



TaxNewsFlash

Canada

Highlights of the 2024 P.E.I. Budget

February 29, 2024

No. 2024-06

Prince Edward Island's Finance Minister Jill Burridge delivered the province's 2024 budget on February 29, 2024. The budget anticipates a deficit of \$85.5 million for 2023-24 and projects deficits of \$85 million for 2024-25 and \$59.5 million for 2025-26. Although the budget does not include any new changes to the corporate tax rates, it announces several changes to personal income tax bracket thresholds and corresponding tax rates and an increase to the basic personal income tax exemption to \$14,250 (from \$13,500) for 2025, 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, 2024		
	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 raises the thresholds for the first two personal income tax brackets, lowers the tax rates for the first four tax brackets and increases the tax rate for the highest tax bracket for the 2025 calendar year. The following table shows the current 2024 and proposed 2025 provincial personal income tax rates and brackets:

Prince Edward Island Tax Brackets			
2024		2025	
Current Brackets	Current Rates	Proposed Brackets	Proposed Rates
\$0 to \$32,656	9.65%	\$0 to \$33,328	9.50%
\$32,657 – \$64,313	13.63%	\$33,329– \$64,656	13.47%
\$64,314 – \$105,000	16.65%	\$64,657 – \$105,000	16.60%
\$105,001 – \$140,000	18.00%	\$105,001 – \$140,000	17.62%
\$140,001 and over	18.75%	\$140,001 and over	19.00%

As a result, Prince Edward Island's top marginal personal income tax rates will increase effective January 1, 2025 as follows:

Personal Combined Federal/Prince Edward Island Top Marginal Rates ¹		
	2024	2025
Interest and regular income	51.75%	52.00%
Capital gains	25.88%	26.00%
Eligible dividends	36.20%	36.54%
Non-eligible dividends	47.63%	47.92%

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

Basic personal income tax amount increase

The budget increases the province's basic personal income tax exemption amount to \$14,250 (from \$13,500), effective January 1, 2025.

Spouse or equivalent amount increase

The budget notes that the province's maximum spouse or equivalent amount is proposed to increase to \$12,103 (from \$11,466), and the corresponding income threshold will also increase to \$1,210 (from \$1,147), for the 2025 calendar year.

Age amount increase

The budget notes that the age amount is proposed to increase to \$6,510 (from \$5,595), and the corresponding income threshold will increase to \$36,600 (from \$33,740), for the 2025 calendar year.

Low-income tax reduction program

The budget notes the income threshold for the province's low-income tax reduction program is proposed to increase to \$22,250 (from \$21,500) for 2025.

PEI Children's Benefit

The budget introduces a new monthly income-based PEI Children's Benefit starting in January 2025. The budget notes that a family with two children with a net household income of up to \$45,000 will receive \$720 per year under the new benefit. Families with incomes between \$45,000 and \$80,000 will receive a prorated benefit. The PEI Children's Benefit will be administered through the CRA and will be reviewed annually.

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.

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