

Alberta increases personal and corporate tax rates

June 2015

Alberta's 2015-16 budget was tabled on March 26, 2015. Since this budget was not passed into law before the NDP won the election on May 5, 2015, the provincial government will not be going ahead with any of the tax measures announced in this budget. These proposals were summarized in our client release titled [2015 Alberta budget summary](#).

On June 18, 2015, Alberta Finance Minister Joe Ceci tabled Bill 2. Since Alberta has a majority government, this Bill is considered to be substantively enacted for financial reporting purposes. This Bill introduced both personal and corporate income tax increases. Alberta is expected to release its next budget sometime this fall.

The following is a summary of the key tax measures in Bill 2.

Business tax measures

Corporate tax rates

Effective July 1, 2015, the general corporate income tax rate will increase from 10 percent to 12 percent. The rate increase will be pro-rated for taxation years that straddle this date. No changes are proposed to the small business rate or to the \$500,000 small business limit.

Alberta's corporate tax rates for 2015 and 2016, assuming a December 31 year-end, are summarized in Table A below:

Table A

Date	Small business tax rate	General corporate tax rate	Manufacturing and processing income tax rate
2015 (current)	3.0%	10.0%	10.0%
2015 (new)	3.0%	11.0%	11.0%
2016	3.0%	12.0%	12.0%

Personal tax measures

Personal tax rates

Bill 2 introduces a new system of progressive personal income taxes to replace the 10 percent flat personal income tax rate. Transitional provisions will apply for 2015, such that one-quarter of the

rate increases will apply. This new progressive system will affect taxpayers earning more than \$125,000 per year. The new income tax brackets will be indexed to inflation starting in 2017.

Table B illustrates these new rates.

Table B

Taxable income			2015	2016
\$0	to	\$125,000	10.0%	10.0%
\$125,001	to	\$150,000	10.5%	12.0%
\$150,001	to	\$200,000	10.75%	13.0%
\$200,001	to	\$300,000	11.0%	14.0%
\$300,001 and over			11.25%	15.0%

Table C illustrates the top marginal rate of tax (federal and provincial combined) on various types of income for 2015 and 2016:

Table C

Type of income	2015 (current)	2015 (new)	2016
Interest	39.00%	40.25%	44.0%
Capital gains	19.50%	20.13%	22.0%
Eligible dividends	19.29%	21.02%	26.19%
Regular dividends	29.36%	30.84%	35.74%

Corresponding tax rate changes will be made to the taxation of trusts so that the 15 percent highest personal income tax rate will apply to all trusts beginning in 2016, with the exception of graduated rate estates (for up to 36 months) and qualified disability trusts. For 2015, the top rate of 11.25 percent will apply to inter-vivos trusts.

As a result of the rate increases it will be important to review any potential sales transactions, as well as dividend and other remuneration planning, to consider the timing of payments and other distributions.

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

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