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Global Tax Alert

News from Americas Tax Center

Canada: Prince Edward Island issues budget 2019/20

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Executive summary

On 25 June 2019, Prince Edward Island Finance Minister Darlene Compton tabled the province's fiscal 2019/20 budget. The budget contains tax measures affecting individuals and corporations.

The Minister anticipates a surplus of CA\$13.8m¹ for 2018/19 (up from \$1.5m projected in Budget 2018/19) and projects a surplus of \$1.8m for 2019/20 and surpluses for the 2020/21 and 2021/22 fiscal years.

The following is a brief summary of the key tax measures.

Detailed discussion

Business tax measures

Corporate tax rates

No changes are proposed to the general corporate tax rate. However, the Minister announced a reduction in the small-business rate to 3.00% from 3.50%, effective 1 January 2020. The \$500,000 small-business limit remains unchanged.

Prince Edward Island's current and proposed future corporate income tax rates are summarized in Table A.

Table A: Current and proposed corporate tax rates

	Current PEI rate	Proposed rates 2020	
		PEI	Federal and PEI combined
Small-business tax rate*,**	3.50%	3.00%	12.00%
General corporate tax rate	16.00%	16.00%	31.00%

* The small-business rate is based on a 31 December year-end.

** The federal small-business rate was reduced from 10.00% to 9.00% effective 1 January 2019. The PEI small-business rate was reduced from 4.00% to 3.50% effective 1 January 2019.

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2019 Prince Edward Island personal tax rates are summarized in Table B.

Table B: 2019 Prince Edward Island personal tax rates

First bracket rate	Second bracket rate	Third bracket rate
\$0 to \$31,984	\$31,985 to \$63,969	Above \$63,969
9.80%	13.80%	16.70%

In addition, there is a 10% surtax on provincial income tax in excess of \$12,500.

For taxable income in excess of \$98,995, the 2019 combined federal and Prince Edward Island personal income tax rates are outlined in Table C.

Table C: Combined 2019 federal and Prince Edward Island personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$98,996 to \$147,667	44.37%	24.56%	37.18%
\$147,668 to \$210,371	47.37%	28.70%	40.63%
Above \$210,371	51.37%	34.22%	45.23%

* The rate on capital gains is one-half the ordinary income tax rate.

Personal tax credits

This budget proposes changes to the following personal credits/amounts:

- ▶ Increase in the basic personal income tax exemption to \$10,000 as of 1 January 2020
- ▶ Increase in the spouse and equivalent-to-spouse amounts by a proportionate amount (no further details were provided)
- ▶ Increase in the low-income tax reduction threshold from \$17,000 to \$18,000 as of 1 January 2020

Endnote

1. Currency references in this Alert are to CA\$.

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