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Tax Alert – Canada

Alberta budget 2024-25

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“Our government has made it a priority to make life here affordable, and one of the most effective ways to do that is by keeping taxes low.”

*Alberta Minister of Finance and President of Treasury Board Nate Horner
2024-25 budget speech*

On 29 February 2024, Alberta Minister of Finance and President of Treasury Board Nate Horner tabled the province’s fiscal 2024-25 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates a surplus of \$0.4b for 2024-25 and projects further surpluses of \$1.4b for 2025-26 and \$2.6b for 2026-27.

Following is a brief summary of the key tax measures.

Business tax measures

Corporate income tax rates

No changes are proposed to the corporate tax rates or the \$500,000 small-business limit.

Alberta’s 2024 corporate income tax rates are summarized in Table A.

Table A - 2024 Alberta corporate income tax rates¹

	Alberta	Federal and Alberta combined
Small-business tax rate ²	2.00%	11.00%
General corporate tax rate ^{2,3}	8.00%	23.00%

¹ The rates represent calendar-year-end rates unless otherwise indicated.

² The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and Alberta rates above.

³ An additional tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates for 2024.

The 2024 Alberta personal income tax rates are summarized in Table B.

Table B - 2024 Alberta personal income tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$148,269	\$148,270 to \$177,922	\$177,923 to \$237,230	\$237,231 to \$355,845	Above \$355,845
10.00%	12.00%	13.00%	14.00%	15.00%

For taxable income in excess of \$237,230, the 2024 combined federal-Alberta personal income tax rates are outlined in Table C.

Table C - Combined 2024 federal and Alberta personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$237,231 to \$246,752 ²	43.32%	27.85%	36.92%
\$246,753 to \$355,845	47.00%	32.93%	41.15%
Above \$355,845	48.00%	34.31%	42.30%

¹ The rate on capital gains is one-half the ordinary income tax rate.

² The federal basic personal amount comprises two elements: the base amount (\$14,156 for 2024) and an additional amount (\$1,549 for 2024). The additional amount is reduced for individuals with net income in excess of \$173,205 and is fully eliminated for individuals with net income in excess of \$246,752. Consequently, the additional amount is clawed back on net income in excess of \$173,205 until the additional tax credit of \$232 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$173,206 and \$246,752.

The budget did, however, announce the planned implementation schedule for the new 8% personal income tax bracket on the first \$60,000 of income, which is expected to be implemented over two years. 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. The proposed implementation of this measure is contingent on the province's ability to maintain sufficient fiscal capacity to introduce the tax reduction while maintaining a balanced budget.

Personal tax credits

The budget proposes to introduce the *Alberta is Calling Attraction Bonus* to recruit and retain skilled employees. This one-time initiative will provide a \$5,000 refundable tax credit to individuals working in eligible occupations who relocate to Alberta after the program start date (in April 2024) and who satisfy certain additional conditions. The additional requirements will include working full-time in a specified occupation, filing taxes in the province in 2024 and living in Alberta for at least 12 months.

Other tax measures

Education property tax

- ▶ Education property tax rates will be frozen for 2024-25 at \$2.56/\$1,000 for residential/farmland property and \$3.76/\$1,000 for non-residential property. While rates are frozen, the province anticipates that strong growth in property values and increased development mean that the education property tax requisition will grow from \$2.5b in 2023-24 to \$2.7b in 2024-25.

Electric vehicle tax

- ▶ The budget introduces a new \$200 annual tax on electric vehicles with a targeted effective date of 1 January 2025. The tax will not apply to hybrid vehicles. The tax will be paid when owners register their electric vehicles and will be imposed in addition to the existing registration fee. The budget notes that the annual amount is in line with the estimated fuel tax paid by drivers of typical internal combustion vehicles in Alberta.

Land titles registration levy

- ▶ The province will implement a new land titles registration levy set of \$5.00 per \$5,000 of value for property transfers and mortgage registrations. This new levy will replace the existing levy, which includes variable charges based on property value and mortgage value. Legislation implementing these changes, including the effective date, will be brought forward in the spring.

Fuel tax relief program

- ▶ After a pause in provincial fuel tax on gasoline and diesel for 2023, the province's oil price-based fuel tax relief program is once again in effect. Under this initiative, fuel tax rates are determined on a quarterly basis based on the average West Texas Intermediate price to allow residents to benefit from lower fuel tax rates when oil prices are high.

Vaping tax

- ▶ Starting as early as 1 January 2025, vaping substances sold in the province will be subject to a provincial tax at the same rate as the current federal tax on vaping substances. The current federal rates are \$1 per 2 millilitres (mL) or grams (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.

Tobacco tax

- ▶ Effective 1 March 2024, the tax on cigarettes will rise by 2.5 cents to 30 cents per cigarette and the tax on smokeless tobacco will rise by 7.5 cents to 35 cents per gram.

Learn more

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