

TAX HIGHLIGHTS FROM THE ALBERTA BUDGET

Minister of Finance Nate Horner tabled the 2024 Alberta provincial budget on February 29, 2024.

Growth in real gross domestic product (GDP) is forecast to accelerate to 2.9% this year after an estimated 2.6% increase in 2023. Real GDP growth is forecast to accelerate to 3.3% in 2025, before moderating to an average of 2.7% in 2026 and 2027.

Total revenue in 2024/25 is forecast at \$73.5 billion, a decrease of \$2.1 billion from the 2023/24 third quarter forecast of \$75.6 billion. The decrease comes mainly from a \$2.1 billion drop in resource revenue driven by an anticipated decline in oil prices and a \$1.2 billion decrease in investment income.

The surplus for 2023/24 is now projected to be \$5.2 billion. Of that projected surplus, \$3.2 billion is to be directed to repaying debt, and \$2 billion will be put towards the Heritage Savings Trust Fund, which is anticipated to exceed \$25 billion in value. The budget projects a surplus of \$367 million for 2024/25, followed by a surplus of \$1.4 billion and \$2.6 billion, respectively, over the following two years.

On the income tax side, there were no increases or decreases to personal or corporate income tax rates for 2024; however, the framework for a proposed new 8% tax bracket for income up to \$60,000 was announced, which is anticipated to be introduced in 2026 and fully implemented in 2027.

The following is a summary of changes announced in the budget. Please note that some of these changes are still proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

There were no proposed changes to personal income tax rates for 2024; however, the budget announced the planned implementation schedule for the new 8% personal income tax bracket for income up to \$60,000. In 2026, a new 9% bracket will be introduced for income up to \$60,000. The rate will then be reduced to 8% in 2027. Maximum taxpayer savings are estimated to be \$760 per year once the tax cut is fully implemented, with total annual savings of about \$1.4 billion.

Tax brackets and other amounts have been indexed by 4.2% to recognize the impact of inflation. The table below shows Alberta tax rates and brackets for 2024.

TAXABLE INCOME RANGE	2024 TAX RATES
First \$148,269	10%
Over \$148,269 to \$177,922	12%
Over \$177,922 to \$237,230	13%
Over \$237,230 to \$355,845	14%
Over \$355,845	15%

The table below shows the 2024 combined federal and provincial highest marginal tax rates for various types of income.

INCOME TYPE	2024 COMBINED TAX RATES
Regular income	48.00%
Capital gains	24.00%
Eligible dividends	34.31%
Non-eligible dividends	42.31%

CORPORATE TAX MATTERS

Corporate income tax rates

There were no proposed changes to corporate income tax rates. The table below shows Alberta tax rates and the small business limit for 2024.

CATEGORY	2024 TAX RATES
General rate	8%
Manufacturing and processing rate	8%
Investment income rate	8%
Small business rate	2%
Small business limit	\$500,000

The table below shows the 2024 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

INCOME TYPE	2024 COMBINED TAX RATES
Small business income	11.00%
Active income over \$500,000	23.00%
Manufacturing and processing income	23.00%
Investment income	46.67%

Alberta Carbon Capture Investment Program (ACCIP)

The new ACCIP announced in November 2023 will support and accelerate the development of carbon capture, utilization and storage (CCUS) by providing incentives for facilities to incorporate emission reduction into their operations, while creating jobs for Albertans. The ACCIP will provide a 12% grant for eligible CCUS capital costs. Funding from the ACCIP is intended to be available once the federal government has legislated its investment tax credit (ITC) for CCUS, which will give clarity around the expected operation of the federal ITC, and when the federal government provides a program for operating supports such as carbon contracts for difference.

OTHER INITIATIVES

Alberta is Calling Attraction Bonus

The budget announces the implementation of the “Alberta is Calling Attraction Bonus.” This one-time initiative will provide a \$5,000 refundable tax credit to individuals working in eligible occupations who move to Alberta after the program start date in April 2024 and meet additional eligibility criteria. These requirements will include working full time in a specified occupation, filing their 2024 taxes in Alberta and living in the province for at least 12 months. More information on this credit, including the application process and additional eligibility criteria, will be made available in the coming weeks.

Education property tax

The education property tax is a source of funding for Alberta’s education system, which supports the development of a skilled workforce that benefits Albertans. To improve affordability, the government has limited the increase in the total education property tax requisition in recent years. As costs have continued to rise due to high inflation, the government will continue to freeze education property tax at its current rates, being \$2.56/\$1,000 for residential/farmland property and \$3.76/\$1,000 for non-residential property for 2024/25.

Electric Vehicle Tax

The budget introduces a new \$200 annual tax on EVs, with a targeted effective date of January 1, 2025, intended to capture funding construction and maintenance of provincial road costs as EVs pay no fuel tax. The tax will be paid when owners register their vehicles and will be in addition to the existing registration fee. This tax rate is intended to be in line with the estimated annual fuel tax paid by the driver of a typical internal combustion vehicle in Alberta. The tax will not apply to hybrid vehicles.

More details regarding the tax will be made available when legislation is introduced in fall 2024.

Vaping Tax

Following the Budget 2022 commitment, Alberta will join the existing federal-provincial coordinated vaping tax framework at the next opportunity. Under this framework, the federal government has applied a tax on vaping substances at the following rates since October 2022:

- \$1 per 2 millilitres (mL) or gram (g), or fraction thereof, for the first
- 10 mL/g of vaping substances in the vaping device or container; plus
- \$1 per 10 mL/g, or fraction thereof, for amounts over the first 10 mL/g.

Starting as early as January 1, 2025, vaping substances sold in Alberta will also be subject to a provincial tax at the same rates.

Land Titles Registration Levy

Alberta will replace its existing variable charge system (\$50 base fee plus variable charges of \$2.00 per \$5,000 of property value and \$1.50 per \$5,000 of mortgage value for property transfers and mortgage registrations, respectively) with a new Land Titles Registration Levy set at \$5.00 per \$5,000 of value for property transfers and mortgage registrations.

For a \$450,000 home purchase with a 10% down payment, this translates to a levy of \$955, an increase of \$553.50 from the existing fees. Legislation implementing these changes will be brought forward in spring 2024 including details about the effective date of these changes.

WE CAN HELP

Your Assante advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact. The resources available to you and your advisor include CI Assante Private Client's Wealth Planning Group, a multi-disciplinary team of accountants, lawyers and financial planners.

For more information, we encourage you to speak to your advisor or visit us at [assante.com](https://www.assante.com)

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