

Canadian tax alert

2015-2016 Alberta budget highlights



Alberta Minister of Finance, Robin Campbell, presented the 2015 Alberta budget this afternoon, dealing with a new “fiscal reality” with a revenue shortfall of \$7.1 billion in 2015-16. The budget focused on two primary elements in the face of significantly reduced commodity prices and significantly slowed gross domestic product growth:

- Largely flat spending in most departments and a \$160 million decrease to the health budget, with a requirement to absorb anticipated population growth without corresponding increases to departmental budgets; and
- Increased taxes, fees and premiums primarily targeted at those earning more than \$100,000 including increases to personal income taxes and fuel taxes, combined with the introduction of the Health Care Contribution Levy.

Even with the measures to increase revenue and hold the line on spending, Minister Campbell anticipates a 2015-16 budget deficit of \$5.0 billion and a deficit of \$3.0 billion in 2016-17, with a return to surpluses in 2017-18.

Measures concerning individuals

The 2015-16 budget focuses on the introduction of levies and increases in tax obligations, with an effort to leave low income earners in Alberta unaffected by the changes. In total, tax measures introduced in the budget are expected to generate an incremental \$2.2 billion in revenue.

Personal income tax rates on the rise

- The budget announced an increase in the personal income tax rate from 10% to 10.5% effective January 1, 2016 for Albertans with taxable income over \$100,000, with further increases to 11% and 11.5% planned for January 1, 2017 and January 1, 2018, respectively.
- A three-year “temporary” tax of 0.5% will be applied to taxable incomes over \$250,000 effective January 1, 2016.

Taxable income		2015	2016	2017	2018	2019 and later
From	To					
\$0	\$100,000	10.0%	10.0%	10.0%	10.0%	10.0%
\$100,000	\$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%

Health Care Contribution Levy introduced

- A new Health Care Contribution Levy will be introduced July 1, 2015 for Albertans with taxable income over \$50,000, phased in as income increases, with the levy reaching \$1,000 when taxable income reaches \$130,000.
- The maximum contribution in 2015, given the introduction on July 1, 2015, will be \$500.
- The levy is projected to generate \$396 million in revenue in 2015-16, rising to \$567 million in 2019-20.

Taxable income		Health Care Contribution Levy Payable
From	To	
\$0	\$50,000	No levy
\$50,000	\$70,000	$(\text{Taxable income} - \$50,000) \times 5\%$ to a maximum of \$200
\$70,000	\$90,000	$\$200 + (\text{Taxable income} - \$70,000) \times 5\%$ to a maximum of \$400
\$90,000	\$110,000	$\$400 + (\text{Taxable income} - \$90,000) \times 15\%$ to a maximum of \$600
\$110,000	\$130,000	$\$600 + (\text{Taxable income} - \$110,000) \times 15\%$ to a maximum of \$800
\$130,000	and up	$\$800 + (\text{Taxable income} - \$130,000) \times 25\%$ to a maximum of \$1000

- The Health Care Contribution Levy will be collected through the personal income tax system, through either withholdings or instalments.

Charitable giving tax benefit reduced

- The charitable donation tax credit will be reduced to its 2006 level of 12.75%, from 21%, on total donations over \$200 effective 2016.

Consumption Taxes

- The fuel tax will increase by \$0.04 per litre, effective 12:01am on March 27, 2015, to \$0.13 per litre.
- Tobacco taxes will increase from \$40 per carton to \$45 per carton, effective 12:01am on March 27, 2015.

- Various liquor taxes will increase taking effect March 27, 2015.

Other fees

- There are numerous increases to fees under the “user pay principle”, including land titles transactions and motor vehicle registrations.

Provincial Sales Tax

- There was no provincial sales tax introduced in this budget.

Measures to assist families

In addition to an effort to preclude low income families from the Health Care Contribution Levy and increases to personal income tax rates, the budget reflects two primary enhancements for low income Albertans.

Alberta Family Employment Tax Credit enhanced

- Starting July 1, 2016, the Alberta Family Employment Tax Credit (AFETC) will be enhanced by first increasing the rate at which benefits are phased in (from 8% to 11% on working income over \$2,760) and increasing the phase-out threshold from \$36,778 to \$41,250. This should allow families to earn more income before seeing benefits under the AFETC decline.

Alberta Working Family Supplement introduced

- Effective July 1, 2016, the Alberta Working Family Supplement (AWFS) will be introduced, providing working families with income between \$2,760 and \$41,220 a refundable credit of \$1,100 for the first child and an additional \$550 for each of the next three children.

Measures concerning business

There were no announced changes to corporate tax rates.

Resource revenues

The budget projects progressive increases in oil and gas prices, but significantly lower than projected in the 2014-15 budget. Royalty revenues are also anticipated to be affected by declined conventional production, but steadily increasing raw bitumen production.

	2015-16	2016-17	2017-18	2018-19
West Texas Intermediate (US\$/bbl)	\$54.84	\$62.80	\$75.14	\$78.89
WCS @ Hardisty (CAD\$/bbl)	\$46.33	\$51.12	\$61.77	\$65.76
Natural Gas (CAD\$/GJ)	\$2.94	\$3.17	\$3.44	\$3.53

Total resource revenue for 2015-16 is estimated to be \$2.9 billion, down significantly from forecast 2014-15 levels of \$8.8 billion.

There were no announced changes to oil and gas royalties.

For further details, we refer you to the [Alberta Treasury Board and Finance](#) website.

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