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Tax Alert – Canada

Alberta budget 2025-26

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.

“While we work closely with partners to find solutions to a possible trade conflict, we will continue our work to make sure Alberta's economy is strong – in and outside of the energy sector – so that we can manage any turbulence that comes our way. Budget 2025 carves our path forward in the face of this uncertainty.”

*Alberta Minister of Finance and President of Treasury Board Nate Horner
News release for the 2025-26 budget*

On 27 February 2025, Alberta Minister of Finance and President of Treasury Board Nate Horner tabled the province's fiscal 2025-26 budget. The budget contains mostly tax measures affecting individuals.

The minister anticipates a deficit of \$5.2b for 2025-26 and projects further deficits of \$2.4b for 2026-27 and \$2.0b for 2027-28.

Following is a brief summary of the key tax measures.



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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 2025 corporate income tax rates are summarized in Table A.

Table A - 2025 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 accelerates the implementation of a new 8% personal income tax bracket for income up to \$60,000, effective 1 January 2025.

The 2025 Alberta personal income tax rates are summarized in Table B.

Table B - 2025 Alberta personal income tax rates

Bracket	Pre-budget rates	Proposed rates
\$0 to \$60,000	10.00%	8.00%
\$60,001 to \$151,234		10.00%
\$151,235 to \$181,481	12.00%	12.00%
\$181,482 to \$241,974	13.00%	13.00%
\$241,975 to \$362,961	14.00%	14.00%
Above \$362,961	15.00%	15.00%

For taxable income in excess of \$241,974, the 2025 combined federal-Alberta personal income tax rates are outlined in Table C.

Table C - Combined 2025 federal and Alberta personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$241,975 to \$253,414 ²	43.32%	27.85%	36.92%
\$253,415 to \$362,961	47.00%	32.93%	41.15%
Above \$362,961	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 (\$14,538 for 2025) and an additional amount (\$1,591 for 2025). The additional amount is reduced for individuals with net income in excess of \$177,882 and is fully eliminated for individuals with net income in excess of \$253,414. Consequently, the additional amount is clawed back on net income in excess of \$177,882 until the additional tax credit of \$239 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$177,883 and \$253,414.

Personal tax credits

This budget proposes the following new personal credit:

- ▶ **Supplemental credit** - This new tax credit will be equal to 2% of the total amount of certain non-refundable tax credits claimed by an individual that exceed \$60,000. The non-refundable tax credit will be implemented for the 2025 taxation year and ensures that individuals who claim more than \$60,000 in non-refundable tax credits do not pay more taxes due to the implementation of the new tax bracket. The tax credit will be adjusted by the Alberta escalator beginning in 2026.

Other tax measures

Education property tax

- ▶ After education property taxes were frozen in 2024-25, education property tax rates will increase in 2025-26 from \$2.56 to \$2.72/\$1,000 of equalized assessment for residential/farmland properties and from \$3.76 to \$4.00/\$1,000 of equalized assessment for non-residential properties.

Locomotive fuel tax

- ▶ Effective 1 March 2025, the budget increases the fuel tax rate that applies to locomotive fuel from 5.5 cents to 6.5 cents per litre.

Winding down of certain cancelled tax credit programs

- ▶ The Alberta Climate Leadership Adjustment Rebate and the Alberta Family Employment Tax Credit were eliminated in 2019 and 2020, respectively, but continue to be administered to accommodate late-filed tax returns and reassessments. The budget eliminates entitlements under these two cancelled programs after 31 December 2025.

Learn more

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