



# Canadian tax alert

## 2012 Prince Edward Island budget highlights

April 18, 2012

Prince Edward Island's Minister of Finance, Energy and Municipal Affairs Wesley J. Sheridan presented the 2012 budget this afternoon. The following is a summary of the tax highlights contained in the budget.

### Economic context

- Projected deficit of \$78.6 million for fiscal year ended March 31, 2012, higher than the original estimate of \$42 million in Budget 2011
- Deficit of \$74.9 million forecast for the fiscal year ended March 31, 2013
- Deficit of \$34.2 million forecast for the fiscal year ended March 31, 2014
- Return to a balanced budget for the fiscal year ended March 31, 2015
- GDP growth forecast of 1.5 per cent for 2011 and 1.4 per cent for 2012

### Measures concerning business

- The Government has announced it will enter into negotiations with the Federal government to implement a harmonized sales tax (HST) which would come into effect April 1, 2013. The combined HST rate will be 14% (with a provincial component of 9% and a federal component of 5%), lower than the current rate of 15.5%.
- The proposed model would apply the tax on the same base as the GST which, for example, does not include basic groceries and prescription drugs. The government has indicated it will not tax home heating oil or children's clothing and footwear.
- An enhanced refundable tax credit would be created so that the impact of a new tax model will not affect Islanders with low and modest incomes.
- Over the coming months, a detailed plan will be developed, with input from the private sector and the public to ensure smooth and orderly implementation. The intent is to table a package of legislative changes during the fall session of the Legislature.
- No changes to the corporate tax rates were announced in the budget.

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## Measures concerning individuals

- The budget introduces a \$500 refundable income tax credit for volunteer firefighters with at least 200 hours of volunteer service a year. The new credit would apply to 2012 and subsequent years.
- No changes to the personal tax rates were announced in the budget.

## Other measures

- Later this year, the Government will announce fee increases for licenses, permits and services which have not been increased in over a decade and often fall far short of the costs required to deliver those services.
- Effective midnight April 18, 2012, the environmental tax for tires with a rim size greater than 17 inches is increased to the regional average of \$11.25 per tire to better reflect the actual costs of disposal.
- Also effective midnight April 18, 2012, the fee for provision of highway access to new property developments will be increased for the first time since 1996.

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