



Highlights of the 2020 P.E.I. Budget

June 17, 2020

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Prince Edward Island's Finance Minister, Darlene Compton, delivered the province's 2020 budget on June 17, 2020. The budget anticipates a deficit of \$172.7 million for 2020-21 and projects a deficit of \$69.5 million for 2021-22. In addition, the budget reduces the province's small business tax rate to 2% (from 3%), effective January 1, 2021, but does not include any new changes to personal tax rates. The budget also introduces measures to expand provincial gas tax exemptions for farmers, introduces a \$500 non-refundable wellness tax credit for families with children, and increases the province's basic personal income tax amount to \$10,500 (from \$10,000).

Corporate tax changes

Corporate income tax rates

The budget reduces the small business tax rate to 2% (from 3%), effective January 1, 2021. As a result, P.E.I.'s corporate income tax rates are as follows:

Corporate Income Tax Rates				
	As of January 1, 2020		As of January 1, 2021	
	Province	Combined Federal and Province	Province	Combined Federal and Province
General	16%	31%	16%	31%
M&P	16%	31%	16%	31%
Small business ¹	3%	12%	2%	11%

¹ On first \$500,000 of active business income.

Personal tax changes

Personal income tax rates

The budget does not announce changes to personal income tax rates. As a result, the province's personal income tax rates remain as follows:

Personal Combined Federal/Provincial Top Marginal Rates	
	2020
Interest and regular income	51.37%
Capital gains	25.69%
Eligible dividends	34.23%
Non-eligible dividends	45.23%

KPMG observations

The budget does not appear to include consequential adjustments to the province's 2021 dividend tax credit rate for non-eligible dividends to preserve integration as a result of the 1% decrease to the small business income tax rate.

Children's wellness tax credit

The budget introduces a new \$500 non-refundable children's wellness tax credit, effective January 1, 2021. This credit will be available to families with children under the age of 18, for activities related to their children's well-being.

Increasing the basic personal income tax amount

The budget increases the province's basic personal income tax amount to \$10,500 (from \$10,000), effective January 1, 2021.

Increasing the low income threshold

The budget increases the province's low income threshold to \$19,000 (from \$18,000), effective January 1, 2021.

Indirect tax changes

Tobacco tax

The budget increases the tobacco tax to 27.52 cents per gram of tobacco (from 21.5 cents per gram). The budget also increases the tobacco tax to 75% of the retail price of cigars (from 71.6%). This measure will be effective the day following Royal Assent of the bill introducing these changes.

Expanding the marked fuel program

The budget extends the Marked Fuel Permit - Tax Exemption Program to include all farm-plated vehicles. Under this program, marked fuel is exempt from provincial gasoline tax.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Prince Edward Island budget on your personal finances or business affairs, and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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