PRINCE EDWARD ISLAND
ÎLE-DU-PRINCE-ÉDOUARD

INCOME TAX ACT

PLEASE NOTE

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This document is ***not*** the official version of the Act. The Act and the amendments as printed under the authority of the King's Printer for the province should be consulted to determine the authoritative statement of the law.

For more information concerning the history of this Act, please see the ***Table of Public Acts*** on the Prince Edward Island Government web site (www.princeedwardisland.ca).

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INCOME TAX ACT
CHAPTER I-1

PART I — INTERPRETATION

1. Definitions

(1) In this Act

(a) "**agreeing province**" means a province that has entered into an agreement with the Government of Canada under which the Government of Canada will collect taxes payable under that province's income tax statute and will make payments to that province in respect of the taxes so collected;

(b) "**collection agreement**" means an agreement entered into pursuant to subsection 85(1), as amended in accordance with subsection 85(2);

(c) "**Commissioner of Customs and Revenue**" means the Commissioner of Customs and Revenue, appointed under section 25 of the *Canada Customs and Revenue Agency Act* (Canada);

(d) "**Court**" means the Supreme Court of Prince Edward Island;

(d.1) "**Department of Finance**" means

(i) when no collection agreement is in effect, the Department of Finance of Prince Edward Island, and

(ii) when a collection agreement is in effect,

(A) in relation to the remittance of an amount as or on account of tax payable under this Act, the Receiver General of Canada, and

(B) in relation to any other matter, the Canada Customs and Revenue Agency;

(e) "**deputy head**" means

(i) when no collection agreement is in effect, the Deputy Minister of Finance of Prince Edward Island or permanent head of that portion of the public service of Prince Edward Island administered by the Minister of Finance, or

(ii) when a collection agreement is in effect, the Commissioner of Customs and Revenue;

(f) "**Federal Act**" means the *Income Tax Act* (Canada);

(g) "**Federal ITAR**" means the *Income Tax Application Rules* (Canada);

(h) "**Federal Regulations**" means the regulations, as amended, made pursuant to the Federal Act;

(i) "**income tax statute**" means, with reference to an agreeing province, the law of that province that imposes a tax similar to the tax imposed under this Act;

(i.1) "**Minister of Finance**" means

(i) when no collection agreement is in effect, the Minister of Finance, and

(ii) when a collection agreement is in effect,

(A) in relation to the remittance of an amount as or on account of tax payable under this Act, the Receiver General of Canada, and

(B) in relation to any other matter, the Minister of National Revenue;

(j) "**Minister of National Revenue**" means the Minister of National Revenue for Canada, but in any provision of the Federal Act that applies for the purposes of this Act, a reference to the Minister shall be read and construed for the purposes of this Act as a reference to the Provincial Treasurer;

(k) "**permanent establishment**" where used for a purpose under this Act, has the same meaning as that assigned for that purpose, or the purpose that is most similar to that purpose, in the Federal Act or the Federal Regulations;

(l) "**prescribed**" means

(i) in the case of a form, the information to be given on a form or the manner of filing a form, authorized by the Minister of National Revenue or the Minister of Finance,

(ii) in the case of the manner of making or filing an election, authorized by the Minister or the Minister of Finance,

(iii) in the case where the word "**prescribed**" is mentioned in a provision of the Federal Act that applies for the purposes of this Act otherwise than in respect of a case to which subclauses (i) or (ii) apply, what is prescribed, within the meaning assigned by subsection 248(1) of the Federal Act, in the Federal Regulations under that provision, and

(iv) in any other case, prescribed by regulation or determined in accordance with rules prescribed by regulation;

(m) repealed by *2009,c.31,s.3;*

(n) repealed by *2009,c.31,s.3;*

(o) "**Receiver General of Canada**" means the Receiver General of Canada, but in any provision of the Federal Act that applies for the purposes of this Act, a reference to the Receiver General of Canada shall be read and construed for the purposes of this Act as a reference to the Minister of Finance;

(p) "**registrar**" means the Registrar of the Court of Appeal and the Supreme Court, and includes a deputy registrar of the Court of Appeal or of the Supreme Court;

(q) "**taxation year**" means in respect of a person the period determined under the Federal Act as the person's taxation year.

Last day of the taxation year

(2) The expression "last day of the taxation year" shall, in the case of an individual who resided in Canada at any time in the taxation year but ceased to reside in Canada before the last day thereof, be deemed to be a reference to the last day in the taxation year on which the individual resided in Canada.

