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Tax Alert – Canada

Prince Edward Island Budget 2026 [Updated]

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“Islanders expect their government to be responsible in its decisions, clear in its direction, and grounded in the realities people are living every day.

That is what this budget does.

It supports Islanders today.

And it takes the steps needed to build a stronger future for tomorrow.”

*Prince Edward Island Finance Minister Jill Burridge
2026 budget speech*

[**Update:** On 22 April 2026, Prince Edward Island Finance Minister Jill Burridge tabled a corrected version of “Appendix VII: Provincial Tax Changes” to the *2026 Estimates of Revenue and Expenditures* budget document. The correction clarifies that the new personal income tax bracket announced in the budget will apply as of 1 January 2026, rather than beginning in 2027, as previously indicated in Appendix VII. This correction aligns with the coming into force of the amendments implementing the new income tax bracket contained in Bill 23, *An Act to Amend the Income Tax Act*, which received first reading on 17 April 2026. This alert has been updated to reflect the government’s correction and replaces the previous version of the alert that was released on 15 April 2026.]



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On 14 April 2026, Prince Edward Island Finance Minister Jill Burridge tabled the province's fiscal 2026 budget. The budget contains tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$449.6 million for 2025-26 and projects a deficit of \$410 million for 2026-27, followed by further deficits for each of the following two years (\$386.2 million for 2027-28 and \$338 million for 2028-29).

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 \$600,000 small-business limit.

Prince Edward Island's 2026 corporate income tax rates are summarized in Table A.

Table A - 2026 Prince Edward Island corporate income tax rates¹

	PEI	Federal and PEI combined
Small-business tax rate ²	1.00%	10.00% (up to \$500k) 16.00% (\$500k-\$600k)
General corporate tax rate ^{2, 3}	15.00%	30.00%

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

The minister proposes to add a new personal income tax bracket (for taxable income over \$200,000) beginning in 2026 as outlined in Table B.

Table B - 2026 Prince Edward Island personal income tax rates

Bracket	2026 pre-budget rates	2026 proposed rates
\$0 to \$33,928 ¹	9.50%	9.50%
\$33,929 to \$65,820	13.47%	13.47%
\$65,821 to \$106,890	16.60%	16.60%
\$106,891 to \$142,250	17.62%	17.62%
\$142,251 to \$200,000	19.00%	19.00%
Above \$200,000		20.00%

¹ Individuals resident in Prince Edward Island on 31 December 2026 with taxable income up to \$18,684 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 \$23,000 until the reduction is eliminated, resulting in an additional 5% of provincial tax on income between \$23,001 and \$30,000.

For taxable income in excess of \$142,250, the 2026 proposed combined federal-Prince Edward Island personal income tax rates are outlined in Table C.

Table C - Combined 2026 proposed federal and Prince Edward Island personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$142,251 to \$181,440	45.00%	26.88%	39.87%
\$181,441 to \$200,000 ²	48.29%	31.43%	43.65%
\$200,001 to \$258,482 ²	49.29%	32.81%	44.80%
Above \$258,482	53.00%	37.92%	49.07%

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 (\$14,829 for 2026) and an additional amount (\$1,623 for 2026). The additional amount is reduced for individuals with net income in excess of \$181,440 and is fully eliminated for individuals with net income in excess of \$258,482. Consequently, the additional amount is clawed back on net income in excess of \$181,440 until the additional tax credit of \$227 is eliminated; this results in additional federal income tax (e.g., 0.29% on ordinary income) on net income between \$181,441 and \$258,482.

Other tax measures

Property tax

Effective for 2026, the budget proposes to increase the real property tax rate for nonresidents from \$1.50 to \$1.70 per \$100 of taxable assessed value. A tax credit equivalent to this rate increase of \$0.20 is proposed to be provided to nonresident apartment owners.

Insurance premium tax

Effective for fall 2026, the budget proposes to increase the insurance premium tax rates by 0.25 percentage points to 4.00% for life insurance, accident insurance and sickness insurance, and to 4.25% for other insurance.

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