

# Budget 2019

# Prince Edward Island

Making sense of what's next.

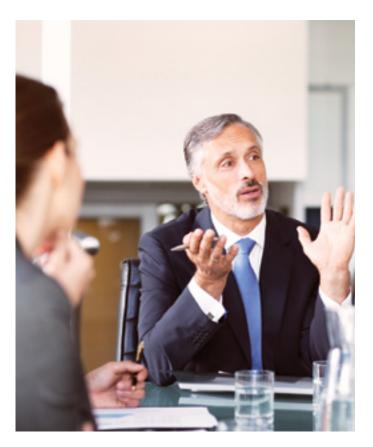
#### June 2019

On June 25, 2019, Finance Minister Darlene Compton tabled PEI's 2019-20 budget. Budget 2019 is the third consecutive surplus budget for the province and the first PEI budget delivered by a minority government. The budget was put together by the newly elected Progressive Conservative provincial government in collaboration with the Opposition Green Party and the third-party Liberals.

The estimates provided in Budget 2019 show that the province's surplus for the 2018-2019 fiscal year is \$12.3 million higher than the surplus projected for the same period in the previous budget.

Fiscal results for the next three years are projected as follows:

Year	Projected surplus (deficit)
2019–20	\$1.8 million
2020-21	\$7.4 million
2021-22	\$12.6 million



## Tax measures

### Corporate tax rates

Budget 2019 proposes to reduce the provincial small business tax rate by 0.5% to 3% starting January 1, 2020, benefitting approximately 2,600 small businesses. No changes to the \$500,000 small business limit are proposed.

PEI's corporate tax rates for 2019-20 are summarized as follows:

#### Combined federal and PEI corporate tax rates

Year	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
2019	12.50%	31.00%	31.00%
2020	12.00%	31.00%	31.00%

#### Personal income tax rates

Budget 2019 proposes to increase the basic personal tax amount to \$10,000 and also increase the low income threshold amount for personal income tax from \$17,000 to \$18,000 effective January 1, 2020. These tax measures will exempt an additional 1,700 lower income individuals from paying provincial income tax.

The relevant rates for 2019 are as follows:

- 9.8% on the first tax bracket (first \$31,984)
- 13.8% on the second tax bracket (from \$31,985 to \$63,969)
- 16.7% on the third tax bracket (over \$63,970)

The top combined federal PEI marginal tax rates for 2019 are as follows:

Type of income	2019
Interest	51.37%
Capital gains	25.69%
Eligible dividends	34.22%
Regular dividends	45.22%

#### Sales tax measures

Budget 2019 proposes no changes to the current 15% Harmonized Sales Tax (HST) rate, which includes a federal component of 5% and a provincial component of 10%.

# Other notable investments

**Affordable housing:** Budget 2019 allocates \$4.4 million to support the building of new affordable housing in partnership with communities and developers and an additional \$2.2 million for rent supplements.

**Infrastructure:** Budget 2019 allocates \$130 million for infrastructure projects, including roads and bridges, water and wastewater and high-speed internet initiative.

**Education:** Budget 2019 proposes to invest \$15.2 million to education, including the development of a new pre-school program for four-year-olds and school food program.

**Healthcare:** The additional \$36.3 million investment in healthcare will be used to hire additional practitioners, add 100 long-term care beds, and support mental health program and midwifery services.



#### Audit | Tax | Advisory

© 2019 Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.

#### About Grant Thornton LLP in Canada

Grant Thornton LLP is a leading Canadian accounting and advisory firm providing audit, tax and advisory services to private and public organizations. We help dynamic organizations unlock their potential for growth by providing meaningful, actionable advice through a broad range of services. Grant Thornton LLP is a Canadian member of Grant Thornton International Ltd, whose member and correspondent firms operate in over 100 countries worldwide.