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2nd SESSION, 66th GENERAL ASSEMBLY  
Province of Prince Edward Island  
70 ELIZABETH II, 2021

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**(Bill No. 37)**

**An Act to Amend the Income Tax Act**

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Hon. Darlene Compton  
Minister of Finance

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GOVERNMENT BILL

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Acting Queen's Printer  
Charlottetown, Prince Edward Island

**For House  
Use Only**

**Prince Edward Island  
Legislative Assembly**

**ASSEMBLY / SESSION / YEAR**  
66th General Assembly / 2nd / 2021

**AMENDMENTS**

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**TITLE: An Act to Amend the Income Tax Act**

#	SECTION	AMENDMENT	DATE

<p><b>NOTED:</b></p> <p>_____</p> <p style="text-align: center;"><b>COMMITTEE CLERK</b></p>	<p><b>CERTIFIED CORRECT:</b></p> <p>_____</p> <p style="text-align: center;"><b>CHAIR, IN COMMITTEE</b></p>
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## AN ACT TO AMEND THE INCOME TAX ACT

**BILL NO. 37**

**2021**

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BE IT ENACTED by the Lieutenant Governor and the Legislative Assembly of the Province of Prince Edward Island as follows:

**1. Clauses 9(1)(a), (b) and (c) of the *Income Tax Act R.S.P.E.I. 1988, Cap. I-1*, are repealed and the following substituted:**

- (a) in the case of an individual who at any time in the year is a married person or a person who is in a common-law partnership who supports the individual's spouse or common-law partner and is not living separate and apart from the spouse or common-law partner by reason of a breakdown of their marriage or common-law partnership, an amount equal to the total of
- (i) \$11,250, and
  - (ii) the amount determined by the formula

$$\$9,555 - (C - \$955)$$

where

C is the greater of \$955 and the income of the individual's spouse or common-law partner for the year or, where the individual and the individual's spouse or common-law partner are living separate and apart at the end of the year because of a breakdown of their marriage or common-law partnership, the spouse's or common-law partner's income for the year while married or in a common-law partnership and not so separated;

- (b) in the case of an individual who does not claim a deduction for the year because of clause (a) and who, at any time in the year,
- (i) is
    - (A) a person who is unmarried and who does not live in a common-law partnership, or
    - (B) a person who is married or in a common-law partnership, who neither supported nor lived with the person's spouse or common-law partner and who is not supported by that spouse or common-law partner, and
  - (ii) whether alone or jointly with one or more other persons, maintains a self-contained domestic establishment (in which the individual lives) and actually supports in that establishment a person who, at that time, is
    - (A) except in the case of a child of the individual, resident in Canada,

- (B) wholly dependent for support on the individual, or the individual and the other person or persons, as the case may be,
- (C) related to the individual, and
- (D) except in the case of a parent or grandparent of the individual, either under 18 years of age or so dependent by reason of mental or physical infirmity,

an amount equal to the total of

- (iii) \$11,250, and
- (iv) the amount determined by the formula

$$\$9,555 - (D - \$955)$$

where

D is the greater of \$955 and the dependent person's income for the year;

- (c) except in the case of an individual entitled to a deduction because of clause (a) or (b), \$11,250;

2. **Section 20 of the Act is amended by the deletion of the words “an amount equal to 15%” and the substitution of the words “an amount equal to 10%”.**
3. **Clause 32(2)(g) of the Act is amended by the deletion of the words “exceeds \$19,000” and the substitution of the words “exceeds \$20,000”.**
4. **Subsection 37.11.5(2) of the Act is amended by the addition of the words “and ends before January 1, 2022” after the words “after January 1, 2021”.**
5. **The Act is amended by the addition of the following after section 37.11.5:**

**37.11.6 Where corporation eligible for small business deduction on or after January 1, 2022**

- (1) Notwithstanding subsection 37(1), where in a taxation year a corporation, other than a credit union or a corporation to which subsection 137.1(9) of the federal Act applies, is eligible for a deduction under subsection 125(1) of the federal Act, the tax payable by that corporation under this Part for that taxation year is equal to the amount determined by the formula

$$(A \times B \times C/D) + (E \times (C - (B \times C/D)))$$

where

- A is 1.0%;
- B is the least of the amounts determined pursuant to paragraphs 125(1)(a), (b) and (c) of the federal Act in respect of the corporation for the taxation year;
- C is the corporation's taxable income earned in the year in Prince Edward Island;
- D is the corporation's taxable income earned in the year in a province; and
- E is 16%.

**Application**

- (2) Subsection (1) applies in respect of a corporation's taxation year which begins on or after January 1, 2022.



**Transitional**

- (3) Where a corporation to which subsection (1) applies has a taxation year, part of which is before January 1, 2022, the tax payable for the taxation year shall be calculated
- (a) by dividing the taxation year into two notional taxation years, the first ending on December 31, 2021, and the second beginning on January 1, 2022;
  - (b) by apportioning the taxable income earned in the taxation year between the two notional taxation years proportionately according to the number of days in each;
  - (c) by calculating
    - (i) tax for the first notional taxation year in accordance with subsection 37.11.5(1), and
    - (ii) tax for the second notional taxation year in accordance with subsection (1); and
  - (d) by adding together the amounts determined under clause (c).
- 6. This Act comes into force on January 1, 2022.**

## EXPLANATORY NOTES

**SECTION 1** repeals clauses 9(1)(a), (b) and (c) of the *Income Tax Act* R.S.P.E.I. 1988, Cap. I-1, and substitutes new clauses (a), (b) and (c) that increase the basic personal amount, as specified, that may be claimed by the persons to whom those clauses relate.

**SECTION 2** amends section 20 of the Act to change the percentage referred to there from 15% to 10% for the purpose of computing the dividend tax credit.

**SECTION 3** amends clause 32(2)(g) of the Act to increase the amount of the low income tax reduction from \$19,000 to \$20,000.

**SECTION 4** amends subsection 37.11.5(2) of the Act to establish an end date that applies to the calculation of the small business deduction under subsection 37.11.5(1) of the Act.

**SECTION 5** adds a new section 37.11.6 to the Act that establishes the rules, and the new tax rate, for corporations eligible for the small business deduction on or after January 1, 2022.

**SECTION 6** provides for the commencement of the Act.





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(Bill No. 37)

**An Act to Amend the Income Tax Act**

<i>STAGE:</i>	<i>DATE:</i>
<i>1st Reading:</i>	October 26, 2021
<i>2nd Reading:</i>	
<i>To Committee:</i>	
<i>Reported:</i>	
<i>3rd Reading and Pass:</i>	
<i>Assent:</i>	

**SIGNATURES:**

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Honourable Antoinette Perry, Lieutenant Governor

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Honourable Colin LaVie, Speaker

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Joseph Jeffrey, Clerk

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Hon. Darlene Compton  
Minister of Finance

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GOVERNMENT BILL

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2021  
2nd SESSION, 66th GENERAL ASSEMBLY