2016 Alberta budget summary

April 2016

On April 14, 2016, Alberta Finance Minister Joe Ceci tabled the province's second budget since the NDP won the provincial election on May 5, 2015.

The effect of lower oil prices continues to exert a significant impact on Alberta's economy. In October, Alberta had assumed a $5.4 billion deficit for fiscal 2016–17, but that forecast came with an expected West Texas intermediate oil price of US$61 a barrel. However, with even lower oil prices, Alberta's deficit is now forecast at $10.4 billion for fiscal 2016–17, which includes a $700 million risk adjustment. Deficits of $10.1 billion and $8.4 billion are forecast for 2017–18 and 2018–19 respectively.

The budget does not focus on major spending cutbacks, but is taking a number of measures to reduce government costs. Salaries for political staff and government managers will be frozen and a number of agencies will be amalgamated or dissolved.

A number of measures are targeted at job creation, business investment, economic growth and diversification by investing significantly in Alberta's infrastructure through the five-year Capital Plan. The Capital Plan will support $34.8 billion in infrastructure projects over five years, with $2.2 billion for green infrastructure under the Climate Leadership Plan.

Excluding previously announced measures, there are no new income tax increases in the 2016 budget. The following is a summary of the tax measures that were included in the budget.

Business tax measures

Corporate tax rates

No changes have been made to the general tax rate or to the $500,000 small business limit. However, the small business corporate income tax rate will be reduced from 3% to 2% effective January 1, 2017.

Alberta's corporate tax rates for 2016 and 2017 are summarized in Table A below:

Table A

Alberta corporate tax rates

Year	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
2016	3%	12%	12%
2017	2%	12%	12%

New capital investment tax credit

The new capital investment tax credit will benefit corporations that make investments in eligible capital assets (first time acquisition of new and used property in value-added agriculture, manufacturing and processing, tourism infrastructure and culture industries). The government will announce further details on this credit later this year.

Personal tax measures

Personal income tax rates

Commencing with the 2016 taxation year, Alberta's new system of progressive personal income taxes is fully phased in, affecting taxpayers earning more than $125,000 a year. The new income tax brackets will be indexed starting in 2017. No additional tax rate increases were announced in the budget.

Table B illustrates the provincial rates for 2016. Table C illustrates the top combined federal and provincial marginal rate of tax on various types of income.

Table B

Taxable income	2016
$0 to $125,000	10%
$125,001 to $150,000	12%
$150,001 to $200,000	13%
$200,001 to $300,000	14%
>$300,000	15%

Table C

Taxable income	Over $200,000 – $300,000	Over $300,000
Interest	47.0%	48.0%
Capital gains	23.5%	24.0%
Eligible dividends	30.33%	31.71%
Regular dividends	39.07%	40.24%

Dividend tax credit

The dividend tax credit rate for dividends paid out of income taxed at the small business rate (other than eligible dividends) will be adjusted downwards as a result of lowering the small business rate to 2%, effective January 1, 2017.

Alberta family employment tax credit

As announced as part of the October 2015 provincial budget, enhancements to this refundable credit will be effective July 1, 2016. The rate at which benefits are phased in will be increased from 8% to 11% on working income over $2,760 and the phase-out threshold will be increased from a family net income of $36,778 to $41,250 (at a rate of 4% of family net income greater than $41,250). For the 2016 benefit year starting on July 1, payments will increase to a maximum of $763 for one child, $1,457 for two children, $1,873 for three children and $2,012 for four or more children.

Alberta child benefit

Also previously announced, the Alberta Child Benefit (ACB) is a new refundable tax credit applicable to working families earning up to $41,220 per year, effective July 1, 2016. Families with net income of up to $25,500 will receive the maximum benefit. Benefit amounts will then be reduced, and phased out completely once family net income reaches $41,220 per year. Effective July 1, 2016, families with one child will be eligible for a maximum annual benefit of $1,100. An additional annual benefit of $550 will be provided for each of the next three children. Therefore, families with four or more children will be eligible to receive a maximum annual benefit of $2,750. The first ACB payment will be made in August, and families currently eligible for the Alberta family employment tax credit will automatically be enrolled for this new credit. Otherwise, an Alberta income tax return will have to be filed in order to be eligible.

New Alberta investor tax credit

The new Alberta investor tax credit will benefit investors who invest in eligible small and medium-sized enterprises in Alberta. The government will announce further details on this credit later this year.

Other measures

Carbon levy

The budget provides additional information on the government's Climate Leadership Plan. As part of this plan, a price on carbon will be implemented through a carbon levy on purchases of transportation and heating fuels.

The carbon levy will be included in the price of transportation and heating fuels based on the level of greenhouse gas emissions released when the fuels are combusted—$20 per tonne in 2017, and $30 per tonne in 2018. Some fuels and fuel uses will be exempt, such as fuel used on farms and reserves. The carbon levy will be implemented on January 1, 2017.

To help those most impacted by the carbon levy, the government will implement a non-taxable rebate for lower and middle income Albertans. The rebate will begin in January 2017 and will provide up to $200 for an adult, $100 for a spouse and $30 for each child under 18 in the household (to a maximum of four). In 2018, when the carbon price rises to $30 per tonne, rebate amounts will be adjusted accordingly, rising to $300 for an adult, $150 for a spouse and $45 for each child. Single parents will receive the spousal amount for one child and the child amount for up to four additional children. The rebate will begin to phase out at $47,500 in net family income for singles and $95,000 for couples and families.

Legislation enacting the carbon levy will be introduced this spring. Regulations, with further details about exemptions and the process for remitting the levy, will be introduced later this year.

Please contact us if you have any questions about any of the tax measures discussed in this release.

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