

2021 Prince Edward Island Budget Summary



Making sense of what's next.

March 2021 – Tax Alert

On March 12, 2021, Finance Minister Darlene Compton tabled PEI's 2021-22 budget (Budget 2021).

The estimates provided in Budget 2021 show a deficit of \$120 million for the 2020-2021 fiscal year as compared to a deficit of \$172.7 million for the same period in the previous budget.

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

Year	Projected surplus (deficit)
2021-22	(\$112.1 million)
2022-23	(\$45.7 million)
2023-24	(\$27.9 million)



Business tax measures

Corporate tax rates

Budget 2021 proposes to reduce the provincial small business tax rate from 2% to 1% starting January 1, 2022. No changes to the \$500,000 small business limit are proposed.

PEI's corporate tax rates for 2021-22 are summarized as follows:

Combined federal and PEI corporate tax rates

Current	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
2021	11%	31%	31%
2022	10%	31%	31%

Personal tax measures

Personal income tax rates

Budget 2021 proposes to increase the basic personal tax amount to \$11,250.

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 \$19,000 and \$25,000. Effective January 1, 2022, the low-income threshold amount has been increased from \$19,000 to \$20,000.

The relevant rates for 2021 are as follows:

Tax brackets	Marginal tax rates
\$31,984 or less	9.8%
\$31,985 - \$63,969	13.8%
\$63,970 and over	16.7%

The top combined federal and PEI marginal tax rates for 2021 are as follows:

Type of income	2021
Interest	51.37%
Capital gains	25.69%
Eligible dividends	34.22%
Regular dividends	46.22%

Other notable items

Other key items mentioned in Budget 2021 include the following:

Childcare

- Allocate \$2.9 million to launch a planned universal half-day pre-kindergarten program, starting September 2021
- Lower childcare rates to \$25 per day, effective January 1, 2022

Recovery

- Provide tourism businesses with non-repayable grants to help them get ready for the 2021 tourism season through Tourism Activation Grant Program

Green initiatives

- Include a \$1.9 million investment for incentives for new and used electric vehicles and electric vehicle chargers
- Create a \$50 million loan portfolio to assist new and existing businesses to scale up in Clean Tech solutions and provide equity investment grants that provide a rebate to anyone investing in an approved Clean Tech firm based on PEI
- Launch a \$10 million, five-year fund for research and development in Clean Technology