

January 3, 2001

**Alberta's single income tax rate lowered to 10 per cent**

Edmonton - Albertans will keep an average of 23 per cent more cash in their pockets after today's announcement of a further reduction to the single-rate tax system to 10 per cent, taking total taxpayers' savings to \$1.5 billion.

Alberta's historic single provincial income tax rate - introduced New Year's Day - coupled with a raise in personal and spousal exemptions to \$12,900 from \$7,231 and \$6,140 respectively, will ensure this province's tax regime remains the best in Canada.

"No other jurisdiction in the country can boast such high exemption levels - the level a working individual can earn without paying provincial personal income tax," said Provincial Treasurer Steve West, noting the personal and spousal exemptions will be indexed to inflation.

In all, 200,000 more Albertans will pay no income tax at all.

"There are two ways to establish a progressive tax system," said West. "One way is to tax high income earners at a very high level, the other is to tax low income earners at a very low level. We decided to take the most compassionate approach and not tax the lowest income earners at all.

"As well, hard-working Albertans will no longer be punished for striving to get ahead and single-income families won't be penalized for choosing to have one parent stay at home as the personal and spousal exemptions are equal," said West.

The government first announced in Budget '99 Alberta would detach from the federal tax system by introducing an 11 per cent single rate tax in 2002. In April 2000, the date was moved forward to 2001 and the rate reduced to 10.5 per cent. This is being reduced further to 10 per cent to ensure the full benefits of recent federal tax reductions and then some flow through to Albertans.

West also announced that the province has incorporated benefit improvements introduced by the federal government.

- It will increase the disability tax credit from \$4,293 to \$6,000.
- The caregiver and infirm dependent credit will be boosted from \$2,386 to \$3,500.
- The part-time education credit will rise from \$60 to \$120 per month and the full-time education credit will increase from \$200 to \$400 per month.

The province will also reduce its inclusion rates on capital gains for personal and corporate income taxes from 66 <sup>2</sup>/<sub>3</sub> per cent to 50 per cent.

West said there will be no stopping the push to find more ways to ensure the province remains the most attractive jurisdiction in Canada to work and live.

That includes a plan, starting this spring and continuing over four years, to reduce business taxes by \$1 billion.

-30-

**For further information, please contact:**

Shannon Larkins - Alberta Treasury Communications - (780) 427-5364

This news release is available on the Alberta Treasury homepage at: <http://www.treas.gov.ab.ca>

# Backgrounder

---

## Alberta's single rate tax system

Alberta's new single income tax rate is 10 per cent. Albertans' taxable income will be taxed at 10.5 per cent on their January 2001 pay cheques. The extra half point will appear on July 2001 pay cheques and will be retroactive to January 1, 2001.

The move to a single rate tax is the culmination of measures introduced since 1999 representing \$1.5 billion in savings to Albertans. The figure does not include further savings resulting from the reduction of the capital gains inclusion rate to 50 per cent. The measures taken include:

- 1999 - Matched federal increases to basic and spousal exemptions
- 2000 - Matched federal increases to basic and spousal exemptions  
Eliminated the 8 per cent surtax for deficit elimination
- 2001 - Introduced Alberta's new single tax rate of 10 per cent

In addition the province has been reducing taxes since 1997. These reductions include:

- 1997 - Tax cuts were first directed to low and middle income families through the Alberta Family Employment Tax Credit (AFETC)
- 1998 - AFETC rate doubled  
Basic rate paid by all Albertans reduced from 45.5 to 44 percent

## Examples of tax reductions under the single rate tax:

(The following examples are fictitious and represent average earnings made.)

### Single Individuals:

Peter is a professor at the University of Calgary with an annual salary of \$90,300. In addition, He earned \$1,686 from his previous investments, and made an RPP and RRSP contribution. In 1999 Peter paid \$8,094 in provincial income tax. In 2001, Peter will pay \$6,321. In other words the new single rate tax will save Peter \$1,773 per year.

