



TaxNewsFlash

Canada

Highlights of the 2025 Alberta Budget

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Alberta's Finance Minister delivered the province's 2025 budget on February 27, 2025. The budget anticipates a surplus of \$5.8 billion for 2024-25 and projects deficits of \$5.2 billion for 2025-26, \$2.4 billion for 2026-27, and \$2 billion in 2027-28. The budget introduces a new 8% personal income tax rate on the first \$60,000 of income, effective for the 2025 tax year, and increases the fuel tax for locomotive fuel to 6.5 cents (from 5.5 cents) per litre effective March 1, 2025, among other changes.

The budget also addresses the current trade uncertainty, including the potential for U.S. tariffs and retaliatory measures, by supporting trade diversification, promoting Alberta as a reliable global energy partner and supporting Alberta's agriculture producers and value-added processors by cultivating export markets.

Business tax

Corporate income tax rates

The budget does not announce changes to the province's corporate tax rates. As a result, Alberta's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2025		
	Alberta	Combined Federal and Alberta
General	8%	23%
M&P	8%	23%
Small business ¹	2%	11%

¹ On first \$500,000 of active business income.

Personal tax

Personal income tax rates

The budget introduces a new 8% personal income tax rate on the first \$60,000 of income, effective January 1, 2025. This tax bracket will be adjusted by Alberta’s indexation framework, known as the “Alberta escalator”, starting in 2026.

The following table shows the 2024 and proposed 2025 provincial personal income tax rates and brackets:

Alberta Personal Income Tax Brackets and Rates			
2024		2025	
Brackets	Rates	Brackets	Rates
\$0 – \$148,269	10%	\$0 – \$60,000	8%
		\$60,001 – \$151,234	10%
\$148,270 – \$177,922	12%	\$151,235 – \$181,481	12%
\$177,923 – \$237,230	13%	\$181,482 – \$241,974	13%
\$237,231 – \$355,845	14%	\$241,975 – \$362,961	14%
\$355,846 and over	15%	\$362,962 and over	15%

Despite this change, Alberta’s top marginal personal income tax rates effective January 1, 2025 will remain as follows:

Personal Combined Federal/Alberta Top Marginal Rates	
	2025
Interest and regular income	48.00%
Capital gains	24.00% ¹
Eligible dividends	34.31%
Non-eligible dividends	42.30%

¹ The capital gains rate is based on the legislated ½ inclusion rate.

Supplemental credit

The budget also introduces a new supplemental personal tax credit equal to 2% on the amount of certain non-refundable tax credits claimed by an individual that exceeds \$60,000. This measure is intended to ensure that individuals who claim more than \$60,000 in non-refundable tax credits do not pay more taxes due to the new 8% personal income tax rate. This credit will be adjusted by the Alberta escalator starting in 2026.

Ending entitlements for cancelled programs

The budget ends entitlements for the Alberta Climate Leadership Adjustment Rebate and the Alberta Family Employment Tax Credit after December 31, 2025. These programs,

which were eliminated in prior years, are still being administered to accommodate late-filed tax returns and reassessments.

Indirect tax

Locomotive fuel tax

The budget increases the fuel tax rate that applies to locomotive fuel to 6.5 cents per litre (from 5.5 cents per litre), effective March 1, 2025.

Other tax changes

Education property tax

The budget increases the mill rates used to calculate the education property tax as follows:

- Residential/farmland properties — Increase to \$2.72 (from \$2.56) per \$1,000 of equalized assessment.
- Non-residential properties — Increase to \$4.00 (from \$3.76) per \$1,000 of equalized assessment.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Alberta budget on your personal finances or business affairs, and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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