

Budget 2020

# Prince Edward Island

Making sense of what's next.

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## June 2020

On June 17, 2020, Finance Minister Darlene Compton tabled PEI's 2020-21 budget.

The estimates provided in Budget 2020 show a deficit of \$3.7 million for the 2019-2020 fiscal year as compared to a surplus of \$1.8 million for the same period in the previous budget.

Fiscal results for the next three years are projected as follows:

Year	Projected surplus (deficit)
2020-21	(\$172.7 million)
2021-22	(\$69.5 million)
2022-23	(\$38.4 million)



## Business tax measures

### Corporate tax rates

Budget 2020 proposes to reduce the provincial small business tax rate by 1% to 2% starting January 1, 2021. No changes to the \$500,000 small business limit are proposed.

PEI's corporate tax rates for 2020-21 are summarized as follows:

#### Combined federal and PEI corporate tax rates

Year	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
2020	12%	31%	31%
2021	11%	31%	31%

The top combined federal and PEI marginal tax rates for 2020 are as follows:

Type of income	2020
Interest	51.37%
Capital gains	25.69%
Eligible dividends	34.22%
Regular dividends	45.22%

### Children's wellness tax credit

Effective January 1, 2021, Budget 2020 introduces a non-refundable wellness tax credit of \$500. This tax credit is for all families with children under the age of 18 for eligible activities related to their children's well-being. Further details are expected soon.

## Personal tax measures

### Personal income tax rates

Budget 2020 proposes to increase the basic personal tax amount to \$10,500.

The PEI low-income tax reduction credit is a non-refundable tax credit for low-income individuals and families. It is clawed back for income between \$18,000 and \$25,000. Effective January 1, 2021, the low-income threshold amount has been increased from \$18,000 to \$19,000.

The relevant rates for 2020 are as follows:

- 9.8% on the first tax bracket (first \$31,984)
- 13.8% on the second tax bracket (from \$31,985 to \$63,969)
- 16.7% on the third tax bracket (over \$63,969)



## Sales tax measures

Budget 2020 proposes no changes to the current 15% Harmonized Sales Tax (HST) rate, which includes a federal component of 5% and a provincial component of 10%.

### Tobacco tax

Budget 2020 proposes the following changes:

- the tax per gram on tobacco is increased to 27.52 cents from 21.5 cents and
- the tax on cigars is increased to 75% of the retail price, from 71.6%.

### Gasoline tax

Marked Fuel Permit – Tax Exemption Program enables eligible persons to purchase marked gasoline and marked diesel oil. This marked fuel is sold exempt of gasoline tax. Previously, persons engaged in eligible agricultural and farming operations could apply for a Marked Fuel Permit. Budget 2020 mentions that the province will be extending the Marked Fuel program to include all farm plated vehicles in the list of eligible items.

## COVID-19 funding

Budget 2020 reiterates the following measures introduced by the provincial government since the onset of the pandemic:

- \$45 million in direct supports to individual and families
- \$40 million in direct supports to businesses
- \$100 million in loans and working capital to businesses, including \$50 million for tourism
- \$14 million in additional supports for health care

Lastly, the 2020-21 budget includes contingencies totaling \$65 million across various departments to address ongoing impacts of COVID-19.



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