Tax payable, meaning of

(3) The tax payable by a taxpayer under this Act or under Part I of the Federal Act means the tax payable by the taxpayer as fixed by assessment or reassessment subject to variation on objection or on appeal, if any, in accordance with this Act, or Part I of the Federal Act, as the case may be.

Definitions and interpretations in Federal Act

(4) For the purposes of this Act, except where they are at variance with the definitions contained in this section, the definitions and interpretations contained in, or made by regulations under, the Federal Act apply.

Interpretation consistent with Federal Act

(5) In any case of doubt, the provisions of this Act shall be applied and interpreted in a manner consistent with similar provisions of the Federal Act.

Trusts and estates as individuals

(6) Subsections 104(1) and (2) of the Federal Act apply for the purposes of this Act.

Compound interest

(7) Subsection 248(11) of the Federal Act applies for the purposes of this Act.

Negative amounts

(8) Section 257 of the Federal Act applies for the purposes of this Act.

Modification of Federal Act provisions

(9) Where a provision (in this subsection referred to as "that section") of the Federal Act or the Federal Regulations is made applicable for the purpose of this Act, that section, as amended from time to time, applies with such modifications as the circumstances require for the purpose of this Act as though it had been enacted as a provision of this Act, and in applying that section for the purpose of this Act, in addition to any other modifications required by the circumstances,

(a) a reference in that section to tax under Part I of the Federal Act shall be read as a reference to tax under this Act;

(b) where that section contains a reference to tax under any of Parts I.1 to XIV of the Federal Act, that section shall be read without reference therein to tax under any of those Parts and without reference to any portion of that section that applies only to or in respect of tax under any of those Parts;

(c) a reference in that section to a particular provision of the Federal Act that is the same as, or similar to, a provision of this Act shall be read as a reference to the provision of this Act;

(d) any reference in that section to a particular provision of the Federal Act that applies for the purpose of this Act shall be read as a reference to the particular provision as it applies for the purpose of this Act;

(e) where that section contains a reference to any of Parts I.1 to XIV of the Federal Act or to a provision in any of those Parts, that section shall be read without reference therein to that Part or without reference to that provision, as the case may be, and without reference to any portion of that section that applies only because of the application of any of those Parts or the application of a provision in any of those Parts;

(f) where that section contains a reference to the *Bankruptcy and Insolvency Act* (Canada), that section shall be read without reference therein to the *Bankruptcy and Insolvency Act* (Canada);

(g) subject to clause (h), any reference in that section to the Federal Regulations shall be read as including a reference to this Act or a regulation made under this Act;

(h) a reference in that section to the words "under this Act or under an Act of a province with which the Minister of Finance has entered into an agreement for the collection

of taxes payable to the province under that Act" shall be read as a reference to "under this Act";

(i) any reference in that section to the Federal Act or the Federal Regulations shall be read as including a reference to this Act or a regulation made under this Act;

(j) any reference in that section to a word or expression set out in the left-hand column of the following Table shall be read as a reference to the word or expression set out opposite thereto in the right-hand column of the following table:

TABLE

His Majesty	The Sovereign in right of the Province of Prince Edward Island
Canada	Prince Edward Island
Criminal Code	*Summary Proceedings Act*
Receiver General	Minister of Finance
Canada Customs and Revenue Agency	Department of Finance
Commissioner of Customs and Revenue	Deputy Head
Deputy Attorney General of Canada	Deputy Minister of Justice and Public Safety and Deputy Attorney General of Prince Edward Island
Tax Court of Canada	Supreme Court of Prince Edward Island
Tax Court of Canada Act	*Judicature Act*
Federal Court of Canada	Supreme Court of Prince Edward Island
Federal Court Act	*Judicature Act*
Registry of the Tax Court of Canada	Office of the Supreme Court of Prince Edward Island
Registry of the Federal Court	Office of the Supreme Court of Prince Edward Island

R.S.P.E.I. 1974, Cap. I-1, s.2; 1979,c.9,s.1; 1982,c.10,s.1; 1983,c.1,s.6; 1986,c.5,s.2; 1988,c.31,s.1; 1990,c.23,s.1; 1993,c.11,s.1; 1993,c.29,s.4; 1999,c.30,s.1; 2000,c.1,s.1; 2000,c.12,s.1,2; 2005,c.43,s.1; 2008,c.20,s.72(44); 2010,c.31,s.3; 2010,c.14,s.3; 2012,c.17,s.2; 2015,c.28,s.3; 2015,c.36,s.32; 2022,c.62,s.37; 2022,c.80,s.6.