Phil is a highway maintenance worker in central Alberta. Phil's annual salary is \$47,243. The company where Phil works contributed \$1,800 to an employee pension plan. Phil did not have to contribute into this plan. In 2001, Phil will pay \$3,197 in provincial income tax, \$606 less than he paid in 1999.

### Single Income Families:

Craig works as a purchaser for a manufacturing company building components for use in the natural gas industry. Craig's wife Cathy stays at home with their two children. Craig has a salary of \$60,000 per year, has half of his Alberta Health Care Premium paid by the company, and has a Registered Pension Plan (RPP) deduction of 4% of his salary (Craig's company matches this contribution). In addition, Craig saves \$5,000 per year in a Registered Retirement Savings Plan (RRSP). In 2001, Craig will pay \$2,483 in provincial tax, \$1,599 less than he paid in 1999.

Ken and his wife Marg have 3 children Sammy, Caitlin, and Jesse. Ken is a self-employed mechanical engineer working on contract. His annual income is \$83,000. In 1999, Ken paid \$8,261 in provincial income tax. In 2001, Ken will only pay \$5,421 in provincial income tax. A savings of \$2,840.

### Two Income Families:

Sandy is a self-employed oil executive with an \$80,000 salary, \$20,000 capital gain, and \$13,500 in RRSP contributions. Her husband Dean is the head journeyman machinist in her company and earns \$72,500 per year (based on a 50 hour work week, \$26.36 per hour, and overtime pay of 1.2 x wage). All of their children have left home. In 2001, Sandy and Dean will pay a total of \$11,783 in provincial tax. In 1999 they paid \$15,749, for a savings of \$3,966.

Ron has been working as a staff reporter with the Edmonton Sun for the past 8 years. Ron earns \$50,816 in salary and taxable benefits, and contributes \$1,560 to the company's RPP plan. His wife Rhonda is a part time cashier at Safeway making \$12,000 per year. Together they have a three year old daughter Erin, and claim \$5,400 in child care expenses. This family will see their taxes reduced by \$1,293 from 1999 to 2001.

#### Single Parent Families:

Jane is a single parent. She has \$400 per year in child-care expenses for her 9 year old son, Tim. Jane works as a librarian earning \$41,000 per year, and contributes \$1,917 to the RPP fund of the library where she works. In addition, the library pays half of her Alberta Health Care Premium. In 1999 Jane paid \$2,397 in provincial income tax. In 2001, She will pay only \$1,092 in provincial income tax. A savings of \$1,305.

Ricardo is a single parent father of two, who works as an engineer for a natural gas company in Red Deer. Ricardo earns \$120,000 per year, makes an additional \$2,500 in investment income, and contributes \$13,500 to RRSPs. Ricardo will pay \$3,907 less in 2001 than he paid in 1999.

#### Seniors:

Greg and Muriel are married seniors. They have a total private pension income \$54,000 per year, and both receive Old Age Security. Both are in good health so do not claim any medical expenses, but they do make a charitable donation of \$3,000 per year. Greg and Muriel will pay \$789 less provincial income tax in 2001 than they did in 1999.

Eunice is a 94 year old senior living in a seniors home in Medicine Hat. She has private pension income of \$18,000 per year and receives Old Age Security. Eunice has medical expenses of \$4,600. In 1999, Eunice paid \$620 in provincial income tax. In 2001, she will only pay \$172.

- 30 -

This backgrounder and many other profiles are available on the Alberta Treasury homepage at:  
<http://www.treas.gov.ab.ca>

A copy of the Single Rate Tax brochure in PDF can be downloaded [here](#).

