



TaxNewsFlash

Canada

Highlights of the 2023 P.E.I. Budget

May 26, 2023

No. 2023-22

Prince Edward Island's Finance Minister Jill Burridge delivered the province's 2023 budget on May 25, 2023. The budget anticipates a deficit of \$66.2 million for 2022-23 and projects deficits of \$97.6 million for 2023-24 and \$58 million for 2024-25. Although the budget does not include any new changes to the corporate tax rates, it introduces a five-bracket personal tax system beginning in 2024 (replacing the current three-bracket and surtax system), and increases the basic personal income tax exemption to \$12,750 (from \$12,000), among other changes.

Corporate tax changes

Corporate income tax rates

The budget does not announce changes to the province's corporate tax rates. As a result, Prince Edward Island's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2023		
	Prince Edward Island	Combined Federal and Prince Edward Island
General	16%	31%
M&P	16%	31%
Small business ¹	1%	10%

¹ On first \$500,000 of active business income.

Personal tax changes

Personal income tax rates

The budget introduces a new five-bracket personal tax system that will replace the current three-bracket system and eliminate the surtax beginning in 2024. The following table shows the current 2023 and proposed 2024 provincial personal income tax rates and brackets:

Prince Edward Island Tax Brackets			
2023		2024	
Current Brackets	Current Rates ¹	Proposed Brackets	Proposed Rates ²
Up to \$31,984	9.80%	Up to \$32,656	9.65%
\$31,985 – \$63,969	13.80%	\$32,657 – \$64,313	13.63%
\$63,970 and over	16.70%	\$64,314 – \$105,000	16.65%
		\$105,001 – \$140,000	18.00%
		\$140,001 and over	18.75%

¹ Prince Edward Island surtax of 10% applies to the provincial income tax (before surtax) in excess of \$12,500.

² Prince Edward Island will eliminate the 10% surtax beginning in 2024.

As a result, Prince Edward Island's top marginal personal income tax rates will increase effective January 1, 2024 as follows:

Personal Combined Federal/Prince Edward Island Top Marginal Rates ¹		
	2023	2024
Interest and regular income	51.37%	51.75%
Capital gains	25.69%	25.88%
Eligible dividends	34.23%	36.20%
Non-eligible dividends	47.04%	47.63%

¹ Assumes no further changes to the federal or Prince Edward Island tax rates.

Increasing the basic personal income tax amount

The budget increases the province's basic personal income tax exemption amount to \$12,750 (from \$12,000), effective January 1, 2023, and to \$13,500 (from \$12,750), effective January 1, 2024.

Low-income tax reduction program

The budget increases the income threshold for the province's low-income tax reduction program to \$20,750 (from \$20,000) for 2023, and to \$21,500 (from \$20,750) for 2024.

Seniors tax credit

The budget increases the seniors tax credit (for persons aged 65 and older) to \$4,679 (from \$3,764) for 2023 and to \$5,595 (from \$4,679) for 2024. The budget also raises the

corresponding income threshold to \$30,879 (from \$28,019) for 2023 and \$33,740 (from \$30,879) for 2024.

Children's wellness tax credit

The budget increases the children's wellness tax credit to \$1,000 (from \$500) for registrations or membership fees to artistic, cultural, recreational or physical activity programming starting in 2024.

Indirect tax changes

Property tax

The budget provides for a reset of assessment rates equivalent to 2020 rates.

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 realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

kpmg.ca



[Contact Us](#) | [KPMG in Canada Privacy Policy](#) | [KPMG On-Line Privacy Policy](#) | [Legal](#)

Information is current to May 25, 2023. The information contained in this *TaxNewsFlash-Canada* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2023 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.