

# BUDGET

New Century. **Bold Plans.**

# 2000

## ALBERTA TAX ADVANTAGE

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# Alberta Tax Advantage

*"It's not our money. It's yours. Like all governments, we have your permission to collect what we need to provide you with services. But it is then our obligation to give back what we don't need."*

**Premier Ralph Klein,**  
January 31, 2000

*Eliminating the 8% surtax in 2000 leaves \$144 million more in Albertans' pockets.*

*"... the Alberta Treasurer's recent budget is of major economic and political significance for the rest of us. In one move, it has pushed tax reform – radical, root-and-branch reform – squarely onto the national agenda."*

**Andrew Coyne,**  
National Post,  
March 15, 1999

## **BOLD NEW TAX SYSTEM**

In 1999, Alberta introduced a bold new tax plan that will not only reduce Albertans' personal income taxes substantially, but will also fundamentally change the province's personal income tax system, making it more simple and fair. The plan will culminate in a new single rate tax system, unhooked from the federal one. We will remove low income taxfilers from the tax rolls, restore indexation, address the difference in tax burdens between one and two income families, and encourage economic growth.

Last year we said that the plan would proceed on a step-by-step basis, with each step being taken only if it were affordable and would not endanger debt repayment or essential government programs. We indicated that we would move the tax plan forward if revenues were much better than expected.

Alberta's buoyant economy has led to higher-than-budgeted revenues. As announced last fall, we've accelerated the tax plan. On January 1, 2000, we eliminated the 8% surtax imposed in 1987 when we were battling the deficit. Albertans will have \$144 million more in their pockets as a result. Further, we will match any federal tax cuts for 2000, pending introduction of our new tax system.

## **ALBERTA'S NEW SINGLE RATE TAX SYSTEM**

On January 1, 2001, we will abolish the other deficit elimination tax, the 0.5% flat tax, and move to the new single rate system. The key components of Alberta's new tax system are:

- the province will unhook from the federal system by levying provincial income tax on taxable income;
- a single rate of 11% will apply on taxable income;
- the basic exemption will be increased significantly, from \$7,131 to \$11,620 and the spousal exemption from \$6,055 to \$11,620;
- all other non-refundable credits will still apply, and
- the basic and spousal exemptions will be fully indexed to inflation, eliminating bracket creep.

Some may ask why we're not moving to the new tax system in 2000, given Alberta's strong revenue picture. The federal government has indicated that it can't administer the move to the single rate tax system until 2001. Provinces can move to tax on income in 2000, but only if they parallel their current tax on tax structure. This adds complexity without any real benefit. Therefore, we won't make the move until 2001.

*“It [single rate tax] helps to mitigate the perverse incentives at both the top and bottom ends of the tax system that discourage people from making the most of their economic opportunities because taxes simply take too big a share of the rewards of their efforts.”*

Globe and Mail,  
March 12, 1999

*The tax plan returns \$852 million to Albertans, removing 132,000 low income Albertans from the tax rolls.*

*“As the storm settles on the debate over tax reductions, a consistent pattern rises like morning light through the dissipating fog – lower taxes invigorate the economy, increasing opportunities and quality of life.”*

Stockwell Day,  
Provincial Treasurer,  
February 1, 2000

## TAX SAVINGS

The healthy economy has led to strong population and employment growth, higher wages and salaries and more investment income. The combination of more Albertans working and earning higher incomes has resulted in more personal income tax revenue. The size of a tax cut increases with higher revenue, so the cost of the tax plan has been revised upward to \$852 million in 2001. Even with the acceleration of the tax plan, government revenues will be significantly higher than forecast in Budget '99.

The number of Albertans removed from the tax rolls also increases. Last year we indicated that 78,000 would be removed from the tax rolls as a result of the new system. This number has been revised upward to 132,000.

### Annual Savings from Tax Plan (Calendar Year)

(millions of dollars)

	1999	2000	2001
<b>1999 Tax Savings</b>			
Match federal increase to basic and spousal exemptions	55	92	94
<b>New Tax Savings</b>			
Eliminate 8% surtax on January 1, 2000	—	144	162
Eliminate 0.5% flat tax and move to new single rate system on January 1, 2001	—	—	596
<b>TOTAL</b>	<b>55</b>	<b>236</b>	<b>852</b>

## BENEFITS OF THE NEW SYSTEM

The new system is simple. In 2001, there will be only one bracket. The 0.5% flat tax will be eliminated, and the current low income reduction will be replaced by higher personal and spousal exemptions.

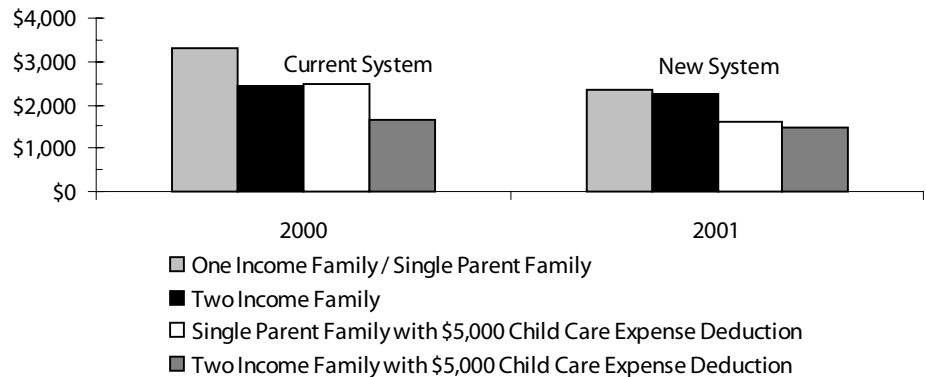
The new system is fair. Low income Albertans will be better off – 132,000 will be taken off the provincial tax rolls as a result of the new system and the rest will see their taxes reduced. In 2001, families with two children who earn less than \$31,000 will pay no provincial income tax. For these families, the refundable Alberta Family Employment Tax Credit will exceed Alberta tax payable.

