



Canadian tax alert

2018-2019 Prince Edward Island budget highlights

April 9 2018

On April 6, 2018, Finance Minister Heath MacDonald presented the 2018-2019 Prince Edward Island budget in the Legislative Assembly. The following is a summary of the economic and tax highlights contained in the budget.

Fiscal/economic outlook

- The projected surplus is \$1.2 million for the fiscal year ended March 31, 2018; this is higher than the budgeted surplus of \$.6 million in Budget 2017-2018.
- The budget projects a surplus of \$1.5 million for the fiscal year ended March 31, 2019, and surpluses are predicted for 2019-2020 (\$3.1 million) and 2020-2021 (\$4.2 million).
- GDP growth is estimated to be 2.2% in 2017, 1.7% in 2018 and 1.2% in 2019.
- The net debt-to-GDP ratio is expected to decrease from 33.1% in 2017-2018 to 31.6% in 2020-2021.
- The unemployment rate was 9.8% in 2017, down .9% from 2016.
- The government expressed confidence that future years will be producing operating surpluses due to the return to fiscal balance coupled with economic growth.

Personal tax measures

- The budget contains no changes to personal tax rates.
- The basic personal amount (currently \$8,160) will increase by \$1,000 over 2 years. The government anticipates that this measure will result in 2,200 additional Prince Edward Islanders no longer paying any provincial income tax.

Business tax measures

- The budget reduces the small business tax rate by .5% to 4% this year.
- The budget introduces a new Small Business Investment Grant that will give companies a 15% rebate on business investments up to \$25,000. This will provide a savings of up to \$3,750 for Prince Edward Island companies.

Other measures

- The budget introduces a rebate on the provincial portion of the harmonized sales tax (HST) on the first block of residential electricity.
- The provincial portion of the HST will also be rebated on firewood, pellets and propane through a point of sale credit or rebate.
- The province is in discussions with the federal government on carbon pricing implementation and a climate action plan will be released in the spring of 2018.

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