



Canadian tax alert

2019-2020 Prince Edward Island budget highlights

July 16, 2019

On June 25, 2019, Finance Minister and Chair of Treasury Board Darlene Compton presented the 2019-2020 Prince Edward Island budget in the Legislative Assembly. The following is a summary of the economic and tax highlights contained in the budget delivered by a minority government led by the Progressive Conservatives.

Fiscal/economic outlook

- The projected surplus is \$13.8 million for the fiscal year ended March 31, 2019; this is higher than the budgeted surplus of \$1.5 million in Budget 2018-2019.
- The budget projects a modest surplus of \$1.8 million for the fiscal year ended March 31, 2020, and surpluses are predicted for 2020-2021 (\$7.4 million) and 2021-2022 (\$12.6 million).
- Real GDP growth for Prince Edward Island is estimated to be 2.6% in 2018, 1.9% in 2019 and 1.5% in 2020.
- The net debt-to-GDP ratio is expected to decrease from 31.3% in 2018-2019 to 29.1% in 2021-2022.
- The unemployment rate averaged 9.4% in 2018, down 0.4% from 2017.

Personal tax measures

- The budget contains no changes to personal tax rates.
- The basic personal amount (currently \$9,160) will increase to \$10,000 in 2020. Changes will also be made to the spouse and equivalent to spouse amounts. The income tax threshold for low-income individuals will increase from \$17,000 to \$18,000 on January 1, 2020. The government anticipates that these measures will result in 1,700 additional Prince Edward Islanders no longer paying any provincial income tax.

The top marginal rates for 2019 are noted in the table below.

Combined federal and Prince Edward Island personal top marginal rates - 2019	
	Rate
Interest and regular income	51.37%
Capital gains	25.69%
Eligible dividends	34.22%
Ineligible dividends	45.22%

Business tax measures

- The budget reduces the small business tax rate by 0.5%, to 3.0%, beginning January 1, 2020.

The corporate tax rates for 2019 are noted in the table below.

Corporate tax rates for Prince Edward Island companies 2019 calendar year		
	Prince Edward Island	Combined rates (federal and PEI)
General and investment	16.0%	31.0%
Manufacturing and processing	16.0%	31.0%
Small business (threshold \$500,000)	3.5% (note 1)	12.5% (note 1)

Note 1: for the 2020 calendar year, the 2019-2020 budget proposes to reduce the small business tax rate from 3.5% to 3.0%; the combined rate will thus reduce from 12.5% to 12%.

For further details, we refer you to the [Ministry of Finance website](#).

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