Under the current system, one income families pay more in taxes than their two income counterparts because spouses in two income families both receive the basic exemption. In comparison, the taxpayer in the one income family claims the basic exemption and the smaller spousal exemption. Another reason one income families pay more is that their incomes get pushed into higher tax brackets sooner, so more of their incomes are taxed at higher rates.

*The new system reduces the difference in income taxes paid by one and two income families.*

The new tax system reduces the difference in income taxes paid by one and two income families. Both the basic and spousal exemptions will be increased, but they will also be made equal. Single parent families will benefit from the larger equivalent-to-spousal exemption they can claim for one child. As well, with a single rate system, there is no higher bracket at which income is taxed.

**Comparison of Alberta Income Taxes Payable by Families with \$55,000 Income and Two Children**



*“Alberta is blazing the trail for tax reform ...”*

National Post,  
March 12, 1999

Alberta will be the first jurisdiction in Canada to eliminate bracket creep from its provincial personal income tax system. Under the federal system, non-refundable credits and bracket thresholds are only increased by the amount that the Consumer Price Index exceeds 3% in a given year. As Canada’s inflation rate has been lower than 3% since 1992, there has been no indexing since that time. As a result, taxpayers are paying more and more tax over time without a corresponding increase in spending power.

*“The single tax rate completely eliminates the effect of bracket creep inherent in the many marginal tax rates of the ... federal tax system. Since there is only one rate, inflation is powerless to push you into a higher bracket.”*

Globe and Mail,  
March 12, 1999

This hidden tax increase will be eliminated in Alberta. The basic and spousal exemptions will be fully indexed to the Alberta Consumer Price Index. This will benefit all taxpayers, but is particularly helpful for low and middle income Albertans because the exemptions represent a larger portion of their incomes. Those Albertans who initially see modest tax cuts under the plan will see their benefits grow over time as a result of indexing.

About two thirds of Albertans' personal income taxes go to the federal government. Albertans pay the federal government \$1 billion annually as a result of bracket creep. We encourage the federal government to follow our example and eliminate bracket creep.

Our new tax system rewards initiative and strengthens the Alberta Advantage by leaving more money in taxpayers’ pockets. It encourages economic growth. The analysis in Budget ’99 indicates that by 2006, five years after full implementation of the tax plan, Alberta’s real GDP is expected to be about 1%, or \$1.3 billion, larger than it would have been without the tax changes, and employment about 20,000 higher. By 2006, the increase in economic activity will offset about 40% of the direct costs of the tax cut.

*“... Day's announcement of a plan for meaningful tax reform – aiding single- and low-income families, a flat tax and the elimination of bracket creep – confirms Alberta's position on the leading edge of innovative public policy ...”*

Calgary Herald,  
March 12, 1999

## UNHOOKING FROM THE FEDERAL SYSTEM

All provinces and territories, except Quebec, have tax collection agreements with the federal government. Under the current agreements, provinces set their own tax rates as a percentage of basic federal tax, but are tied to federal deductions, brackets, and support levels for non-refundable credits.

Under new arrangements, Alberta will unhook from the federal system by levying provincial tax on taxable income rather than on basic federal tax. The federal government will continue to collect taxes for Alberta under the tax collection agreement so there won't be additional costs for a separate administration. Albertans will continue to file only one return, the federal form with an Alberta attachment.

Unhooking means that we will no longer be tied to the federal bracket and rate structure, and we won't be limited to providing the federal level of credit support. By unhooking, we can reduce the number of provincial brackets from three to one, increase the personal and spousal exemptions and index those exemptions. We can build a made-in-Alberta tax system that is fair and simple.

The province will continue to provide the same non-refundable tax credits, including the age amount, the charitable donation amount and the tuition and education amounts. Provincial support for our credits will increase from about 7.5% of the credit amounts – the lowest federal tax rate of 17% multiplied by the current provincial rate of 44% – to 11%.

For charitable donations, the credit will increase from 7.5% to 11% on the first \$200 of donations. The credit for donations over \$200 will remain at the current rate of 12.75%. In addition, the province will continue to provide a provincial dividend tax credit, overseas employment tax credit, foreign tax credit and political contributions tax credit.

Credits that can be transferred or carried forward under the federal system will continue to receive the same treatment under the Alberta system. Low and middle income working Alberta families will continue to receive the Alberta Family Employment Tax Credit.

## Alberta Non-Refundable Tax Credit Block, 2001

(all figures in dollars unless otherwise indicated)

	Maximum Amount (A)	TaxRate (B)	Deduction from Alberta Tax (A) x (B)
Basic personal amount (exemption)	11,620	11%	1,278
Spousal amount	11,620	11%	1,278
Equivalent-to-spousal amount	11,620	11%	1,278
Age amount	3,482	11%	383
Dependent amount	2,353	11%	259
CPP contributions <sup>a</sup>	1,488	11%	164
EI contributions <sup>b</sup>	936	11%	103
Pension income amount	1,000	11%	110
Disability amount	4,233	11%	466
Tuition and education amounts	variable	11%	variable
Medical expenses	variable	11%	variable
Caregiver amount	2,353	11%	259
Interest on student loans	variable	11%	variable
Donations and gifts			
- first \$200	200	11%	22
- over \$200	75% of income	12.75%	variable

<sup>a</sup> estimated using \$38,100 as the maximum pensionable earnings

<sup>b</sup> estimated using \$39,000 as the maximum insurable earnings

*"We are the envy and trend-setters of Canada. The tax reforms ... will undoubtedly change the way every province in Canada ends up collecting its taxes in the future."*

Calgary Sun,  
March 12, 1999

*"Day ... believes a single-rate tax is a more fair and efficient way to collect income tax. Surely he's right, and we really hope that this model is adopted across Canada."*

Lloydminster Daily Times,  
December 6, 1999

In 2001, when the tax plan is fully implemented, Albertans at all income levels will pay lower taxes than in 1996, the year before we started cutting personal income taxes.

