

Prince Edward Island Budget Report

On April 7, 2017, the Honorable Allen F. Roach tabled his third budget as Minister of Finance and Chair of Treasury Board for Prince Edward Island. For the first time since 2007-08, the province has presented a balanced budget.

The deficit expected for the 2016-17 fiscal year is \$17.9 million, which is up from the original forecast of \$9.6 million last year. A surplus of \$601,000 is predicted for the 2017-18 fiscal year. The turnaround in the province's finances is due primarily to strong revenue growth. The revenue projected for the 2017-18 fiscal year is 4.6% higher than the previous year. A large contributor to this higher revenue is HST collections, which are projected to be up 15.5%. This is due in part to the increase in the HST rate last year which will apply for a full year for 2017-18. Surpluses are also predicted for 2018-19 and 2019-20, of \$5.4 million and \$12.9 million respectively.

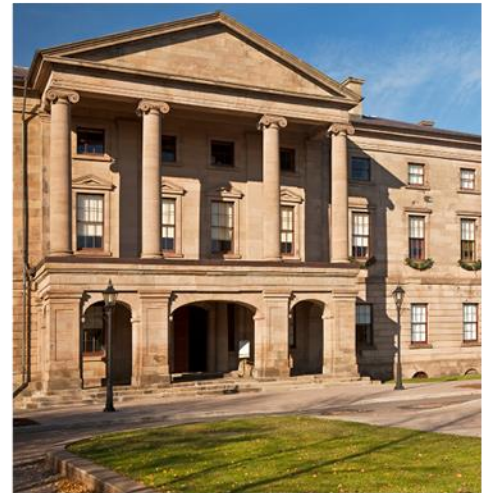
Spending in the budget is also up. Expenditures for the current year will be 3.5% higher than the revised figures for 2016-17. The province will make increased investments in health care, education, and supports for families and Islanders in need. Expenditures on Health PEI will go up by 5.8%, which is the largest increase in the health budget since 2009-10.

In terms of the economy, the government is forecasting a growth rate of 1.3% for 2017 which is down slightly from the estimated rate of 1.4% for 2016. There was also strong growth in 2016 in motor vehicle sales, construction and manufacturing.

There will be an increased focus on the environment as the province will release a climate change action plan this fall that will include a pricing mechanism on carbon pollution.

On the tax front, no tax increases were announced in this budget. There was a modest reduction in personal income tax with a 2% increase in the basic personal and spousal tax credits. The government also announced that it will conduct a review of the personal tax system. In particular, it will prepare a report on the existing income tax credits and will use the information from this report as a basis for a more thorough review of provincial tax credits in future budgets.

The following is a summary of the more important items of interest to our clients.



HIGHLIGHTS

- Projected surplus of \$601,000 in 2017-18
- Deficit for 2016-17 is \$17.9 million
- No changes in personal or corporate tax rates
- Basic personal and spouse amounts to increase
- Education tax credits will be preserved

Prince Edward Island Consolidated Projection (in millions \$)			
	Budget Estimate 2016/2017	Revised Forecast 2016/2017	Projected 2017/2018
Revenue	1,710.2	1,732.4	1,812.3
Program expenditures	(1,524.5)	(1,555.1)	(1,613.7)
Interest charges on debt	(126.7)	(123.9)	(126.1)
Net amortization	(68.6)	(71.3)	(71.9)
Consolidated (Deficit) / Surplus	(9.6)	(17.9)	0.6

PERSONAL TAX CHANGES

Non-Refundable Credit Amounts Increased

The government announced an increase in certain non-refundable credit amounts for 2017 and subsequent years. The basic personal amount will increase by 2%, or \$160, from \$8,000 to \$8,160. The spouse and equivalent-to-spouse amounts will also increase by 2%, or \$136, from \$6,795 to \$6,931. The non-refundable credits are calculated at a rate of 9.8% so the basic personal credit is now worth \$800, while the spouse and equivalent-to-spouse credit is now worth \$679.

Education Amounts Maintained

The budget proposed a technical amendment to PEI's *Income Tax Act* to maintain the existing provincial education and textbook amounts. The federal education and textbook amounts were eliminated effective January 1, 2017 and this change is required in order to preserve the PEI education amounts for 2017 and subsequent years.

HOW PRINCE EDWARD ISLAND COMPARES

The following chart compares top personal and corporate tax rates and sales taxes for all provinces and territories, as announced to April 7, 2017.

	2017 Corporate Rates				2017 Provincial Sales Tax %
	Top 2017 Personal Rates %	General %	M&P %	Small Business %	
B.C.	47.70	26.00	26.00	12.50 ⁽²⁾	7.00
Alta.	48.00	27.00	27.00	12.50	-
Sask.	47.75	27.00 ⁽¹⁾	25.00 ⁽¹⁾	12.50	6.00 ⁽⁶⁾
Man.	50.40	27.00	27.00	10.50	8.00
Ont.	53.53	26.50	25.00	15.00	8.00 ⁽⁷⁾
Qué.	53.31	26.80	26.80	18.50 ⁽³⁾	9.975 ⁽⁸⁾
N.B.	53.30	29.00	29.00	13.50 ⁽⁴⁾	10.00 ⁽⁷⁾
N.S.	54.00	31.00	31.00	13.50	10.00 ⁽⁷⁾
P.E.I.	51.37	31.00	31.00	15.00	10.00⁽⁷⁾
N.L.	51.30	30.00	30.00	13.50	10.00 ⁽⁷⁾
Yukon	48.00	30.00	17.50	13.50 ⁽⁵⁾	-
N.W.T.	47.05	26.50	26.50	14.50	-
Nunavut	44.50	27.00	27.00	14.50	-

- (1) The general business tax rate will decrease to 26.5% and the M&P tax rate will decrease to 24.5% effective July 1, 2017.
- (2) The small business tax rate decreased from 13% effective April 1, 2017.
- (3) Québec provides a rate reduction from the small business rate for eligible manufacturing small and medium-sized enterprises (SMEs). Where certain conditions are met, the maximum reduction available is 4%, for a combined rate of 14.5%. Note that a lesser reduction from the small business rate may be available to certain manufacturing SMEs where some, but not all conditions are met.
- (4) The small business tax rate decreased from 14% effective April 1, 2017.
- (5) The tax rate for M&P profits eligible for the small business deduction is 12%.
- (6) The PST increased from 5% effective March 23, 2017.
- (7) As part of the HST (combined rates are 15% in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland & Labrador and 13% in Ontario).
- (8) The QST system is harmonized with the GST, though two separate tax systems remain – the GST and the amended QST. The combined rate is 14.975%.

The information in this publication is current as of April 7, 2017.

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