2. Definitions

(1) In this section

(a) "**federal amendment**" means an amendment to a federal provision;

(b) "**federal application rule**" means a provision (in this clause referred to as "**the provision**") of an Act of the Parliament of Canada that makes a federal provision, a federal amendment or the repeal of a federal provision or federal amendment apply

(i) in respect of specified taxation years,

(ii) in respect of specified fiscal periods,

(iii) before or after a specified time,

(iv) in respect of transactions or events that occur before or after a specified time or in specified taxation years or specified fiscal periods, or

(v) in respect of such other criteria as may be set out in the provision; and

(c) "**federal provision**" means a provision of the Federal Act that applies for the purposes of this Act.

Application of federal provisions and amendments

(2) Where a federal application rule governs the application of a federal provision or federal amendment, for the purpose of applying the federal provision or federal amendment for the purposes of this Act, the federal provision or federal amendment shall be applied in accordance with the federal application rule as though the Legislature had enacted that federal application rule to govern the application of the federal provision or federal amendment for the purposes of this Act.

Idem

(3) Where a federal provision or a federal amendment comes into force, or is deemed to come into force, at a particular time, and no federal application rule governs its application, the federal provision or federal amendment, as the case may be, is deemed, for the purpose of applying it for the purposes of this Act, to come into force at that particular time.

Idem

(4) Where a federal provision is repealed and another provision is not substituted therefor, the federal provision ceases to apply for the purposes of this Act,

(a) if the repeal is governed by a federal application rule, in accordance with that federal application rule; and

(b) if the repeal is not governed by a federal application rule, at the time the repeal comes into force or is deemed to come into force.

Idem

(5) For the purposes of this Act, where a particular federal provision is replaced by another federal provision, or is repealed and another federal provision is substituted therefor, the other federal provision is deemed to be a continuation of the particular federal provision and the replacing or the repeal and substitution, as the case may be, is deemed to be an amendment to the particular federal provision. *R.S.P.E.I. 1974, Cap. I-1, s.3; 2000,c.12,s.2.*

PART II — INCOME TAX

DIVISION A — LIABILITY FOR TAX

3. Liability of individual

An income tax shall be paid as hereinafter required for each taxation year by every individual

(a) who was resident in Prince Edward Island on the last day of the taxation year; or

(b) who, not being resident in Prince Edward Island on the last day of the taxation year, had income earned in the taxation year in Prince Edward Island, as defined in clause 6(c). *1988,c.31,s.2; 1997,c.25,s.1; 2000,c.12,s.2.*

4. Liability of corporation

An income tax shall be paid as hereinafter required for each taxation year by every corporation that maintained a permanent establishment in Prince Edward Island at any time in the year. *R.S.P.E.I. 1974, Cap. I-1, s.4; 1975,c.47,s.1; 1977,c.19,s.1; 1978,c.11,s.1; 1979,c.9,s.2; 1980,c.28,s.1-*

3; 1982,c.10,s.2; 1983,c.20,s.1; 1984,c.8,s.1; 1986,c.13,s.1; 1987,c.34,s.1,2; 1988,c.31,s.1; 1990,c.23,s.2; 1991,c.16,s.1; 1993,c.11,s.2; 1992,c.30,s.2; 2000,c.6,s.1; 2000,c.1,s.3; 2000,c.12,s.2.

5. Exemption from tax

No tax is payable under this Act by a person for a period when

(a) no tax is payable under Part I of the Federal Act for the period on the person's taxable income because of subsection 149(1) of the Federal Act; or

(b) that person was a non-resident-owned investment corporation. *R.S.P.E.I. 1974, Cap. I-1, s.5; 1986,c.13,s.2; 1992,c.35,s.2; 1997,c.25,s.2; 2000,c.1,s.5; 2000,c.12,s.2.*

DIVISION B — COMPUTATION OF TAX FOR INDIVIDUALS

Subdivision a — Computation of Tax

6. Interpretation

In this Division,

(a) "**appropriate percentage**" for a taxation year means the lowest percentage referred to in section 7 that is applicable in determining tax payable under this Part for the year;

(b) "**highest percentage**" for a taxation year means the highest percentage referred to in section 7 that is applicable in determining tax payable under this Part for the year;