Matching the federal increase to the basic and spousal exemptions, effective July 1, 1999, and paralleling any reductions the federal government introduces in 2000, provide Albertans with significant tax cuts in 1999 and 2000. We don't want to charge Albertans more taxes than necessary this year simply so we can show that taxes for everybody are lower in 2001. We're sure that no one will object to an extra tax break in 1999 and 2000.

# Comparison of Alberta Tax - Old and New Systems

Single Income Family Earning \$50,000 with Two Children

(dollars)

## CALCULATION OF TAXABLE INCOME AND BASIC FEDERAL TAX IN 2001

<b>Total Income</b>	<b>50,000</b>
Minus RRSP deduction	5,000
<b>Taxable Income</b>	<b>45,000</b>
<b>Preliminary Federal Tax</b>	
Bracket 1 Tax:	5,030
Lesser of Taxable Income and \$29,590 x 17%	
Plus Bracket 2 Tax:	4,007
Taxable Income over \$29,590, but not over \$59,180 x 26%	
Plus Bracket 3 Tax:	-
Taxable income over \$59,180 x 29%	
<b>Preliminary Federal Tax</b>	<b>9,037</b>
<b>Federal Non-Refundable Tax Credits</b>	
Basic	7,131
Spousal	6,055
Employment Insurance Premiums	936
Canada Pension Plan Premiums	1,488
Other Amounts	-
Total Amounts	15,610
<b>Total Credits (Total Amounts x 17%)</b>	<b>2,654</b>
<b>Basic Federal Tax</b>	
Preliminary Federal Tax	9,037
Minus Total Credits	2,654
<b>Basic Federal Tax</b>	<b>6,383</b>

## NEW SINGLE RATE SYSTEM

<b>ALBERTA TAX PAYABLE IN 2001</b>	
<b>Taxable Income x 11%</b>	<b>4,950</b>
Minus Alberta Non-Refundable Tax Credits:	
Basic	11,620
Spousal	11,620
Other Federal Amounts	2,424
Alberta Amounts	25,664
<b>Total Credits (\$25,664 x 11%)</b>	<b>2,823</b>
Minus Alberta Family Employment Tax Credit	200
<b>Total Alberta Tax</b>	<b>1,927</b>

**SAVINGS IN 2001: \$907**

## OLD TAX ON TAX SYSTEM

<b>ALBERTA TAX PAYABLE IN 2001</b>	
<b>Basic Federal Tax (BFT)</b>	<b>6,383</b>
Basic Alberta Tax (BFT x 44%)	2,809
Plus Alberta Flat Tax (Taxable Income x 0.5%)	225
<b>Total Taxes before Reduction and Refundable Credits</b>	<b>3,034</b>
Minus Alberta Selective Tax Reduction	-
Minus Alberta Family Employment Tax Credit	200
<b>Total Alberta Tax</b>	<b>2,834</b>



# Tax Plan Savings for Albertans<sup>a</sup>

(dollars)

Income	Alberta Taxes Paid				Savings 1996 to 2001
	1996	1999	2001	2003 <sup>b</sup>	
<b>Single</b>					
20,000	1,066	1,007	791	734	275
30,000	1,763	1,679	1,707	1,643	56
40,000	2,570	2,455	2,415	2,340	155
55,000	4,047	3,874	3,713	3,638	334
75,000	6,417	6,168	5,605	5,530	812
100,000	9,662	9,310	8,025	7,950	1,637
<b>One Income Family or Single Parent Family with Two Children</b>					
20,000	545	(604)	(1,000)	(1,000)	1,545
30,000	1,347	397	(411)	(520)	1,758
40,000	2,153	1,463	577	457	1,576
55,000	3,608	3,349	2,347	2,227	1,261
75,000	5,967	5,706	4,327	4,207	1,640
100,000	9,212	8,848	6,747	6,627	2,465
<b>Two Income Family with Two Children</b>					
20,000	235	(840)	(1,000)	(1,000)	1,235
30,000	1,145	210	(214)	(273)	1,359
40,000	1,697	994	582	468	1,115
55,000	2,708	2,479	2,241	2,117	467
75,000	4,455	4,254	4,122	3,983	333
100,000	7,131	6,827	6,546	6,396	585
<b>Single Senior</b>					
20,000	771	699	429	384	342
30,000	1,689	1,613	1,596	1,551	93
40,000	3,038	2,919	2,861	2,816	177
55,000	5,090	4,895	4,662	4,617	428
75,000	7,979	7,692	6,862	6,817	1,117
100,000	11,667	11,262	9,612	9,567	2,055
<b>Senior Couple<sup>c</sup></b>					
25,000	—	—	—	—	—
30,000	232	156	—	—	232
40,000	1,448	1,326	858	767	590
55,000	3,007	2,866	2,607	2,517	400
75,000	5,401	5,184	5,090	4,999	311
100,000	8,794	8,459	8,090	8,001	704

<sup>a</sup> Calculations include RRSP/RPP contributions, except for seniors, and the Alberta Family Employment Tax Credit where applicable.

