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Tax Alert – Canada

Prince Edward Island budget 2024-25

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“Government’s budget is a signal to the people they serve on where they will spend their time, money and energy in the year ahead....

[N]o one in this chamber - or Islanders from tip-to-tip - will be surprised about the priorities the government will continue to focus on throughout the upcoming fiscal year. Healthcare, housing and affordability measures continue to be our government’s central focus, the things we wake up every day and think about.”

*Prince Edward Island Finance Minister and Chair of Treasury Board Jill Burridge
2024-25 budget speech*

On 29 February 2024, Prince Edward Island Finance Minister and Chair of Treasury Board Jill Burridge tabled the province’s fiscal 2024-25 budget. The budget contains several tax measures affecting individuals.

The minister anticipates a deficit of \$85.5 million for 2023-24 and projects a deficit of \$85.0 million for 2024-25, followed by further reduced deficits for each of the next two years (\$59.5 million for 2025-26 and \$30.5 million for 2026-27).

Following is a brief summary of the key tax measures.

Business tax measures

Corporate income tax rates

No changes are proposed to the corporate income tax rates or the \$500,000 small-business limit.

Prince Edward Island’s 2024 corporate income tax rates are summarized in Table A.

Table A - 2024 Prince Edward Island corporate income tax rates¹

	PEI	Federal and PEI combined
Small-business tax rate ²	1.00%	10.00%
General corporate tax rate ^{2,3}	16.00%	31.00%

¹ The rates represent calendar-year-end rates unless otherwise indicated.
² The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and Prince Edward Island rates above.
³ An additional tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

Personal tax

Personal income tax rates

Beginning in 2025, the minister proposes to reduce the personal income tax rates (with the exception of last bracket rate, which will be increased) and to raise the thresholds of the first three brackets as outlined in Table B.

Table B - 2024 and 2025 Prince Edward Island personal income tax rates

First bracket rate ¹		Second bracket rate		Third bracket rate		Fourth bracket rate		Fifth bracket rate	
2024	2025 (Proposed)	2024	2025 (Proposed)	2024	2025 (Proposed)	2024	2025 (Proposed)	2024	2025 (Proposed)
\$0 to \$32,656	\$0 to \$33,328	\$32,657 to \$64,313	\$33,329 to \$64,656	\$64,314 to \$105,000	\$64,657 to \$105,000	\$105,001 to \$140,000	\$105,001 to \$140,000	Above \$140,000	Above \$140,000
9.65%	9.50%	13.63%	13.47%	16.65%	16.60%	18.00%	17.62%	18.75%	19.00%

¹ Individuals resident in Prince Edward Island on 31 December 2024 with taxable income up to \$17,127 pay no provincial income tax as a result of a low-income tax reduction. The low-income tax reduction is clawed back for income in excess of \$21,500 until the reduction is eliminated, resulting in an additional 5% of provincial tax on income between \$21,501 and \$28,500. Similarly, individuals resident in Prince Edward Island on 31 December 2025 with taxable income up to \$17,934 will pay no provincial income tax as a result of a low-income tax reduction. The low-income tax reduction will be clawed back for income in excess of \$22,250 until the reduction is eliminated, resulting in an additional 5% of provincial tax on income between \$22,251 and \$29,250.

For taxable income in excess of \$140,000, the 2024 combined federal-Prince Edward Island personal income tax rates are outlined in Table C.

Table C - Combined 2024 federal and Prince Edward Island personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$140,001 to \$173,205	44.75%	26.54%	39.58%
\$173,206 to \$246,752 ²	48.07%	31.11%	43.39%
Above \$246,752	51.75%	36.20%	47.63%

¹ The rate on capital gains is one-half the ordinary income tax rate.

² The federal basic personal amount comprises two elements: the base amount (\$14,156 for 2024) and an additional amount (\$1,549 for 2024). The additional amount is reduced for individuals with net income in excess of \$173,205 and is fully eliminated for individuals with net income in excess of \$246,752. Consequently, the additional amount is clawed back on net income in excess of \$173,205 until the additional tax credit of \$232 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$173,206 and \$246,752.

Personal tax credits

This budget proposes changes to the following personal credits/amounts:

- ▶ **Basic personal amount** - Increase from \$13,500 to \$14,250 in the basic personal amount for 2025.
- ▶ **Low-income tax reduction** - Similar \$750 increase to the income threshold for the low-income tax reduction to \$22,250 for 2025.
- ▶ **Age credit amount** - Increase in the age credit amount and income threshold to \$6,510 (from \$5,595) and \$36,600 (from \$33,740), respectively, for 2025.
- ▶ **Spousal and equivalent amounts** - Increase in the spouse or common-law partner amount, as well as in the amount for an eligible dependent, from \$11,466 to \$12,103 for 2025, and increase in the related income threshold from \$1,147 to \$1,210 for 2025.

Other personal tax measures include:

- ▶ **Children’s benefit** - Introduction, starting in January 2025, of an income-based monthly benefit (the PEI Children’s Benefit), which will be administered by the Canada Revenue Agency and reviewed on an annual basis.

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