(c) "**income earned in the taxation year in Prince Edward Island**" means income earned in the year in Prince Edward Island as determined in accordance with Federal Regulations made for the purposes of the definition "**income earned in the year in a province**" in subsection 120(4) of the Federal Act;

(d) "**income earned in the taxation year outside Prince Edward Island**" means income for the year minus income earned in the taxation year in Prince Edward Island;

(e) "**income for the year**" means

(i) in the case of an individual resident in Canada during only part of the taxation year in respect of whom section 114 of the Federal Act applies or in the case of an individual not resident in Canada at any time in the taxation year, the individual's income for the year as computed under subsection 120(3) of the Federal Act, and

(ii) in the case of any other individual, the individual's income for the year as determined in accordance with, and for the purposes of, the Federal Act;

(f) "**provincial percentage**" for a taxation year means 57.5%;

(g) "**tax payable under the Federal Act**" by an individual in respect of a taxation year means the amount determined under the definition "**tax otherwise payable under this Part**" in subsection 120(4) of the Federal Act in respect of the individual for the year. *1986,c.13,s.3; 1988,c.31,s.1; 1990,c.23,s.3; 2000,c.1,s.6; 2000,c.12,s.2.*

7. Amount of tax payable

The tax payable under this Part for a taxation year by an individual on the individual's taxable income or taxable income earned in Canada, as the case may be, (in this Division referred to as the "amount taxable") for the 2025 and subsequent taxation years is

(a) 9.50% of the amount taxable if the amount taxable does not exceed $33,328;

(b) if the amount taxable exceeds $33,328 and does not exceed $64,656, the maximum amount determinable in respect of the taxation year under clause (a) plus 13.47% of the amount by which the amount taxable exceeds $33,328 for the year;

(c) if the amount taxable exceeds $64,656 and does not exceed $105,000, the maximum amount determinable in respect of the taxation year under clause (b) plus 16.60% of the amount by which the amount taxable exceeds $64,656;

(d) if the amount taxable exceeds $105,000 and does not exceed $140,000, the maximum amount determinable in respect of the taxation year under clause (c) plus 17.62% of the amount by which the amount taxable exceeds $105,000; and

(e) if the amount taxable exceeds $140,000, the maximum amount determinable in respect of the taxation year under clause (d) plus 19.00% of the amount by which the amount taxable exceeds $140,000. *R.S.P.E.I. 1974, Cap. I-1, s.6; 1975,c.47,s.2; 1979,c.9,s.3; 1986,c.13,s.4; 2000,c.1,s.7; 2000,c.12,s.2; 2007,c.26,s.1; 2007,c.26,s.5; 2023,c.3,s.3; 2024,c.69,s.1.*

Subdivision b - Adjustments to Tax

8. CPP/QPP disability benefits and other lump sum payments for previous years

There shall be added in computing an individual's tax payable under this Part for a taxation year the amount determined by the formula

$$A \times B$$

where

A is the provincial percentage; and

B is the total of

(a) the amount added under section 120.3 of the Federal Act for the purpose of computing the individual's tax payable under Part I of the Federal Act for the taxation year;

(b) the amount added under section 120.31 of the Federal Act for the purpose of computing the individual's tax payable under Part I of the Federal Act for the taxation year; and

(c) the amount added under section 40 of the Federal ITAR for the purpose of computing the individual's tax payable under Part I of the Federal Act for the taxation year. *R.S.P.E.I. 1974, Cap. I-1, s.7; 1993,c.11,s.5; 2000,c.1,s.8; 2000,c.12,s.2.*

Subdivision c - Tax Credits, Rebates and Other Deductions

9. Personal Credits

(1) For the purpose of computing the tax payable under this Part by an individual for a taxation year, there may be deducted an amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is the total of

(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) $14,650, and

(ii) the amount determined by the formula

$12,443 - (C - $1,244)

where

C is the greater of $1,244 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) $14,650, and

(iv) the amount determined by the formula

$12,443 - (D - $1,244)

where

D is the greater of $1,244 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), $14,650;

(d) in the case of an individual who, at any time in the year alone or jointly with one or more persons, maintains a self-contained domestic establishment that is the ordinary place of residence of the individual and of a particular person

(i) who has attained the age of eighteen years before that time,

(ii) who is

(A) the individual's child or grandchild, or

(B) resident in Canada and is the parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the individual or of the individual's spouse or common-law partner, and

(iii) who is

(A) the individual's parent or grandparent and has attained the age of sixty-five years before that time, or