<sup>b</sup> Assumes inflation for Alberta of 1.8% in 2001 and 1.7% in 2002.

<sup>c</sup> Blank lines indicate the senior couple pays no Alberta income tax and receives the Alberta Seniors Benefit.

## BUSINESS TAX REVIEW

In 2001, a bold new personal income tax system will be implemented, as recommended by the Alberta Tax Review Committee. It is now time to review the taxes paid by Alberta businesses.

*“The widening differential between Canadian and American tax regimes, especially for personal and corporate income taxes, is raising serious concerns about Canada's competitiveness over the longer term.”*

Standard & Poor's,  
Canadian Focus,  
Special Report: The Provinces,  
December 1999

It is important to re-examine the level and mix of Alberta business taxes on a regular basis to ensure the tax system is competitive while still providing an appropriate level of government revenue to help support Alberta's priority programs. The government has therefore appointed a committee to investigate the competitiveness of Alberta's business tax regime, seek the views of Albertans, and make recommendations on improving our current business tax environment.

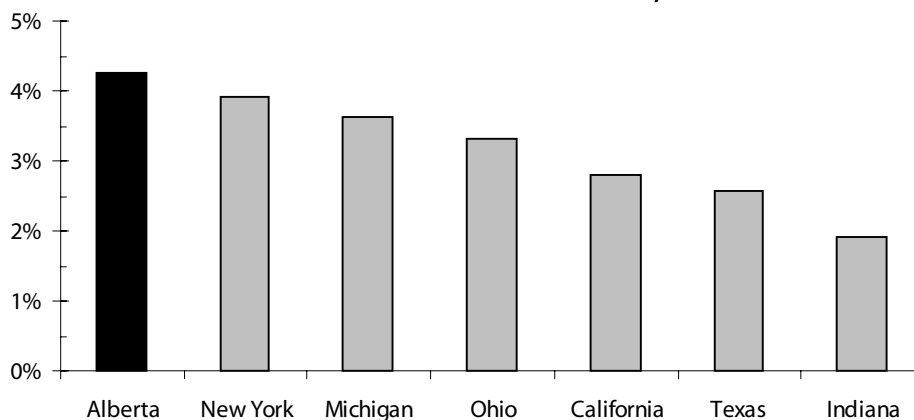
Having the lowest overall business taxes in Canada is not sufficient in a global economy. Our tax regime must be internationally competitive as well.

The North American Free Trade Agreement (NAFTA) and our proximity to the United States provide Alberta with many advantages, including access to large markets and a growing pool of technology. However, our relationship with the United States also creates challenges. American business taxes are significantly lower than those in Canada. Our firms must compete with those in the United States not only to sell goods and services, but also to attract skilled labor. The cost of doing business in Alberta, which includes Alberta taxes, must not put our businesses at a competitive disadvantage with our nearest neighbour and largest trade partner.

*“Alberta has focused on personal income tax as the most urgent need for reform. However, the Alberta government recognizes that it also has to be vigilant with respect to business taxes ...”*

Stockwell Day,  
Standard & Poor's,  
Canadian Focus,  
December 1999

**Corporate Income Tax as a Percentage of GDP  
Alberta versus Selected U.S. States, 1997**

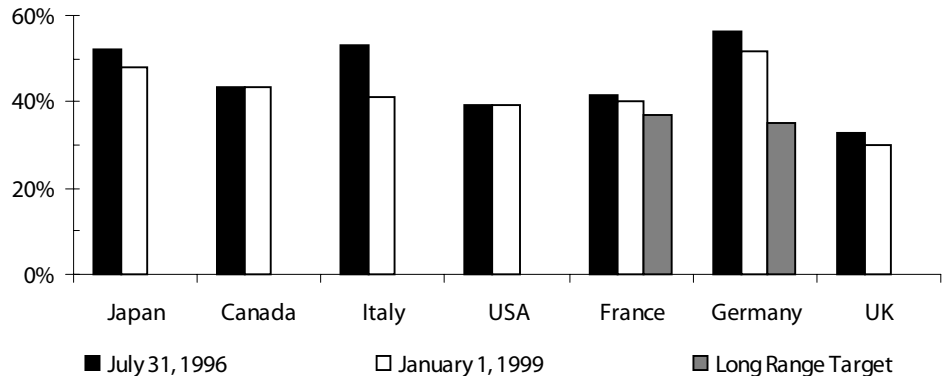


*“Only Canada and the United States are failing to reform business taxes in a substantial way at this time. But Canada’s fiercest competitor, the United States, is now looking at its taxation measures, which could result in substantial tax cuts, perhaps for businesses as well as individuals in the future.”*

**“Why Canada Must Undertake Business Tax Reform Soon”,**  
 Jack M. Mintz,  
 C.D. Howe Institute,  
 November 1999

Other nations have recognized the benefits of a competitive tax regime and have accordingly taken steps to reduce their tax burden. Since 1996, all nations in the G-7, except Canada and the United States, have reduced, or announced future reductions to, business taxes. The trend toward lower business taxes in the rest of the world could result in Alberta losing ground. Businesses could choose not to locate here. Alberta corporations could relocate if opportunities arose.

**Statutory Corporate Income Tax Rates  
 1996, 1999, and Long Range Targets**



Source: "Why Canada Must Undertake Business Tax Reform Soon", Jack M. Mintz, C. D. Howe Institute, November 1999.

