



# TaxNewsFlash Canada

## Highlights of the 2016 P.E.I. Budget

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Prince Edward Island Finance Minister Allen Roach delivered the province's 2016 budget on April 19, 2016. The budget anticipates a deficit of \$9.6 million for the 2016-2017 fiscal year, with anticipated surpluses of \$9.2 million for 2017-2018 and \$24.5 million for 2018-2019. Although there are no changes to the province's personal or corporate tax rates, the budget increases the HST to 15% (from 14%), eliminates the Real Property Transfer Tax for first-time home buyers and increases relief for low-income taxpayers, among other changes.

Highlights of tax measures announced in the budget are summarized below.

### Indirect tax measures

#### *Harmonized Sales Tax*

The budget increases the HST to 15% (from 14%), effective October 1, 2016.

#### *Prince Edward Island Sales Tax Credit*

The budget also increases the refundable Prince Edward Island Sales Tax Credit for eligible recipients by 10%, effective July 2016. The budget increases the basic credit amount to \$110 and increases the spouse, equivalent to spouse, and supplement amounts to \$55. The maximum amount under the enhanced credit will be \$220.

## Personal tax measures

### *Personal income tax rates*

The budget does not make any changes to the province's personal tax rates. As a result, Prince Edward Island's combined federal and provincial top marginal rates for income, capital gains and dividends remain as follows:

<b>Personal Combined Federal/Provincial Top Marginal Rates</b>	
	<b>2016</b>
Interest and regular income	51.37%
Capital gains	25.69%
Eligible dividends	34.22%
Non-eligible dividends	43.87%

### *Basic Personal Amount*

The budget increases the Basic Personal Amount to \$8,000 (from \$7,708) for the 2016 and subsequent taxation years. In addition, the budget increases the spousal and eligible dependent amounts to \$6,795 (from \$6,546 and \$6,294, respectively).

### *Real Property Transfer Tax*

The budget eliminates the 1% Real Property Transfer Tax to all first-time home buyers, effective October 1, 2016.

### *Low Income Tax Reduction Program*

The budget increases the Low Income Tax Reduction Program amounts for taxpayers with low and modest income. Specifically, the budget increase the basic, spousal, equivalent to spouse, and child amounts by \$50, effective for the 2016 and subsequent years.

## Corporate tax measures

### *Corporate income tax rates*

No changes to corporate taxes were announced. As a result, Prince Edward Island's corporate income tax rates remain as follows:

<b>Corporate Income Tax Rates — As of January 1, 2016</b>		
	<b>Prince Edward Island</b>	<b>Combined Federal and P.E.I.</b>
General	16%	31%
M&P	16%	31%
Small business <sup>1</sup>	4.5%	15%
<sup>1</sup> on first \$500,000 of active business income		

### We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Prince Edward Island budget on your personal finances or business affairs, and point out ways to take advantage of their benefits or ease their impact. We can also keep you abreast of the progress of these proposals as they make their way into law.

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