by payroll withholdings to reduce administrative burdens. The levy will begin on July 1, 2015 and is prorated in 2015 for the half year.

| <b>Taxable Income</b>  | <b>Health Care Contribution Levy Payable</b> | <b>Annual Maximum</b> |
|------------------------|--|-----------------------|
| \$0 to \$50,000        | No Health Care Contribution Levy             |                       |
| \$50,000 to \$70,000   | 0 + 5% of excess over \$50,000               | \$200                 |
| \$70,000 to \$90,000   | \$200 + 5% of excess over \$70,000           | \$400                 |
| \$90,000 to \$110,000  | \$400 + 15% of excess over \$90,000          | \$600                 |
| \$110,000 to \$130,000 | \$600 + 15% of excess over \$110,000         | \$800                 |
| \$130,000 and up       | \$800 + 25% of excess over \$130,000         | \$1,000               |

### *Enhancement to Alberta Family Employment Tax Credit (AFETC)*

Starting July 1, 2016, the rate at which AFETC benefits are phased in will be increased from 8% to 11% on working income over \$2,760. The phase-out threshold will be increased from \$36,778 to \$41,250 allowing more families to be eligible for this benefit.

| <b>Benefit Amounts</b> | <b>July 2014 to June 2015 Maximums</b> | <b>July 2015 to June 2016 Maximums</b> |
|------------------------|--|--|
| One child              | \$736                                  | \$754                                  |
| Two children           | \$1,405                                | \$1,439                                |
| Three children         | \$1,806                                | \$1,850                                |
| Four or more children  | \$1,940                                | \$1,987                                |

| <b>Program Eligibility</b> | <b>Current</b> | <b>As of July 1, 2016</b> |
|----------------------------|----------------|---------------------------|
| Income phase-in threshold  | \$2,760        | \$2,760                   |
| Phase-in rate              | 8%             | 11%                       |
| Income phase-out threshold | \$36,778       | \$41,250                  |
| Phase-out rates            | 4%             | 4%                        |

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### *New Alberta Working Family Supplement*

The budget introduces a new refundable tax credit called the Alberta Working Family Supplement (AWFS) to target working families earning between \$2,760 and \$41,220. The AWFS supplements the AFETC and will be administered by CRA. Families currently eligible for the AFETC will automatically be enrolled in the new AWFS. Additional details about the payment dates will be released at a later date.

| <b>Benefit Amounts</b> | <b>July 1, 2016</b> |
|------------------------|---------------------|
| One child              | \$1,100             |
| Two children           | \$1,650             |
| Three children         | \$2,220             |
| Four or more children  | \$2,750             |

### *Charitable Donation Tax Credit Reduction*

Since 2007, Albertans have benefited from a generous 50% combined donation tax credit for amounts in excess of \$200. The enhanced Alberta credit rate of 21% was intended to encourage higher total donations, but it had limited success over the years. Given the ineffectiveness of the enhanced credit, the provincial charitable donation tax credit rate will return to 12.75% starting in the 2016 tax year.

| <b>Donation Threshold</b>            | <b>2015</b> | <b>2016</b> |
|--------------------------------------|-------------|-------------|
| Federal credit for donations > \$200 | 29%         | 29%         |
| Alberta credit for donation > \$200  | 21%         | 12.75%      |
| Total charitable donation credit     | 50%         | 41.75%      |

### *Consumer Tax Increases*

A number of consumer taxes were increased, effective the day after the budget.

| <b>Consumption Tax</b>                   | <b>Before March 27, 2015</b> | <b>As of March 27, 2015</b> |
|--|------------------------------|-----------------------------|
| Fuel tax on gasoline and diesel          | 11 cents per litre           | 13 cents per litre          |
| Fuel tax on propane                      | 6.5 cents per litre          | 9.4 cents per litre         |
| Tobacco tax per carton of 200 cigarettes | \$40                         | \$45                        |
| Tobacco tax on loose tobacco             | 30 cents per gram            | 33.75 cents per gram        |
| Tobacco tax rate on cigars               | 103%                         | 116%                        |
| - Minimum tax per cigar                  | 20 cents                     | 22.5 cents                  |
| - Maximum tax per cigar                  | \$6.27                       | \$7.05                      |

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| <b>Insurance Premium Tax</b> | <b>Current</b> | <b>As of April 1, 2016</b> |
|------------------------------|----------------|----------------------------|
| Life, accident and sickness  | 2%             | 3%                         |
| Any other insurance contract | 3%             | 4%                         |

## **BUSINESSES**

There were no changes to Alberta corporate tax rates or to the \$500,000 small business income threshold.

No other tax measures related to businesses were introduced in this budget.

| <b>Income Type</b>                | <b>Alberta Rate</b> | <b>Federal Rate</b> | <b>Combined Rates</b> |
|-----------------------------------|---------------------|---------------------|-----------------------|
| General corporate income          | 10.00%              | 15.00%              | 25.00%                |
| Small business income             | 3.00%               | 11.00%              | 14.00%                |
| CCPC investment income            | 10.00%              | 34.67%              | 44.67%                |
| Non-CCPC investment income        | 10.00%              | 15.00%              | 25.00%                |
| Manufacturing & processing income | 10.00%              | 15.00%              | 25.00%                |

Based on known federal and Alberta rates at March 26, 2015

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