“[O]ur plan today is built on the good work of the previous government and some great ideas from all parties in this Assembly. It makes significant new investments in areas of immediate and long-term priority for our province. It achieves that while projecting a small operating surplus. It is responsive and responsible, and I look forward to our debate on how we can show our collective leadership in delivering for the people of Prince Edward Island.”

Prince Edward Island Finance Minister Darlene Compton 2019-20 budget speech


The minister anticipates a surplus of $13.8m 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.

Following is a brief summary of the key tax measures.
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

<table>
<thead>
<tr>
<th></th>
<th>Current PEI rate</th>
<th>Proposed rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PEI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Federal and PEI combined</td>
</tr>
<tr>
<td>Small-business tax rate* **</td>
<td>3.50%</td>
<td>3.00%</td>
</tr>
<tr>
<td>General corporate tax rate</td>
<td>16.00%</td>
<td>16.00%</td>
</tr>
</tbody>
</table>

* 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

<table>
<thead>
<tr>
<th>First bracket rate</th>
<th>Second bracket rate</th>
<th>Third bracket rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $31,984</td>
<td>$31,985 to $63,969</td>
<td>Above $63,969</td>
</tr>
<tr>
<td>9.80%</td>
<td>13.80%</td>
<td>16.70%</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Bracket</th>
<th>Ordinary income*</th>
<th>Eligible dividends</th>
<th>Non-eligible dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>$98,996 to $147,667</td>
<td>44.37%</td>
<td>24.56%</td>
<td>37.18%</td>
</tr>
<tr>
<td>$147,668 to $210,371</td>
<td>47.37%</td>
<td>28.70%</td>
<td>40.63%</td>
</tr>
<tr>
<td>Above $210,371</td>
<td>51.37%</td>
<td>34.22%</td>
<td>45.23%</td>
</tr>
</tbody>
</table>

*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

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