Even a jurisdiction with a low level of taxation does not necessarily have the optimum mix of taxes. Some taxes are more damaging to the economy than other taxes. Different taxes affect industrial sectors differently. In some cases, competitiveness can be enhanced by reducing the revenue generated from one tax, while increasing the revenue generated from another tax. The Committee will consider whether Alberta has the appropriate mix, as well as level, of business taxes.

Alberta must remain competitive to keep our existing businesses, attract new industries, maintain our skilled Alberta labour force, increase our real wages, increase savings and investment, and provide the best standard of living possible. The appointment of the Alberta Business Tax Review Committee is an important step to ensure we remain competitive.

## ALBERTA BUSINESS TAX REVIEW COMMITTEE TERMS OF REFERENCE

*“Canadian firms must understand that competing in Canada alone will eventually destroy them. They must decide to compete globally and compete on the basis of unique products and processes. This road will be profoundly worrisome, even frightening, but it is necessary for Canada to prosper and not continue to slowly decline relative to other leading nations.”*

Michael Porter,  
quoted in the National Post,  
January 22, 2000

In 2001, the province will move to a new personal income tax system in response to the 1998 recommendations of the Alberta Tax Review Committee. These changes will result in lower personal income taxes for all Albertans, encourage economic growth and enhance our competitive position.

The government recognizes that business taxes also affect the economy and our competitiveness. The Provincial Treasurer is therefore appointing the Alberta Business Tax Review Committee to examine the level and mix of provincial business taxes including the following:

- corporate income tax (general, manufacturing and processing and small business rates and tax credits);
- capital tax on financial institutions;
- insurance premiums tax;
- hotel room tax;
- fuel tax; and
- provincial portion of non-residential property tax (having regard to the work of any provincially appointed property tax committees).

The review will examine the impact of business taxes on Alberta's economic and business climate, our international competitiveness, the impact of technology on business and commerce, and will include recommendations promoting Alberta's well-being.

The Committee will submit a report to the Provincial Treasurer by September 1, 2000.

### EDUCATION PROPERTY TAX CUTS

In 1994, the province assumed responsibility for ensuring that education property taxes are collected and distributed on an equitable basis. We wanted to make certain that all children have access to high quality education, regardless of the property tax base in their community.

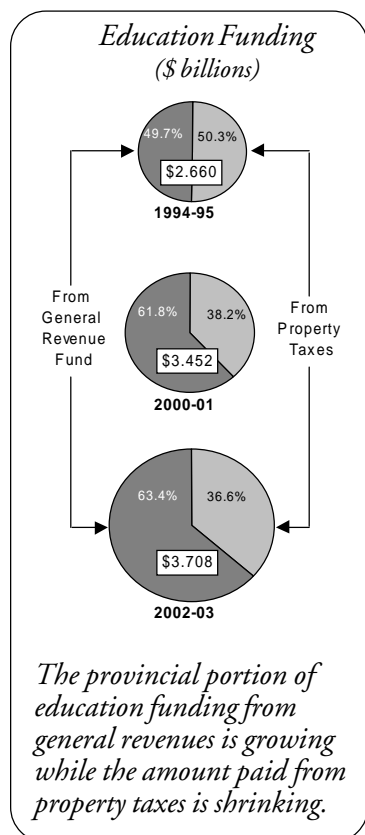
In 1999, the government established the MLA Committee on Education Property Tax to make recommendations to improve fairness and equity in the education property tax system. The Committee's interim recommendations have been implemented and the review of education property taxes is continuing.

In 2000, we are reducing the provincial education property tax mill rates by 2.6%. The rate for residential and farm property will be reduced from \$6.95 to \$6.77 per \$1,000 of equalized assessment while the rate for business will be lowered from \$10.20 to \$9.94. In addition, averaging and a cap of 5% are being applied on the growth of each municipality's equalized assessment base.

These education property tax measures will offset average inflation in property values across the province. Total education property tax revenue will grow, but only because new homes and businesses are being built and added to the tax base.

For some homeowners and businesses, education property taxes may rise because their property increased in value more than average. For others, these taxes may fall because the market value of their property declined, or rose less than average.

The proportion of basic K-12 education funding coming from property taxes has been reduced significantly. In 1994-95, 50% of education funding came from education property taxes. In 2000-01, property taxes will contribute about 38% of basic education funding. This is expected to decline to less than 37% by 2002-03.



## TAX CUTS SINCE 1994

By 2001, annual savings from tax cuts introduced since 1994 will reach \$1.44 billion, with 81% of the savings going to individuals and 19% to business.

### Annual Savings from Tax Reductions, 1994 to 2001<sup>a</sup>

(millions of dollars)

#### Savings for Individuals

Personal Income Taxes	1,004
Alberta Family Employment Tax Credit	78
Provincial Education Property Tax on Residential and Farm Properties	87
<b>Savings for Individuals</b>	<b>1,169</b>

#### Savings for Business

Provincial Education Property Tax on Business	50
Provincial Machinery and Equipment Property Tax	178
Aviation Fuel Tax	29
Railway Fuel Tax	13
<b>Savings for Business</b>	<b>270</b>

#### Total Savings for Individuals and Business

**1,439**

<sup>a</sup> The difference in tax that would be paid in 2001 under the 1994 tax system and the amount that will be paid under the 2001 system.

We have cut personal income taxes every year since 1997 on an affordable and sustainable basis. In 1997, the first tax reductions were directed towards low and middle income families through the Alberta Family Employment Tax Credit. In 1998, we doubled the Alberta Family Employment Tax Credit and lowered taxes for all Albertans by reducing the basic rate from 45.5% to 44%. In 1999, we matched federal increases to the basic and spousal exemptions. We eliminated the 8% surtax, effective January 1, 2000, and in 2001, we will move to the new income tax system.

