



Canadian tax alert

2013 Prince Edward Island budget highlights

March 28, 2013

Budget highlights

Finance, Energy and Municipal Affairs Minister Wesley J. Sheridan presented the 2013 Prince Edward Island budget yesterday afternoon. The following is a summary of the tax highlights contained in the budget.

Fiscal/economic outlook

- Projected deficit of \$69.2 million for fiscal year ended March 31, 2013, lower than the original estimate of \$70 million in budget 2012
- Deficit of \$58.9 million forecast for the fiscal year ended March 31, 2014
- Deficit of \$34.5 million forecast for the fiscal year ended March 31, 2015
- Return to a balanced budget for the fiscal year ended March 31, 2016, one year later than anticipated in the last budget
- GDP growth of 1.4% forecast for 2012 and 1.6 per cent for 2013
- Average unemployment rate of 11.3% in 2012

Measures concerning business

- Effective April 1, 2013, the small business tax rate of 1% is increased to 4.5%.
- The general corporate rate remains unchanged at 16%.

Measures concerning individuals

- As a result of the increase in the small business tax rate, the dividend tax credit will be adjusted to ensure integration between the corporate and personal income tax systems. No further details were provided.
- The personal income tax rates remain unchanged.

The future of Canada

- Deloitte is Canada's largest tax practice and a global tax firm with a unique perspective on competitive tax policy and the key drivers of national prosperity.
- With the right tax policy, we believe that Canada can be more productive and globally competitive. The key lies in creating a tax ecosystem capable of fostering innovation and investment while supporting the objective of a balanced budget.
- **The future of productivity**
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Sales tax measures

- Harmonization with the federal goods and services tax (GST) is proceeding on April 1, 2013, as previously announced. The minister noted that “the introduction of the new system will make this Province one of the most attractive locations for business investment in North America”.
 - The harmonized sales tax (HST) rate will be 14%, compared to the previous 5% federal GST and 10% provincial rate that resulted in a net combined tax rate of 15.5% on some purchases versus 5% on others (that were previously only taxable for GST purposes).
 - With the introduction of the HST, the practice of applying the PST on top of the GST will end.
 - Lower income residents of Prince Edward Island will receive a refundable HST tax credit of up to \$200 per year (in addition the federal HST credit), with payments beginning in July 2013.
- As of April 1, 2013, the provincial tax on gasoline will be reduced by 2.7 cents to 13.1 cents per litre, to offset an overall increase in gasoline tax under the HST. As of April 1, 2013, the total provincial tax for regular self-serve gasoline is estimated to be 23.9 cents per litre.
- Provincial taxes on tobacco will also be adjusted to offset tobacco tax increases under the HST. As of April 1, 2013, there will be a tax reduction of 2.9 cents per cigarette and tobacco stick, and 1.8 cents per gram of fine cut tobacco.

For further details, we refer you to the [Ministry of Finance website](#).

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