



HIGHLIGHTS FROM THE PRINCE EDWARD ISLAND BUDGET

Finance Minister Darlene Compton tabled the 2021-2022 Prince Edward Island provincial budget on March 12, 2021.

The budget projects a deficit of \$112.1 million for the upcoming 2021-2022 fiscal year, decreasing to \$45.7 million for 2022-2023 and \$27.9 million for 2023-2024. The forecast deficit for the almost completed 2020-2021 fiscal year now stands at \$120 million, \$52 million below the projected deficit of \$172 million.

On the income tax side, there were no changes to personal income tax rates. The budget did, however, propose a change to the small business tax rate, effective January 1, 2022. Also included in the budget was an increase to the basic personal exemption and an increase to the low-income tax reduction threshold aimed at lower-income families.

The following pages are a summary of the changes announced in the budget. Please note that these changes are proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

The 2021-2022 budget leaves personal income tax rates unchanged from 2020. Prince Edward Island does not index its tax brackets to reflect the impact of inflation. The table below shows Prince Edward Island tax rates and brackets for 2021.

TAXABLE INCOME RANGE	2021 TAX RATES
First \$31,984	9.8%
\$31,985 – \$63,969	13.8%
Over \$63,969	16.7%

In addition to the tax rates noted in the above table, there is a surtax equal to 10% of provincial tax payable in excess of \$12,500.

The table below shows the 2021 combined federal and provincial highest marginal tax rates for various types of income.

TYPE OF INCOME	2021 COMBINED TAX RATES
Regular income	51.37%
Capital gains	25.69%
Eligible dividends	34.22%
Non-eligible dividends	45.23%

Basic Personal Exemption

The budget proposes an increase in the Basic Personal Exemption of \$750 to a new threshold of \$11,250 effective January 1, 2022, with the intention of increasing the threshold to \$12,000 over the course of their mandate.

Low-Income Reduction Threshold

The budget proposes an increase to the Low-Income Reduction Threshold by \$1,000 to \$20,000 effective January 1, 2022.

CORPORATE TAX MATTERS

Corporate Income Tax Rates

The budget proposes a reduction to the small business tax rate from 2.0% to 1.0%, effective January 1, 2022. The table below shows Prince Edward Island tax rates and the small business limit for 2021.

CATEGORY	2021 TAX RATES
General rate	16%
Manufacturing and processing rate	16%
Investment income rate	16%
Small business rate	2.0%
Small business limit	\$500,000

The table below shows the 2021 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

TYPE OF INCOME	2021 COMBINED TAX RATES
Small business income	11.0%
Active income over \$500,000	31.0%
Manufacturing and processing income	31.0%
Investment income	54.7%

OTHER INITIATIVES

Small Business Assistance Grant

The new Small Business Assistance Grant will help small business owners and entrepreneurs access professional services and advice in areas such as finance, marketing, quality control, and production efficiencies to support their success. Applicants will receive a 50 percent reimbursement up to \$4,000 to provide such services.

Web Presence Program

The budget proposes to make the Web Presence Program permanent. That program provides small businesses and not-for-profits as much as \$1,000 to develop and launch a traditional website and up to \$2,500 to develop and launch an e-commerce site.

Innovation Fund and Strategic Improvement Fund

A new Innovation Fund will be introduced to assist businesses to refine and commercialize innovative products and services and a new Strategic Improvement Fund will be established to help businesses access professional expertise that will help them with operational efficiencies, quality assurance and capacity building.

Home Renovation, Seniors Home Repair and the Seniors Safe at Home Programs

Over the next three years, the budget proposes to double the thresholds of the following programs to ensure that seniors are able to stay in their homes as long as possible.

- The eligible grant amount for Seniors Safe at Home will increase from \$5,000 to \$10,000;
- Seniors Home Repair program threshold will increase from \$2,000 to \$4,000;
- PEI Home Repair Program funding for seniors and families in need will increase from \$6,000 to \$12,000; and
- PEI Home Repair Program funding for those with disabilities will increase from \$8,000 to \$16,000.

WE CAN HELP

Your financial advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact.

For more information, we encourage you to speak to your advisor and visit [ci.com](https://www.ci.com)

This communication is published by CI Global Asset Management ("CI GAM"). Any commentaries and information contained in this communication are provided as a general source of information and should not be considered personal investment advice. Facts and data provided by CI GAM and other sources are believed to be reliable as at the date of publication. Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI GAM has taken reasonable steps to ensure their accuracy.

Market conditions may change which may impact the information contained in this document. Information in this communication is not intended to provide legal, accounting, investment or tax advice, and should not be relied upon in that regard. Professional advisors should be consulted prior to acting on the basis of the information contained in this communication.

You may not modify, copy, reproduce, publish, upload, post, transmit, distribute, or commercially exploit in any way any content included in this communication. You may download this communication for your activities as a financial advisor provided you keep intact all copyright and other proprietary notices. Unauthorized downloading, re-transmission, storage in any medium, copying, redistribution, or republication for any purpose is strictly prohibited without the written permission of CI GAM.

CI Global Asset Management is a registered business name of CI Investments Inc.

©CI Investments Inc. 2021. All rights reserved.

Published March 15, 2021