



TaxNewsFlash

Canada

P.E.I. Rolls Back Effective Date of New Top Personal Tax Rate

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Individuals who are resident in Prince Edward Island (P.E.I.) should be aware that the province's Finance Minister has clarified that the province's new 20% top personal income tax rate on income over \$200,000 is effective January 1, 2026. This new tax rate was announced in Prince Edward Island's 2026 provincial budget, which originally indicated that the change would be effective for January 1, 2027. For details of the province's 2026 provincial budget, which was announced on April 14, 2026, see *TaxNewsFlash-Canada* 2026-25, "[Highlights of the 2026 Prince Edward Island Budget](#)".

Personal income tax rates

The budget introduced a new provincial 20% personal income tax rate on income over \$200,000. Prince Edward Island has recently clarified that this new rate is effective January 1, 2026 (instead of January 1, 2027, as originally published) and tabled a corrected version of the applicable budget documents. The following table shows the 2025 and proposed 2026 provincial personal income tax rates and brackets:

P.E.I. Personal Income Tax Brackets and Rates			
2025		2026	
Brackets	Rates	Brackets	Rates
\$0 – \$33,928	9.50%	\$0 – \$33,928	9.50%
\$33,929 – \$64,656	13.47%	\$33,929 – \$65,820	13.47%
\$64,657 – \$105,000	16.60%	\$65,821 – \$106,890	16.60%
\$105,001 – \$140,000	17.62%	\$106,891 – \$142,520	17.62%
\$140,001 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 retroactive to January 1, 2026 as follows:

Personal Combined Federal/P.E.I. Top Marginal Rates ¹		
	2025	2026
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.

We can help

Your KPMG adviser can help you assess the effect of this change or other measures 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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