# Tax Plan Savings for Albertans

Income	Alberta Taxes Paid				Savings from 2000 to 2001
	1996	1999	2000	2001 (10%)	
<b>Single</b>					
\$ 20,000	1,066	1,007	971	594	377
\$ 30,000	1,763	1,679	1,642	1,429	213
\$ 40,000	2,570	2,455	2,373	2,073	300
\$ 55,000	4,047	3,874	3,730	3,253	477
\$ 75,000	6,417	6,168	5,796	4,973	823
\$ 100,000	9,662	9,310	8,714	7,173	1,541
<b>One Income Family or Single Parent Family - Two Children</b>					
\$ 20,000	545	(604)	(662)	(1,000)	338
\$ 30,000	1,347	397	343	(701)	1,044
\$ 40,000	2,153	1,463	1,354	223	1,131
\$ 55,000	3,608	3,349	3,183	1,875	1,308
\$ 75,000	5,967	5,706	5,337	3,683	1,654
\$ 100,000	9,212	8,848	8,254	5,883	2,371
<b>Two Income Family - Two Children</b>					
\$ 20,000	235	(840)	(874)	(1,000)	126
\$ 30,000	1,145	210	127	(483)	610
\$ 40,000	1,697	994	916	228	688
\$ 55,000	2,708	2,479	2,406	1,782	624
\$ 75,000	4,455	4,254	4,121	3,501	620
\$ 100,000	7,131	6,827	6,541	5,705	836
<b>Single Senior</b>					
\$ 20,000	771	699	644	248	396
\$ 30,000	1,689	1,613	1,556	1,294	262
\$ 40,000	3,038	2,919	2,818	2,444	374
\$ 55,000	5,090	4,895	4,653	4,110	543
\$ 75,000	7,979	7,692	7,217	6,110	1,107
\$ 100,000	11,667	11,262	10,532	8,610	1,922
<b>Senior Couple</b>					
\$ 25,000	-	-	-	-	-
\$ 30,000	232	156	53	-	53
\$ 40,000	1,448	1,326	1,241	545	696
\$ 55,000	3,007	2,866	2,763	2,072	691
\$ 75,000	5,401	5,184	5,005	4,313	692
\$ 100,000	8,794	8,459	8,058	7,069	989

\*\* Calculations include RRSP/RPP contributions except for seniors.

\*\*\* Includes the Alberta Family Employment Tax Credit where applicable.

\*\*\*\* Seniors with blank lines pay no Alberta income tax and receive the Alberta Seniors Benefit.

## Interprovincial Tax and Health Care Insurance Premium Comparison (dollars), 2001 (Preliminary)

	AB	BC	SK	MN	ON	QB	NB	NS	PE	NF
<u>Employment Income of \$30,000 - One Income Family (Two Children)</u>										
Provincial Income Tax	\$ (701)	\$ 395	\$ 881	\$ 580	\$ (279)	\$ (734)	\$ 1,287	\$ 1,120	\$ 1,121	\$ 1,450
Provincial Sales Tax	\$ -	\$ 700	\$ 485	\$ 776	\$ 987	\$ 1,111	\$ 979	\$ 1,007	\$ 1,235	\$ 1,025
Health Care Premium	\$ 612	\$ 648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Tax	\$ -	\$ -	\$ -	\$ 218	\$ 286	\$ 688	\$ -	\$ -	\$ -	\$ 167
Fuel Tax	\$ 270	\$ 330	\$ 450	\$ 345	\$ 441	\$ 456	\$ 321	\$ 405	\$ 390	\$ 495
Tobacco Tax	\$ 350	\$ 550	\$ 430	\$ 430	\$ 133	\$ 215	\$ 208	\$ 241	\$ 331	\$ 550
	<b>\$ 531</b>	<b>\$ 2,623</b>	<b>\$ 2,246</b>	<b>\$ 2,349</b>	<b>\$ 1,568</b>	<b>\$ 1,736</b>	<b>\$ 2,795</b>	<b>\$ 2,773</b>	<b>\$ 3,077</b>	<b>\$ 3,687</b>

