



TaxNewsFlash

Canada

Highlights of the 2026 Prince Edward Island Budget

April 14, 2026

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Prince Edward Island's Finance Minister delivered the province's 2026 budget on April 14, 2026. The budget anticipates a deficit of \$450 million for 2025-26 and projects deficits of \$410 million for 2026-27 and \$386 million for 2027-28. The budget introduces a new personal income tax bracket at 20% for income over \$200,000, effective January 1, 2027, and increases insurance premium tax rates, among other changes.

Business tax changes

Corporate income tax rates

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

Corporate Income Tax Rates — As of January 1, 2026		
	P.E.I.	Combined Federal and P.E.I.
General	15%	30%
M&P	15%	30%
Small business	1% ¹	10%/16% ²

¹ On first \$600,000 of active business income.

² The 10% combined rate applies on the first \$500,000 of active business income. The combined federal and provincial corporate tax rate of 16% applies to active business income between the federal threshold of \$500,000 and the Prince Edward Island threshold of \$600,000 (i.e., 15% federal rate and 1% provincial rate).

Personal tax changes

Personal income tax rates

The budget introduces a new provincial 20% personal income tax rate on income over \$200,000, effective January 1, 2027. The following table shows the 2026 and proposed 2027 provincial personal income tax rates and brackets:

P.E.I. Personal Income Tax Brackets and Rates			
2026		2027	
Brackets	Rates	Brackets	Rates
\$0 – \$33,928	9.50%	\$0 – \$33,928	9.50%
\$33,929 – \$65,820	13.47%	\$33,929 – \$65,820	13.47%
\$65,821 – \$106,890	16.60%	\$65,821 – \$106,890	16.60%
\$106,891 – \$142,520	17.62%	\$106,891 – \$142,520	17.62%
\$142,521 and over	19.00%	\$142,521 – \$200,000	19.00%
		\$200,001 and over	20.00%

As a result of this change, Prince Edward Island’s combined top marginal personal income tax rates will increase as follows:

Personal Combined Federal/P.E.I. Top Marginal Rates¹		
	2026	2027
Interest and regular income	52.00%	53.00%
Capital gains	26.00%	26.50%
Eligible dividends	36.54%	37.92%
Non-eligible dividends	47.92%	49.07%

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

PEI Child Benefit

The budget announces that Prince Edward Island will enhance the PEI Child Benefit. The budget does not provide further details on this change.

Island Essentials Benefit

The budget announces a new Prince Edward Island Essentials Benefit. The budget does not provide further details on this measure.

Indirect tax changes

Insurance premium tax

The budget increases the insurance premium tax rates charged on gross premiums on contracts of life insurance, accident insurance and sickness insurance to 4.00% (from 3.75%). In addition, the budget increases the insurance premium tax rates on other

insurance to 4.25% (from 4.00%). The budget states that these changes are effective for “Fall 2026”.

Real property tax

The budget increases the real property tax rate for non-residents to \$1.70 (from \$1.50) for each \$100 of taxable value assessment. The budget also introduces a tax credit for non-resident apartment owners of \$0.20 for each \$100 of taxable value assessment. These measures are effective for the 2026 calendar year.

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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