

COMMUNIQUÉ

30 March 2015

ALBERTA RELEASES 2015 BUDGET

On 26 March 2015, President of Treasury Board and Minister of Finance Robin Campbell tabled the Alberta government's budget for the 2015 fiscal year. This budget introduces several significant changes which will be relevant to Alberta employers and employees. This Communiqué provides highlights of the budget that are of interest to employers in the areas of health care, employment and personal taxation.

Health Care Contribution Levy

The budget introduces a Health Care Contribution Levy (Levy) effective 1 July 2015. The Levy will be payable by Alberta residents and will be based on the taxable income of each individual, rather than on household income. Individuals with an annual taxable income of less than \$50,000 are exempt from the Levy. Those persons who earn an annual taxable income of \$50,000 or more will be required to pay the Levy based on the following progressive schedule:

Taxable Income		Health Care Contribution Levy Payable
From	To	
\$0	\$50,000	0
\$50,000	\$70,000	(Taxable Income - \$50,000) x 5% to a maximum of \$200
\$70,000	\$90,000	\$200 + (Taxable Income - \$70,000) x 5% to a maximum of \$400
\$90,000	\$110,000	\$400 + (Taxable Income - \$90,000) x 15% to a maximum of \$600
\$110,000	\$130,000	\$600 + (Taxable Income - \$110,000) x 15% to a maximum of \$800
\$130,000	and up	\$800 + (Taxable Income - \$130,000) x 25% to a maximum of \$1000

The government indicates that the Levy will be phased in for 2015.

In an effort to minimize administration costs, the Levy will be administered by the Canada Revenue Agency and paid through payroll deductions, or for other individuals, collected through annual income tax filings. The budget suggests that employers will not be expected to pay the Levy for Alberta employees.

Albertans have not paid any form of health care premiums since the Health Care Insurance Premium was eliminated in 2008.

Personal Income Tax

Alberta's 10% flat personal tax rate is transitioning to income brackets starting 1 January 2016. Taxable income over \$100,000 will be subject to an 11.5% tax rate by 2018. This increase will be phased in through 0.5% increments over the next three years. A three-year temporary tax of an additional 0.5% will be applied to taxable income over \$250,000, beginning 1 January 2016, thereby resulting in a 12% tax rate in 2018. Taxable income below \$100,000 will continue to be taxed at 10%. Income brackets will be indexed to inflation starting in 2017.

Taxable Income		2015	2016	2017	2018	2019 and Later
From	To					
\$0	\$100,000	10.0%	10.0%	10.0%	10.0%	10.0%
\$100,000	\$250,000	10.0%	10.5%	11.0%	11.5%	11.5%
\$250,000	and up	10.0%	11.0%	11.5%	12.0%	11.5%

Insurance Premiums Tax

The Insurance Premiums Tax is imposed on premiums receivable by an insurer. The tax rates associated with the Insurance Premiums Tax have remained unchanged for over 25 years. Effective 1 April 2016, the Insurance Premiums Tax will increase by 1%. The new tax rate is 3% of the amount of premiums for life, accident and sickness insurance and 4% of the amount of premiums under any other contract of insurance. Employer-sponsored benefit plans will be affected by this increase in the premium tax rates.

Charitable Donations Tax Credit

Effective 1 January 2016, the Charitable Donations Tax Credit will be reduced from 21% to 12.75% for total donations over \$200, representing a return to the 2006 tax credit rate. This is of interest to employers who match charitable donations made by employees.

Key Items Remain Unchanged

The budget leaves a number of key items unchanged:

- there are no changes to the corporate tax rate;
- the budget noticeably does not address public sector pension reform, despite numerous references to public sector compensation reforms;
- the oil and gas royalty structure remains unchanged; and
- the government did not introduce a provincial sales tax; Alberta remains the only Canadian province without a provincial sales tax.

Comment

The replacement of Alberta's flat 10% personal tax rate with tax brackets is a notable change. While the personal tax rate for Albertans earning over \$100,000 has increased, the tax rate for these high earners continues to remain low relative to other provinces.

Although the budget includes numerous references to public sector compensation reform and the negotiation of new, more sustainable collective agreements, one notable absence from the budget is any discussion of public sector pension reform. The Alberta government conducted

public consultation sessions on this topic in 2014 which resulted in the shelving of proposed public sector pension reform legislation.

The budget represents a 10-year strategic plan for the Alberta government that has sought to increase provincial revenues without continuing significant reliance on the energy sector of the province's economy. In its announcement, the Alberta government emphasized that its intention is to ultimately balance the budget, while better aligning provincial costs with national averages.

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