**Alberta Advantage** \$ 2,092 \$ 1,715 \$ 1,818 \$ 1,037 \$ 1,205 \$ 2,264 \$ 2,242 \$ 2,546 \$ 3,156

### Employment Income of \$60,000 - Two Income Family (Two Children)

Provincial Income Tax	\$ 2,277	\$ 2,768	\$ 3,429	\$ 3,207	\$ 1,908	\$ 3,499	\$ 3,395	\$ 3,426	\$ 3,333	\$ 3,669
Provincial Sales Tax	\$ -	\$ 1,046	\$ 720	\$ 1,147	\$ 1,459	\$ 1,556	\$ 1,477	\$ 1,509	\$ 1,855	\$ 1,545
Health Care Premium	\$ 612	\$ 648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Tax	\$ -	\$ -	\$ -	\$ 436	\$ 572	\$ 1,375	\$ -	\$ -	\$ -	\$ 333
Fuel Tax	\$ 405	\$ 495	\$ 675	\$ 518	\$ 662	\$ 684	\$ 482	\$ 608	\$ 585	\$ 743
Tobacco Tax	\$ 350	\$ 550	\$ 430	\$ 430	\$ 133	\$ 215	\$ 208	\$ 241	\$ 331	\$ 550
	<b>\$ 3,644</b>	<b>\$ 5,507</b>	<b>\$ 5,254</b>	<b>\$ 5,738</b>	<b>\$ 4,734</b>	<b>\$ 7,329</b>	<b>\$ 5,562</b>	<b>\$ 5,784</b>	<b>\$ 6,104</b>	<b>\$ 6,840</b>

**Alberta Advantage** \$ 1,863 \$ 1,610 \$ 2,094 \$ 1,090 \$ 3,685 \$ 1,918 \$ 2,140 \$ 2,460 \$ 3,196

### Employment Income of \$100,000 - Two Income Family (Two Children)

Provincial Income Tax	\$ 5,705	\$ 6,548	\$ 7,895	\$ 8,532	\$ 5,006	\$ 10,590	\$ 8,081	\$ 8,154	\$ 7,710	\$ 8,780
Provincial Sales Tax	\$ -	\$ 1,608	\$ 1,096	\$ 1,717	\$ 2,240	\$ 2,269	\$ 2,239	\$ 2,287	\$ 2,824	\$ 2,331
Health Care Premium	\$ 612	\$ 648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Tax	\$ -	\$ -	\$ -	\$ 726	\$ 953	\$ 2,292	\$ -	\$ -	\$ -	\$ 555
Fuel Tax	\$ 405	\$ 495	\$ 675	\$ 518	\$ 662	\$ 684	\$ 482	\$ 608	\$ 585	\$ 743
Tobacco Tax	\$ 350	\$ 550	\$ 430	\$ 430	\$ 133	\$ 215	\$ 208	\$ 241	\$ 331	\$ 550
	<b>\$ 7,072</b>	<b>\$ 9,849</b>	<b>\$ 10,096</b>	<b>\$ 11,923</b>	<b>\$ 8,994</b>	<b>\$ 16,050</b>	<b>\$ 11,010</b>	<b>\$ 11,290</b>	<b>\$ 11,450</b>	<b>\$ 12,959</b>

**Alberta Advantage** \$ 2,777 \$ 3,024 \$ 4,851 \$ 1,922 \$ 8,978 \$ 3,938 \$ 4,218 \$ 4,378 \$ 5,887

\* Calculations are based on tax parameters known at December 1, 2000.

\* 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 liters per year for one income families and 4,500 liters for two income families.

\* Tobacco tax is based on estimated consumption of 100 packs per adult per year.

\* For two income families, income is split 60/40 between the two spouses.

\* Business bears between 25% and 60% of the provincial sales tax, dependent upon the provincial tax regime.

\* RRSP/RPP contributions are included in the calculation of personal income tax.

Technical and service related questions should be forwarded to [WebMaster@gov.ab.ca](mailto:WebMaster@gov.ab.ca)

Copyright(c); 2001 Government of Alberta

Return to [Government Home Page](#)