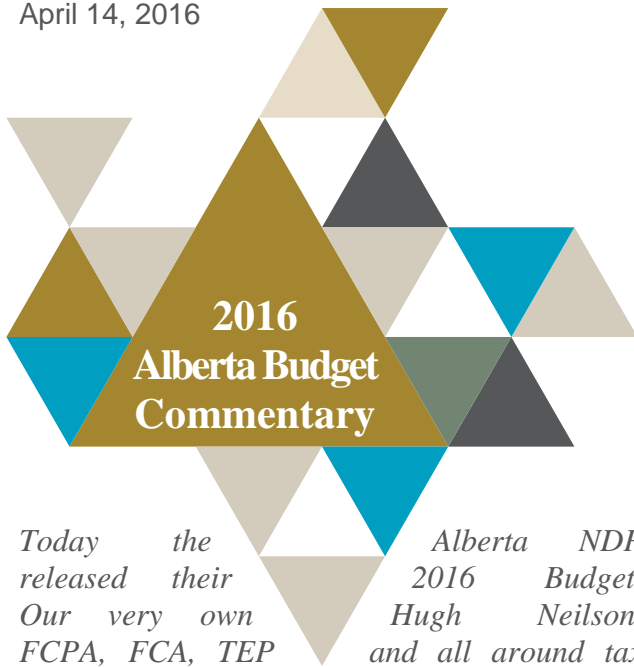


April 14, 2016



The small business tax rate will drop from 3% to 2%. Remember how fast the NDP raised the rates after getting elected? Well, they learned not to be so hasty – this reduction will be effective on January 1, 2017. Something to look forward to – for those who will still qualify for the Small Business Deduction (“SBD”) after the Federal changes announced last month! This looks to be motivated by the 2% Saskatchewan rate and 2.5% BC rate (they already made us “competitive” by raising personal and non-SBD corporate rates, of course). However, the Budget tells us it is to “help small businesses adjust to the cost of carbon”. If you are thinking something is getting more expensive in 2017, all I can say is “read on!”.

CLIMATE LEADERSHIP PLAN (we aren’t supposed to realize this means Carbon Tax)

SALES TAXES

We’re not getting one – the NDP appear to want a shot at keeping their jobs! No surprise – the NDP is the party most consistently and emphatically opposed to sales taxes across the country. But none of the other NDP governments repealed them in the rest of the provinces.

- \$20 per tonne, rising to \$30 per tonne in 2017, remains for Large Final Emitters, under the Specified Gas Emitters Regulations. Those regulations end after 2017.
- Carbon Levy (previously known as a “fuel tax”) will apply to “fuels when consumed for combustion purposes”. I don’t know what else you use fuels for, but I guess it never hurts to keep the options open.

BUSINESS TAXES

Two BRAND-NEW TAX CREDITS:

The rates on major fuels are as follows:

- The **Alberta Investor Tax Credit** targets investors who invest in eligible small and medium-sized enterprises in Alberta, and is cited at \$90 million over two years – could this be the beginning of a Labour-Sponsored Venture Capital Corporation Credit in Alberta?;
- The **Capital Investment Tax Credit** is directed at corporations investing in eligible capital assets, and is cited at \$75 million over two years – I wonder whether adding machines will qualify...

Details are promised “later this year”, so we don’t know very much about these new credits today.

Carbon Levy Rates – Major Fuels

Type of Fuel	January 1, 2017 Rate (\$20/tonne)	January 1, 2018 Rate (\$30/tonne)
Diesel	5.35 ¢/L	8.03 ¢/L
Gasoline	4.49 ¢/L	6.73 ¢/L
Natural Gas	1.011 \$/GJ	1.517 \$/GJ
Propane	3.08 ¢/L	4.62 ¢/L

Source: Alberta Treasury Board and Finance

For the math-challenged (like us tax guys!), the rates in 2018 are increased 50% from those in 2017. If that doesn’t compute out, then someone at Alberta Finance is math-challenged. There’s a bigger chart in back of the Budget if your fuel of choice is not up there.

Of course, there are plenty of special rules and exceptions, like marked farm fuel, biofuels, airplanes flying between Alberta and other jurisdictions (we'll have to see if it will be cheaper to fly to Calgary via Regina or Vancouver) and on-reserve use by eligible First Nation individuals and bands (application to Metis and other indigenous peoples is not mentioned, probably as the Supreme Court decision clarifying Government responsibilities was released only hours before the Budget).