(B) dependent on the individual because of the particular person's mental or physical infirmity,

the amount determined by the formula

$$\$14,399 - E$$

where

E is the greater of $11,953 and the particular person's income for the year;

(e) for each dependant of the individual for the year who

(i) attained the age of eighteen years before the end of the year, and

(ii) was dependent on the individual because of mental or physical infirmity,

the amount determined by the formula

$$\$7,412 - F$$

where

F is the greater of $4,966 and the dependant's income for the year; and

(f) in the case of an individual entitled to a deduction in respect of a person because of clause (b) and who would also be entitled, but for paragraph 118(4)(c) of the Federal Act, as that provision applies to this Act, to a deduction because of clause (d) or (e) in respect of the person, the amount by which the amount that would be determined under clause (d) or (e), as the case may be, exceeds the amount determined under clause (b) in respect of the person.

Age credit

(2) For the purpose of computing the tax payable under this Part for a taxation year by an individual who, before the end of the year, has attained the age of 65 years, there may be deducted the amount determined by the formula

$$A \times (\$6,510 - B)$$

where

A is the appropriate percentage for the year; and

B is 15% of the amount, if any, by which the individual's income for the year would exceed $36,600

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.

Pension credit

(3) For the purpose of computing the tax payable under this Part by an individual for a taxation year, there may be deducted an amount determined by the formula

A x B

where

A is the appropriate percentage for the year; and

B is the lesser of

(a) $1,000; and

(b) the amount determined under paragraph (b) of the description of B in subsection 118(3) of the federal Act and used in computing the individual's deduction under that section for the taxation year.

Non-resident not entitled to deduction

(3.1) An individual described in clause 3(b) is not entitled to deduct an amount under subsection (3) for a taxation year.

Application of Federal Act provisions

(4) Subsections 118(4),(5) and (6) of the Federal Act apply to subsection (1) and subsections 118(7) and (8) of the Federal Act apply to subsection (3).

Young child tax credit

(5) For the purpose of computing the tax payable under this Part by an individual for a taxation year, there may be deducted by an eligible individual in respect of each qualified dependant an amount determined by the formula

A × B

where

A is the appropriate percentage for the taxation year; and

B is the product obtained when $100 is multiplied by the number of months in the taxation year, beginning with July of 2006, that the individual is the eligible individual in respect of the qualified dependant on the first day of the month, but only one eligible individual may claim the amount determined by the formula in respect of the same qualified dependant for any given month, and, in this subsection,

(a) "**eligible individual**" means a person who, on the last day of the taxation year was resident in Prince Edward Island, and who, at that time,

(i) does not have a cohabiting spouse or common-law partner as defined in section 122.6 of the Federal Act,

(ii) has a cohabiting spouse or common-law partner, as defined in section 122.6 of the Federal Act, whose income for the taxation year is greater than the individual's income for the taxation year,

(iii) has a cohabiting spouse or common-law partner, as defined in section 122.6 of the Federal Act, whose income for the taxation year is equal to the individual's income for the taxation year and the cohabiting spouse or

common-law partner renounces his or her entitlement to deduct an amount determined by the formula under this subsection; and

(b) "**qualified dependant**" means a person who, on the first day of the month,

(i) has not attained the age of six years,

(ii) resides with the eligible individual, and

(iii) is not a person in respect of whom a special allowance under the *Children's Special Allowances Act* (Canada) is payable for the month. *1983,c.21,s.1; 1992,c.17,s.3; 2000,c.1,s.9; 2000,c.12,s.2; 2003,c.10,s.1; 2006,c.9,s.1; 2007,c.26,s.2; 2007,c.26,s.6; 2016,c.11,s.1; 2017,c.67,s.1; 2018,c.29,s.1; 2018,c.50,s.1; 2019,c.7,s.1; 2020,c.48,s.1(2),1(1); 2021,c.38,s.1; 2022,c.60.s.1; 2023,c.3,s.1,4; 2024,c.69,s.2; 2025,c.6,s.2(1).*

10. Charitable and other gifts

For the purpose of computing the tax payable under this Part by an individual for a taxation year, if the individual is entitled to a deduction under subsection 118.1(3) of the Federal Act for the year, there may be deducted such amount as determined by the formula

$$(A \times B) + [C \times (D - B)]$$

where

A is the appropriate percentage for the year;

B is the lesser of $200 and the amount determined for D;

