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Prince Edward Island

Budget 2023



May 30, 2023

Finance Minister Jill Burridge tabled Prince Edward Island's 2023-24 budget (PEI Budget 2023) on May 25, 2023.

PEI Budget 2023 projects a deficit of \$66.2 million for the 2022-23 fiscal year, compared to a \$92.9 million deficit projected in the previous budget.

Fiscal projections for the next three years are as follows:

Year	Projected surplus/ (deficit)
2023-24	(\$97.6 million)
2024-25	(\$58.0 million)
2025-26	(\$31.5 million)

Business tax measures

Corporate tax rates

PEI Budget 2023 announces no changes to the corporate tax rates or the \$500,000 small business limit.

2023 combined federal and Prince Edward Island corporate tax rates

Corporate tax rates	PEI only	Federal and PEI combined
Small business tax rate (Non-ZETM) ¹	1.00%	10.00%
Small business tax rate (ZETM)	1.00%	5.5%
General corporate tax rate	16.00%	31.00%
Manufacturing and processing tax rate	16.00%	31.00%
ZETM	16.00%	23.5%

1 zero-emission technology manufacturer





Personal tax measures

Personal income tax rates

PEI Budget 2023 introduces a five-bracket income tax system starting in 2024 with higher income thresholds and lower tax rates in the first four brackets. This will replace the current three-bracket system and the surtax, which acts like a fourth tax bracket.

The indexed personal tax brackets (\$) and the respective marginal tax rates (%) for 2023 and 2024 are as follows:

2023 Tax brackets and marginal tax rates

\$ 31,984 or less

9.80%

\$ 31,985 - \$ 63,969

13.80%

\$ 63,970 - \$ 104,000

16.70%

\$ 104,001 and over

18.37%

2024 Tax brackets and marginal tax rates

\$ 32,656 or less

9.65%

\$ 32,657 - \$ 64,313

13.63%

\$ 64,314 - \$ 105,000

16.65%

\$ 105,001 - \$ 140,000

18.00%

\$ 140,001 and over

18.75%

The top combined federal and Prince Edward Island marginal tax rates for 2023 are as follows:

Taxable income	2023
Salary/interest	51.37%
Capital gains	25.68%
Eligible dividends	34.22%
Non-eligible dividends	47.05%

Changes to existing personal tax credits

PEI Budget 2023 proposes the following changes to existing personal tax credits:

Basic personal amount: The budget increases the basic personal income tax exemption to \$12,750 for 2023 (from \$12,000) and to \$13,500 for 2024. This non-refundable tax credit applies using the lowest personal income tax rate of 9.8% and will provide up to \$1,250 in provincial tax relief for 2023.

Children's wellness tax credit: The budget doubles the maximum amount of eligible fitness and activity expenses to \$1,000 (from \$500) per child starting in 2024. Eligible expenses include registrations or membership fees to artistic, cultural, recreational, or physical activity programming. This non-refundable tax credit applies at a rate of 9.8% and will provide up to \$98 in tax relief per child.

Low-income tax reduction: The budget increases the income threshold for the low-income tax reduction program by \$750 in both 2023 and 2024, to bring the threshold to \$20,750 and \$21,500 for 2023 and 2024 respectively.

Age amount tax credit: The budget increases the age amount tax credit for seniors aged 65 or older to \$4,679 in 2023 (from \$3,764) and to \$5,595 in 2024. The income threshold also increases to \$30,879 in 2023 (from \$28,019) and to \$33,740 in 2024.

Sales tax measures

PEI Budget 2023 proposes no changes to the current 15% Harmonized Sales Tax (HST) rate, which is composed of a federal component of 5% and a provincial component of 10%.



Other notable changes



HEALTH CARE

Invests an additional

\$ 114 million

in health care, bringing the total investment to more than \$1 billion. This increase supports adding new front-line positions to establish new medical homes, invests in the Pharmacy Plus Program, expands access to virtual care, increases support for mental health programs, and more.



HOUSING

Increases the Housing Challenge Fund by

\$ 50 million

to encourage immediate housing development by private developers, investing \$1 million in a Rent-to-Own program to support first-time homeowners, and launching a low-income home repair grant.



PROPERTY TAX

Invests

\$ 6 million

to continue freezing property tax for the 2023 tax year and resetting assessment rates to levels equivalent to 2020, starting in 2024.



CHILD CARE

Invests

\$ 4 million

to expedite the reduction of child care fees to \$10 per day by the end of 2023.

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