*“... he [Stockwell Day] has put into play a competitive dynamic that will help to bring down taxes across the country.”*

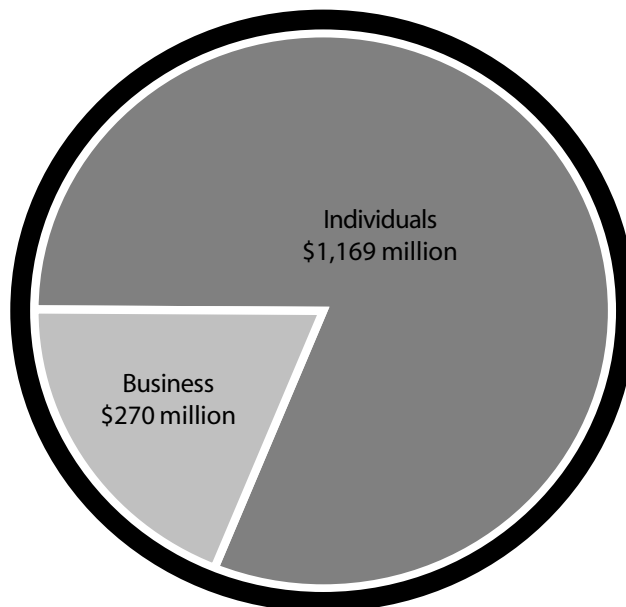
Globe and Mail,  
March 12, 1999

We have also reduced provincial education property taxes. Since 1994, the uniform mill rate for residential and farm property has been reduced from \$7.52 to \$6.77 per \$1,000 of equalized assessment, while the rate for business has dropped from \$10.75 to \$9.94 per \$1,000 of equalized assessment.

We phased out the provincial education property tax on machinery and equipment between 1996 and 1998, saving manufacturing and processing businesses \$178 million annually. Investment was stimulated and jobs in value-added and processing industries created without shifting the cost to other property taxpayers. This was accomplished by tying the elimination of the tax to increased investment in the manufacturing and non-conventional oil sectors. This ensured that the loss from machinery and equipment tax revenue was offset through increases in other tax revenue generated by the additional investment.

The province has also lowered aviation and railway fuel taxes. In 1997, we cut the aviation fuel tax from 5 cents per litre to 1.5 cents per litre. In 1998 and 1999 we dropped the railway fuel tax in two stages, from 9 cents per litre to 3 cents per litre.

1994 to 2001 Savings – \$1.439 billion



## Tax Charts and Tables

# Tax Revenue by Source

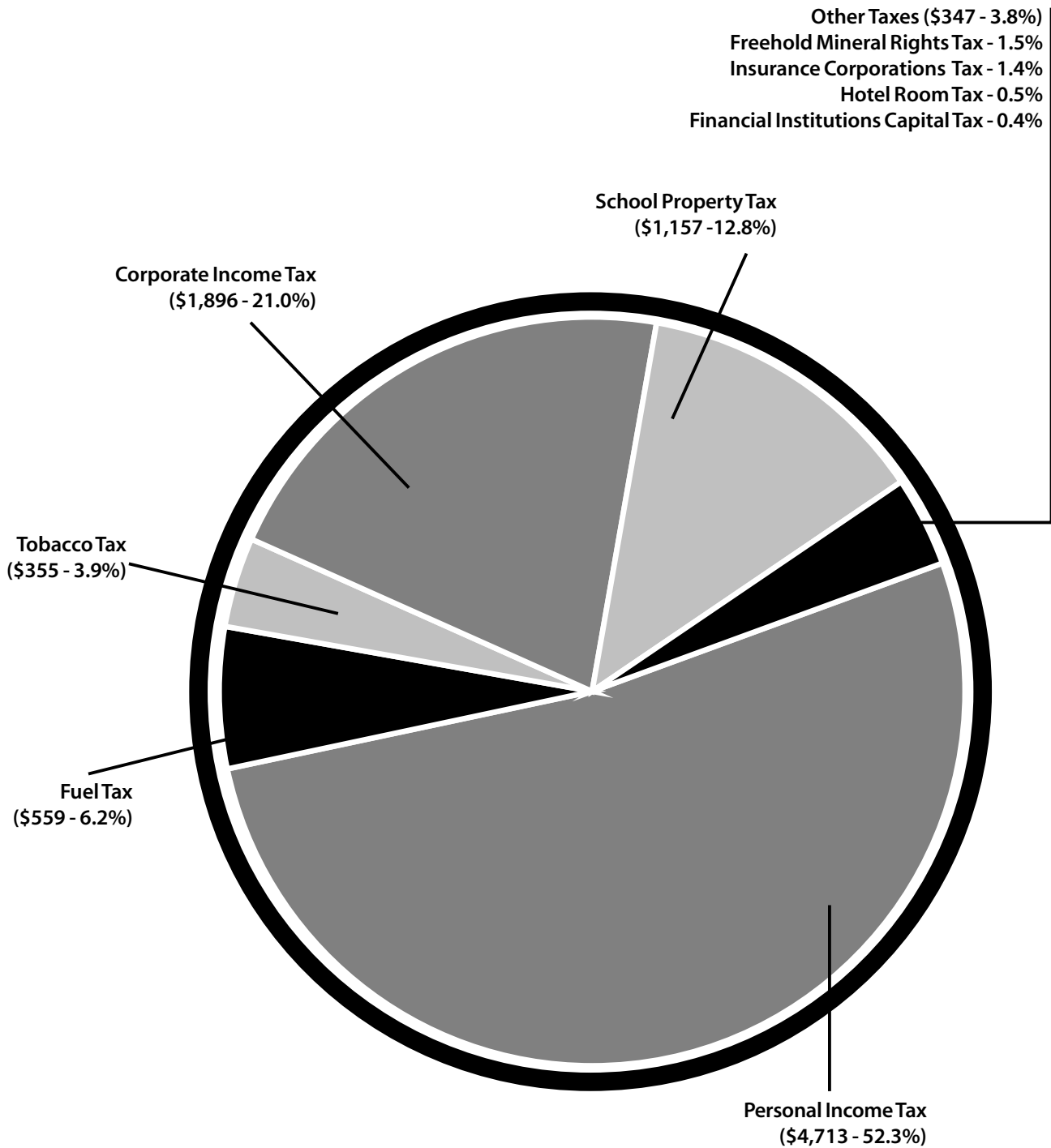
(millions of dollars)