Legislation is expected "this spring", which I had believed was about now, but I lose my sense of time in personal tax season.

According to the Budget, "Even with the introduction of the carbon levy, Alberta will have the third-lowest total provincial taxes/levies on gasoline and diesel in 2017, after Saskatchewan and Manitoba."

With a new tax comes a new low income credit, the Climate Leadership Adjustment Rebate. It is estimated 60% of households will receive the full rebate. Presumably, that suggests where we expect household incomes to be over the next few years.

Climate Leadership Adjustment Rebate Parameters

	2017	2018
Benefit Amounts		
First adult	\$ 200	\$ 300
Spouse/Equivalent to spouse	\$ 100	\$ 150
Child (max. 4)	\$ 30	\$ 45
Phase-out Thresholds (Family Net Income)		
Single	\$ 47,500	\$ 47,500
Couple	\$ 95,000	\$ 95,000
Families	\$ 95,000	\$ 95,000
Income at which Rebate is Fully Phased Out (Family Net Income)		
Single	\$ 51,250	\$ 55,000
Couple	\$ 100,000	\$ 103,750
Couple with 2 children	\$ 101,500	\$ 106,000
Couple with 4 children	\$ 103,000	\$ 108,250
Phase-out Rates		
Single	2.67%	2.67%
Couple	4.00%	4.00%
Families	4.00%	4.00%

I believe the "max. 4" by Child means you don't get any more credits for having more kids, not that the Alberta government will take away any excess kids, but I stand to be corrected. Depending on how much you get, you will be paid annually, twice a year, or quarterly. If you don't qualify for at least \$100, you get nothing, so watch out for that breakpoint!

DEFICIT

The projected deficit is a modest \$9.7 billion, plus about \$700 million of emergency funds, so \$10.421 billion in aggregate, or just under \$330.45 per second. By comparison, the forecasted 2015-2016 deficit is \$6.393 billion, only about \$202.17 per second (but remember that Feb 29 tacked on an extra 86,400 seconds in fiscal '16!)

FAMILY BENEFITS

Lots of squawking about the new Alberta Child Benefit and the enhanced Alberta Family Employment Tax Credit – these were announced (more than once, if I recall correctly) in 2015, but the first cheques go out in July, 2016. The phase-out rates are pretty steep, especially for families with a lot of kids – lower income couples should be looking for ways to further reduce net income.

PERSONAL TAXES

As always, Alberta Finance reminds everyone they indexed all the credits, as part of the "you should never be sure of the numbers" program. Everything is up 1.3%, and we are reminded that this keeps our Basic Personal Exemption the highest in Canada, at \$18,451 in 2016.

Dividend tax credits – no happy news here.

- The eligible dividend DTC will not be increased to compensate for the increased high corporate rate, because "Alberta's combined corporate and personal tax on dividend income will still be comparable to rates across Canada".

- The non-eligible dividend DTC will increase in 2017 to compensate for the reduced corporate tax rate on small business income. That will exacerbate the under-integration of corporate investment income a little bit more.

Just so we can compare what could have been, the Newfoundland and Labrador Budget, also released today, includes thirteen pages of new and increased fees for virtually every government service, an increase to the tax rate at every bracket, with an equal increase added on in 2017 (the combined top personal rate will be 51.3%, on income over \$175,000 once everything phases in, compared to our top rate of 48% on income over \$300,000), a temporary surcharge on personal tax for everyone with income over \$20,000, a corporate tax increase (from 14% to 15%), an HST increase from 13% to 15% (compared to our 5% “GST only” sales tax here in Alberta), and a 16.5 cent per liter hike to gas tax (doubling the pre-Budget tax).

Compared to that, Alberta still looks pretty good!

Questions? Read more at:

<http://finance.alberta.ca/publications/budget/budget2016/fiscal-plan-complete.pdf>!

or contact us at 780.424.3000, info@krpgroup.com or visit our website @ www.krpgroup.com

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1500 – 9888 Jasper Avenue | Edmonton AB | T5J 5C6
 780.424.3000
Info@krpgroup.com
www.krpgroup.com