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# Tax Alert – Canada

## Alberta budget 2023-24

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.

“Sound fiscal management coupled with tax reductions and reduced regulatory burden has positioned Alberta to lead the nation in economic growth, with a surplus budget, less debt, more and better jobs and, from my perspective, a whole lot of hope.”

*Alberta Finance Minister Travis Toews  
2023-24 budget speech*

On 28 February 2023, Alberta Finance Minister Travis Toews tabled the province’s fiscal 2023-24 budget. The budget contains tax measures affecting individuals and corporations.

The minister anticipates a surplus of \$2.4b for 2023-24 and projects further surpluses of \$2.0b for 2024-25 and \$1.4b for 2025-26.

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 2023 corporate income tax rates are summarized in Table A.

Table A - 2023 Alberta corporate income tax rates<sup>1</sup>

	Alberta	Federal and Alberta combined
Small-business tax rate <sup>2</sup>	2.00%	11.00%
General corporate tax rate <sup>2, 3</sup>	8.00%	23.00%

<sup>1</sup> The rates represent calendar-year-end rates unless otherwise indicated.

<sup>2</sup> The corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% small-business corporate income tax rate.

<sup>3</sup> 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), effective for taxation years ending after 7 April 2022 (prorated for taxation years straddling this effective date).

### Other business tax measures

The minister also proposed the following business tax measure:

- ▶ Agri-Processing Investment Tax Credit - Corporations in the agri-food sector will be entitled to a non-refundable tax credit of 12% on eligible capital investments in Alberta of at least \$10 million made on or after 7 February 2023. Applications will be accepted starting in spring 2023, and more information will be made available once program regulations are brought forward. Corporations will be able to carry forward unused credits for a period of 10 years.

## Personal tax

### Personal income tax rates

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

The 2023 Alberta personal income tax rates are summarized in Table B.

**Table B - 2023 Alberta personal income tax rates**

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$142,292	\$142,293 to \$170,751	\$170,752 to \$227,668	\$227,669 to \$341,502	Above \$341,502
10.00%	12.00%	13.00%	14.00%	15.00%

For taxable income in excess of \$227,668, the 2023 combined federal-Alberta personal income tax rates are outlined in Table C.

**Table C - Combined 2023 federal and Alberta personal income tax rates**

Bracket	Ordinary income <sup>1</sup>	Eligible dividends	Non-eligible dividends
\$227,669 to \$235,675 <sup>2</sup>	43.32%	27.85%	36.92%
\$235,676 to \$341,502	47.00%	32.93%	41.15%
Above \$341,502	48.00%	34.31%	42.30%

<sup>1</sup> The rate on capital gains is one-half the ordinary income tax rate.

<sup>2</sup> The federal basic personal amount comprises two elements: the base amount (\$13,521 for 2023) and an additional amount (\$1,479 for 2023). The additional amount is reduced for individuals with net income in excess of \$165,430 and is fully eliminated for individuals with net income in excess of \$235,675. Consequently, the additional amount is clawed back on net income in excess of \$165,430 until the additional tax credit of \$222 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$165,431 and \$235,675.

### Personal tax credits

This budget proposes changes to the following personal credits/amounts:

- ▶ Charitable donations tax credit - The charitable donations tax credit rate on the first \$200 of contributions will be increased from 10% to 60% effective in 2023.
- ▶ Adoption expenses tax credit - A 10% non-refundable tax credit is available for certain agency, legal and administrative fees and travel-related costs incurred as part of the adoption process. The maximum allowable expenses for the credit are increased to \$18,210 for 2023 to match the federal amount. The maximum amount will be indexed annually thereafter.

Other personal tax measures include the following:

- ▶ The Alberta government previously resumed the indexation of the personal income tax system, effective 1 January 2022. Personal income tax credit amounts and tax bracket thresholds are higher, by 2.3% in 2022 and 6% in 2023.

## Other tax measures

### Fuel tax

- ▶ The Alberta government has paused the collection of fuel taxes on gasoline and diesel until 30 June 2023. In July 2023, fuel tax rates for gasoline and diesel will once again be determined quarterly based on average oil prices.

### Education property tax

- ▶ To improve affordability in recent years, the government has limited the increase in the total education property tax requisition. The total requisition was frozen for 2020-21 and 2021-22 and increased by only 1.5% in 2022-23. As costs continue to increase due to high inflation, the government will freeze the education property tax requisition at the 2022-23 level of \$2.5 billion for 2023-24.

## Learn more

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