

TAX HIGHLIGHTS FROM THE ALBERTA BUDGET

Minister of Finance Travis Toews tabled the 2023 Alberta provincial budget on February 28, 2023.

Alberta’s economy is continuing to expand following two years of robust post-pandemic recovery, albeit at a more moderate pace. Real GDP growth is forecast to rise 2.8% and lead the country in 2023. With last year’s pace of 4.8%, real GDP fully recovered from the COVID-19 downturn and surpassed the 2014 peak, while incomes in the province hit a record high. The budget projects a surplus of \$2.37 billion for the 2023/24 fiscal year.

Budget 2023 revealed no changes to personal tax rates. However, tax brackets and other amounts were indexed by 6% to recognize the impact of inflation, and the charitable donation and adoption expense tax credits were improved.

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. It is also important to note that the province will be holding an election in the upcoming months, which may impact the status of this budget.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

There were no proposed changes to personal income tax rates. Tax brackets and other amounts have been indexed by 6% to recognize the impact of inflation. The table below shows Alberta tax rates and brackets for 2023.

TAXABLE INCOME RANGE	2023 TAX RATES
First \$142,292	10%
Over \$142,292 up to \$170,751	12%
Over \$170,751 up to \$227,668	13%
Over \$227,668 up to \$341,502	14%
Over \$341,502	15%

The table below shows the 2023 combined federal and provincial highest marginal tax rates for various types of income.

TYPE OF INCOME	2023 TAX RATES
Regular income	48.00%
Capital gains	24.00%
Eligible dividends	34.31%
Non-eligible dividends	42.30%

Charitable donations tax credit

Bill 202, the Alberta Personal Income Tax (Charitable and Other Gifts) Amendment Act, 2022, was passed by the Legislative Assembly in December 2022. The Bill increases the charitable donations tax credit rate on the first \$200 of contributions from 10% to 60%, encouraging more Albertans to contribute to charitable causes. This change will come into effect in 2023 and will provide an additional \$56 million in tax savings to Albertans in 2023/24.

Adoption expenses tax credit

To help with adoption expenses, the government offers a non-refundable tax credit equal to 10% of eligible adoption expenses up to an annual maximum. As part of a broader government strategy to ease the financial burden of adopting a child, the maximum allowable expenses for the credit will be increased to \$18,210 for 2023, matching the federal expense threshold. After 2023, this amount will be indexed annually at the same rate as the rest of the personal income tax system.

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 2023.

CATEGORY	2023 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 2023 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

TYPE OF INCOME	2023 COMBINED TAX RATES
Small business income	11.0%
Active income over \$500,000	23.0%
Manufacturing and processing income	23.0%
Investment income	46.67%

Agri-processing investment tax credit

Alberta is moving forward with a tax credit that will help to attract large-scale investment and foster growth and diversification in the agri-food sector. The agri-processing investment tax credit will be worth 12% of eligible capital investments of at least \$10 million made on or after February 7, 2023. As a non-refundable tax credit, the incentive will offset corporate income taxes payable in Alberta, which means that corporations will only benefit from the credit once their facility is operational, and the corporation is profitable. Corporations will be able to carry forward unused credits for 10 years. Applications will be accepted starting in spring 2023. More information on eligible expenditures and how to apply will be made available once program regulations are brought forward.

OTHER INITIATIVES

Affordability payments and other social supports

Budget 2023 includes \$904 million in operating expenses over four years to index inflation on an ongoing basis for the following: the Alberta child and family benefit, income support, assured income for the severely handicapped (AISH) and the Alberta seniors benefit.

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 freeze the education property tax requisition of \$2.5 billion at the 2022/23 level for 2023/24.

Fuel tax relief

The fuel tax relief program is expected to result in \$1.7 billion in forgone revenue over 2022/23 and 2023/24 due to pausing the provincial fuel tax for Alberta drivers. Budget 2023 includes the continuation of fuel tax relief from January 1 to June 30, 2023, suspending the entire fuel tax of 13 cents per litre on gasoline and 4 cents per litre on marked gasoline. After June 30, 2023, fuel tax rates will be determined quarterly based on average West Texas Intermediate (WTI) prices, providing fuel tax relief to Albertans when oil prices are high.

Taking action on insurance

The government is pausing private passenger vehicle insurance rate increases until the end of 2023 and requiring insurance companies to provide most Albertans with the option to pay premiums through payment plans rather than annually. Alberta's insurance market is being closely monitored and the government will continue developing short- and long-term solutions to stabilize and lower auto insurance rates.

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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