2000-01 ESTIMATE

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**Total Tax Revenue \$9.027 billion**

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# 2000-01 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	2000 Tax Rate <sup>a</sup>	Annual Revenue per Unit of Tax
<b>1. Personal Income Tax<sup>b</sup></b>	<b>4,713</b>		
<b>Apr. 2000 - Dec. 2000</b>			
Basic Rate	3,348	44.0%	101.5 per point
Flat Tax	244	0.5%	325.5 per half point
Selective Tax Reduction	(64)		(difficult to express in per unit terms)
<b>Jan. 2001 - Mar. 2001</b>			
Single Rate on Taxable Income	1,185	11.0%	431.0 per point
<b>2. Corporate Income Tax</b>	<b>1,896</b>		
General Rate	1,340	15.5%	86.5 per point
M&P Rate	351	14.5%	24.0 per point
Small Business Rate	205	6.0%	34.0 per point
<b>3. Fuel Tax</b>	<b>559</b>		
Gasoline and Diesel	526	9¢/litre	58.5 per ¢/litre
Railway	7	3¢/litre	2.5 per ¢/litre
Aviation	12	1.5¢/litre	8.0 per ¢/litre
Propane	14	6.5¢/litre	2.0 per ¢/litre
<b>4. Tobacco Tax</b>	<b>355</b>	\$14/carton	25.5 per \$/carton
<b>5. School Property Tax</b>	<b>1,157</b>		
Residential/Farm Property	649	\$6.77/\$1,000 of assessment	96.0 per \$/\$1,000 of assessment
Non-Residential	508	\$9.94/\$1,000 of assessment	51.0 per \$/\$1,000 of assessment
<b>6. Freehold Mineral Rights Tax</b>	<b>135</b>		(difficult to express in per unit terms)
<b>7. Insurance Corporations Tax</b>	<b>127</b>		
Life, Accident, Sickness	34	2% of premium	17.0 per point
Other	93	3% of premium	31.0 per point
<b>8. Financial Institutions Capital Tax</b>	<b>38</b>		
First \$400 million of Taxable Capital	5	0.7%	7.0 per point
Over \$400 million of Taxable Capital	33	1.0%	33.0 per point
<b>9. Hotel Room Tax</b>	<b>47</b>	5.0%	9.5 per point

<sup>a</sup> Except for personal income tax which shows both the 2000 rate on basic federal tax and the 2001 rate on taxable income.

<sup>b</sup> The basic rate is a percentage of basic federal tax. The flat tax is 0.5% of taxable income.

# Interprovincial Tax and Health Care Insurance Premium Comparison, 2000

(dollars)

	AB	BC	SK	MN	ON	QC	NB	NS	PE	NF
<b>Employment Income of \$30,000 – One Income Family with Two Children</b>										
Provincial Income Tax	357	423	1,700	843	221	(767)	1,384	1,144	1,398	1,556
Provincial Sales Tax	—	616	482	775	979	1,105	1,031	966	1,200	1,141
Health Care Premium	612	648	—	—	—	—	—	—	—	—
Payroll Tax	—	—	—	362	373	1,054	—	—	—	308
Fuel Tax	270	330	450	345	441	456	321	405	390	495
Tobacco Tax	350	550	430	400	133	215	208	241	331	550
	1,589	2,567	3,062	2,725	2,147	2,063	2,944	2,756	3,319	4,050
<b>Alberta Advantage</b>		<b>978</b>	<b>1,473</b>	<b>1,136</b>	<b>558</b>	<b>474</b>	<b>1,355</b>	<b>1,167</b>	<b>1,730</b>	<b>2,461</b>
<b>Employment Income of \$55,000 – Two Income Family with Two Children</b>										
Provincial Income Tax	2,421	2,554	3,501	2,977	1,657	3,604	3,095	2,966	3,018	3,360
Provincial Sales Tax	—	879	698	1,101	1,405	1,454	1,490	1,388	1,738	1,648
Health Care Premium	612	648	—	—	—	—	—	—	—	—
Payroll Tax	—	—	—	664	684	1,932	—	—	—	565
Fuel Tax	405	495	675	518	661	684	481	608	585	743
Tobacco Tax	350	550	430	400	133	215	208	241	331	550
	3,788	5,126	5,304	5,660	4,540	7,889	5,274	5,203	5,672	6,866
<b>Alberta Advantage</b>		<b>1,338</b>	<b>1,516</b>	<b>1,872</b>	<b>752</b>	<b>4,101</b>	<b>1,486</b>	<b>1,415</b>	<b>1,884</b>	<b>3,078</b>
<b>Employment Income of \$100,000 – Two Income Family with Two Children</b>										
Provincial Income Tax	6,710	7,056	9,389	8,954	5,488	11,757	8,553	8,197	8,370	9,338
Provincial Sales Tax	—	1,448	1,124	1,761	2,298	2,255	2,407	2,248	2,811	2,646
Health Care Premium	612	648	—	—	—	—	—	—	—	—
Payroll Tax	—	—	—	1,207	1,243	3,513	—	—	—	1,027
Fuel Tax	405	495	675	518	661	684	481	608	585	743
Tobacco Tax	350	550	430	400	133	215	208	241	331	550
	8,077	10,197	11,618	12,840	9,823	18,424	11,649	11,294	12,097	14,304
<b>Alberta Advantage</b>		<b>2,120</b>	<b>3,541</b>	<b>4,763</b>	<b>1,746</b>	<b>10,347</b>	<b>3,572</b>	<b>3,217</b>	<b>4,020</b>	<b>6,227</b>

