

2025 Alberta budget: Tax highlights

February 28, 2025

In brief

On February 27, 2025, Alberta's President of Treasury Board and Minister of Finance, Nate Horner, presented the province's budget. The budget does not change corporate income tax rates, but does:

- introduce a personal income tax bracket for income up to \$60,000, starting 2025
- increase education property tax rates for 2025-26
- propose new administrative penalties to address contraband tobacco

This *Tax Insights* discusses these and other tax initiatives outlined in the budget.

Due to the uncertainty around the timing and extent of US tariff policy changes¹ that could significantly affect Alberta's economy, the budget does present several "outlooks" to account for these potential US tariffs and any Canadian retaliatory measures.

In detail

Personal taxes

Personal income tax rates

The budget announces a new 8% personal income tax bracket for income up to \$60,000, effective January 1, 2025, providing a tax savings of up to about \$750 for all individual taxpayers in 2025. The \$60,000 bracket will be indexed after 2025 (subject to a maximum 2% indexation rate).

This new bracket and rate had been mentioned in the province's 2024 budget, but was to have started in 2026 with the 8% rate phased in over two years. The 2024 budget had also noted that it would have been implemented only if certain fiscal targets were met.

Supplemental credit

Starting the 2025 taxation year, the budget introduces a non-refundable tax credit that will equal 2% of the amount by which the total amount of certain non-refundable tax credits claimed by an individual exceeds \$60,000 (i.e. the new tax bracket threshold in 2025).

¹ To help your business navigate this current tariff situation, see our:

- *Tax Insights* "[Potential US tariffs and Canadian countermeasures: How will it affect Canadian businesses?](https://www.pwc.com/ca/taxinsights/potential-us-tariffs-and-canadian-countermeasures)" at www.pwc.com/ca/taxinsights for strategies that can help Canadian businesses adapt to these and any potential new tariffs
- [Tariffs, Trade and Policy Resource Centre](#) for information to help your business assess and manage these tariffs

This credit ensures that Albertans who claim more than \$60,000 in non-refundable tax credits do not pay more in taxes because of the new tax bracket.

Top personal tax rates

The top two combined federal/Alberta personal income tax rates for 2024 to 2026 are shown in the table below.

Combined federal/Alberta rates		Taxable income	Ordinary income	Capital gains	Canadian dividends	
					Eligible	Non-eligible
2026	Top bracket	> \$362,961 ¹	48.00%	24.00%	34.31%	42.31%
2025		> \$362,961				
2024		> \$355,845				
2026	2 nd from top bracket	\$253,414 ¹ to \$362,961 ¹	47.00%	23.50%	32.93%	41.16%
2025		\$253,414 to \$362,961				
2024		\$246,752 to \$355,845				

1. Amounts to be indexed for 2026.

Personal tax credits

The budget announces that the administration for the following previously eliminated tax credits will sunset on December 31, 2025:

- Alberta Climate Leadership Adjustment Rebate (eliminated in 2019)
- Alberta Family Employment Tax Credit (eliminated in 2020)

Individuals who may still be entitled to amounts under either of these programs are encouraged to contact the Canada Revenue Agency as soon as possible and before the sunset date.

Business taxes

Corporate income tax rates

Alberta's corporate income tax rates have not changed and will remain as shown in the table below. The table also shows combined federal/Alberta corporate tax rates.

Federal and Alberta corporate rates		Alberta		Federal + Alberta	
		2024	2025	2024	2025
General and M&P income		8%		23%	
Canadian-controlled private corporations (CCPCs)	Active business income to \$500,000	2%		11%	
	Investment income	8%		46.67%	

Other taxes

Education property tax

Mill rates, which are used to calculate the education property tax, will increase as follows, beginning the 2025-26 assessment year, for:

- residential/farmland properties – from \$2.56 to \$2.72 per \$1,000 of equalized assessment
- non-residential properties – from \$3.76 to \$4.00 per \$1,000 of equalized assessment

Tobacco tax

To address contraband tobacco, the budget proposes a plan that includes introducing two new administrative penalties, at a rate of 300% of the tax otherwise payable, for:

- possession or sale of contraband cigarettes, tobacco sticks and fine-cut tobacco
- unauthorized possession of cigars containing a total of more than 1,000 grams of tobacco

Fuel tax

Effective March 1, 2025, the budget increases the tax rate on locomotive fuel to \$0.065 per litre (from \$0.055 per litre).

Let's talk

For a deeper discussion of how these tax measures affect you or your business, please contact:

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