



**HOUSE USE ONLY**

**CHAIR:**

WITH  / WITHOUT

---

---

3rd SESSION, 65th GENERAL ASSEMBLY  
Province of Prince Edward Island  
67 ELIZABETH II, 2018

---

---

**(Bill No. 57)**

**An Act to Amend the Income Tax Act (No. 2)**

---

Hon. J. Heath MacDonald  
Minister of Finance

---

GOVERNMENT BILL

---

---

Carol Mayne  
Acting Queen's Printer  
Charlottetown, Prince Edward Island





## AN ACT TO AMEND THE INCOME TAX ACT (NO. 2)

BILL NO. 57

2018

---

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

**1. (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 I-1*, are repealed and the following substituted:**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) \$9,160, and
  - (ii) the amount determined by the formula

$$\$7,780 - (C - \$778)$$

where

C is the greater of \$778 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 eighteen years of age or so dependent by reason of mental or physical infirmity,

an amount equal to the total of

- (iii) \$9,160, and
- (iv) the amount determined by the formula

$$\$7,780 - (D - \$778)$$

where

- D is the greater of \$778 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), \$9,160;

(2) **Subsection 9(2) of the Act is amended by the deletion of the words “if no amount were included in respect of a gain from a disposition of property to which section 79 of the Federal Act applies in computing that income” and the substitution of the words “if, in computing that income, no amount were included in respect of a gain from a disposition of property to which section 79 of the Federal Act applies and as if no amount were deductible under paragraph 20(1)(ww) of the Federal Act”.**

2. **Clause 32(1)(a) of the Act is amended by the deletion of the words “both calculated as if no amount were included under subsection 56(6) of the Federal Act or in respect of any gain from a disposition of property to which section 79 of the Federal Act applies in computing that income and as if no amount were deductible under paragraph 60(y) of the Federal Act in computing that income” and the substitution of the words “both calculated as if, in computing that income, no amount were included under subsection 56(6) of the Federal Act or in respect of any gain from a disposition of property to which section 79 of the Federal Act applies, and no amount were deductible under paragraph 20(1)(ww) or 60(y) of the Federal Act”.**

3. **Subsection 37.11.2(2) of the Act is amended by the addition of the words “and ends before January 1, 2019” after the words “on or after January 1, 2018”.**

4. **The Act is amended by the addition of the following after section 37.11.2:**

**37.11.3 Where corporation eligible for small business deduction on or after January 1, 2019**

(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 3.5%;

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, 2019.

**Transitional**

- (3) Where a corporation to which subsection (1) applies has a taxation year part of which is before January 1, 2019, 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, 2018, and the second beginning on January 1, 2019;
  - (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 37.11.2(1), and
    - (ii) tax for the second notional taxation year in accordance with subsection 37.11.3(1); and
  - (d) by adding together the amounts determined under clause (c).

**5. (1) This section amends *An Act to Amend the Income Tax Act S.P.E.I. 2018, Cap. 29*.**

**(2) Section 4 and subsection 5(2) of the Act are repealed.**

**6. (1) Subject to subsection (2), this Act comes into force on Royal Assent.**

**(2) Sections 1 and 2 of this Act are deemed to have come into force on January 1, 2018.**

## EXPLANATORY NOTES

**SECTION 1** amends the *Income Tax Act* R.S.P.E.I. 1988, Cap. I-1, by repealing clauses 9(1)(a), (b) and (c) and replacing them with new clauses (a), (b) and (c) that increase the basic personal amount that may be claimed by the persons to whom those clauses relate. The section also amends subsection 9(2) of the Act, the age credit deduction, to incorporate a change to the Federal Act in the calculation of the credit.

**SECTION 2** amends the definition of “adjusted income” in clause 32(1)(a) of the Act to incorporate a change to the Federal Act in the calculation.

**SECTION 3** amends subsection 37.11.2(2) of the Act to establish an end date that applies to the calculation of the small business deduction under subsection 37.11.2(1).

**SECTION 4** adds a new section 37.11.3 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, 2019.

**SECTION 5** repeals section 4 of the *Act to Amend the Income Tax Act* S.P.E.I. 2018, Cap.29, which has been superseded by the amendments in section 1, and also repeals subsection 5(2) of that Act, which would have brought section 4 into force.

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





---

---

(Bill No. 57)

**An Act to Amend the Income Tax Act (No. 2)**

<i>STAGE:</i>	<i>DATE:</i>
<i>1st Reading:</i>	November 21, 2018
<i>2nd Reading:</i>	
<i>To Committee:</i>	
<i>Reported:</i>	
<i>3rd Reading and Pass:</i>	
<i>Assent:</i>	

**SIGNATURES:**

---

Honourable Antoinette Perry, Lieutenant Governor

---

Honourable Francis (Buck) Watts, Speaker

---

Charles H. MacKay, Clerk

---

Hon. J. Heath MacDonald  
Minister of Finance

---

GOVERNMENT BILL

---

---

2018  
3rd SESSION, 65th GENERAL ASSEMBLY