Calculations based on tax rates known at February 1, 2000.

#### Assumptions:

- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one income families and 4,500 litres for two income families.
- Tobacco tax is based on estimated consumption of 100 packs per adult per year.
- Income is split 60/40 for the \$55,000 and \$100,000 comparisons.
- Business bears between 25% and 50% of sales tax, dependent upon the provincial tax regime.
- RRSP/RPP contributions included in calculation of personal income tax.

# Major Provincial Tax Rates, 2000

		AB	BC	SK	MN	ON	QC	NB	NS	PE	NF
<b>Personal Income Tax<sup>a</sup></b>											
Basic Rate	(%)	44.0	49.5	48.0	47.0	38.5	n.a.	60.0	57.5	58.5	62.0
Surtax	(%)	—	30/45	10/25	2.0	20/56	n.a.	8.0	10.0	10.0	6/16
Flat Tax	(%)	0.5	—	2.0	2.0	—	n.a.	—	—	—	—
<b>Corporate Income Tax</b>											
Small Business Rate	(%)	6.0	5.5	8.0	7.0	8.0	8.9	6.0	5.0	7.5	5.0
M&P Rate	(%)	14.5	—	10/17 <sup>b</sup>	—	13.5	—	—	—	7.5	5.0
General Rate	(%)	15.5	16.5	17.0	17.0	15.5	8.9	17.0	16.0	16.0	14.0
<b>Capital Tax</b>											
General	(max.%)	—	0.30	0.60	0.50	0.30	0.64	0.30	0.25	—	—
Financial Institutions	(max.%)	1.00	3.00	3.25	3.00	0.90	1.28	3.00	3.00	3.00	4.00
<b>Retail Sales Tax</b>											
	(%)	—	7.0	6.0	7.0	8.0	7.5 <sup>c</sup>	8.0 <sup>c</sup>	8.0 <sup>c</sup>	10.0	8.0 <sup>c</sup>
<b>Gasoline Tax</b>	(¢/litre)	9.0	11.0 <sup>d</sup>	15.0	11.5	14.7	15.2 <sup>de</sup>	10.7 <sup>e</sup>	13.5 <sup>e</sup>	13.0	16.5 <sup>e</sup>
<b>Tobacco Tax</b>	(\$/carton)	14.00	22.00	17.20 <sup>e</sup>	16.00 <sup>e</sup>	5.30 <sup>e</sup>	8.60	8.30 <sup>e</sup>	9.64 <sup>e</sup>	13.25	22.00 <sup>e</sup>
<b>Payroll Tax</b>	(max.%)	—	—	—	2.15	1.95	4.26	—	—	—	2.00

Rates for other provinces known as at February 1, 2000.

<sup>a</sup> The basic rate is a percentage of basic federal tax. The surtax is applied above certain thresholds which vary among provinces and is based on: net income in Manitoba, the sum of basic tax and flat tax in Saskatchewan and basic tax in the other provinces. Provinces with two surtaxes have the lower rate and combined rates shown. The flat tax is a percentage of taxable income in Alberta and net income in Saskatchewan and Manitoba. All provinces except PEI and Newfoundland provide tax reductions for low income taxpayers. Quebec's personal income tax system is not directly comparable to those in other provinces.

<sup>b</sup> The general corporate tax rate is reduced by up to 7 percentage points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

<sup>c</sup> These provinces' sales taxes are harmonized with the federal GST and apply to a broader base than other provincial sales taxes.

<sup>d</sup> An additional 4 cents/litre is imposed in the greater Vancouver area, 2.5 cents/litre in Victoria and 1.5 cents/litre in Montreal.

<sup>e</sup> These provinces apply their retail sales taxes on top of this tax.

# Top Marginal Personal Income Tax Rates, 2000

(percent)

	AB	BC	SK	MN	ON	QC	NB	NS	PE	NF
Federal	30.45	30.45	30.45	30.45	30.45	30.45	30.45	30.45	30.45	30.45
Provincial	13.26	20.81	19.90	17.63	17.42	26.00	18.79	18.34	18.66	20.86
Federal Abatement <sup>a</sup>	—	—	—	—	—	(4.79)	—	—	—	—
<b>Total</b>	<b>43.71</b>	<b>51.26</b>	<b>50.35</b>	<b>48.08</b>	<b>47.87</b>	<b>51.66</b>	<b>49.24</b>	<b>48.79</b>	<b>49.11</b>	<b>51.31</b>

Rates for other provinces known as at February 1, 2000.

<sup>a</sup> Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs. This reduces the top basic federal rate of 29% by 16.5%, or 4.79% of taxable income.