C is the highest percentage; and

D is the amount of the individual's total gifts used to determine the deducted amount under subsection 118.1(3) of the Federal Act by the individual for the year. *R.S.P.E.I. 1974, Cap. I-1, s.8; 1977,c.19,s.2; 2000,c.1,s.10; 2000,c.12,s.2; 2008,c.19,s.1; 2013,c.16,s.1.*

11. Medical expense tax credit

For the purpose of computing the tax payable under this Part by an individual for a taxation year, if the individual is entitled to a deduction under subsection 118.2(1) of the Federal Act for the year, there may be deducted an amount determined by the formula

$$A \times [(B - C) + D]$$

where

A is the appropriate percentage for the taxation year;

B is the amount determined for B in the formula in subsection 118.2(1) of the Federal Act for the purpose of computing the individual's tax payable under Part I of the Federal Act for the year;

C is the lesser of $1,678 and 3% of the individual's income for the taxation year; and

D is the amount that would be determined for D in the formula in subsection 118.2(1) of the Federal Act for the purpose of computing the individual's tax payable under Part I of the Federal Act for the year, if the reference to "$1,813" (or to the amount that it is amended to read) in the description of F is read as a reference to "$1,678". *R.S.P.E.I. 1974, Cap. I-1, s.9; 2000,c.12,s.2; 2005,c.10,s.1.*

11.1 Children's wellness tax credit

(1) For the purpose of computing the tax payable under this Part by an individual for a taxation year, there may be deducted the amount determined by the formula

A x B

where

A is the appropriate percentage for the taxation year; and

B is the total of all amounts each of which is, in respect of a qualifying child of the individual for the taxation year, the lesser of $1,000 and the amount determined by the formula

C - D

where

C is the total of all amounts each of which is an amount paid in the taxation year by the individual, or by the individual's spouse or common-law partner, that is an eligible expense for an artistic, cultural, recreational or developmental activity or a physical activity in respect of the qualifying child of the individual; and

D is the total of all amounts that any person is or was entitled to receive, each of which relates to an amount included in computing the value of C in respect of the qualifying child, that is the amount of a reimbursement, allowance or any other form of assistance, other than an amount that is included in computing the income for any taxation year of that person and that is not deductible in computing the taxable income of that person.

Apportionment of credit

(2) Where more than one individual is entitled to a deduction under this section for a taxation year in respect of a qualifying child, the total of all amounts so deductible shall not exceed the maximum amount that would be so deductible for the year by any one of those individuals in respect of that qualifying child if that individual were the only individual entitled to deduct an amount for the year under this section in respect of that qualifying child, and if the individuals cannot agree as to what portion of the amount each can so deduct, the Minister may fix the portions.

Definitions

(3) The following definitions apply in this section:

(a) "**artistic, cultural, recreational or developmental activity**" means a supervised activity, other than a physical activity, that is suitable for children and

(i) is intended to contribute to a child's ability to develop creative skills or expertise, acquire and apply knowledge, or improve dexterity or coordination, in an artistic or cultural discipline, including

(A) literary arts,

(B) visual arts,

(C) performing arts,

(D) music,

(E) media,

(F) languages,

(G) customs, and

(H) heritage,

(ii) provides a substantial focus on wilderness and the natural environment,

(iii) assists with the development and use of intellectual skills,

(iv) includes structured interaction among children where supervisors teach or assist children to develop interpersonal skills, or

(v) provides enrichment or tutoring in academic subjects;

(b) "**eligible expense**" in respect of a qualifying child of an individual for a taxation year means the amount of a fee paid to a qualifying entity, other than an amount paid to a person who is, at the time the amount is paid, the individual's spouse or common-law partner or another individual who is under the age of 18 years, to the extent that the fee is attributable to the cost of registration or membership of the qualifying child in an eligible program or membership in an eligible organization and, for this purpose, that cost

(i) includes the cost to the qualifying entity of the program in respect of its administration, instruction, rental of required facilities, and uniforms and equipment that are not available to be acquired by a participant in the program for an amount less than their fair market value at the time, if any, they are so acquired, and

(ii) does not include

(A) the cost of accommodation, travel, food or beverages,

(B) any amount deductible in computing any person's income for any taxation year, or

(C) any amount included in computing a deduction from any person's tax payable under any Part of this Act, for any taxation year;

(c) "**eligible program**" means a program of artistic, cultural, recreational or developmental activity or physical activity that is not part of a school's curriculum and is

(i) a weekly program of a duration of eight or more consecutive weeks in which all or substantially all of the activities include a significant amount of artistic, recreational or developmental activity or physical activity,

(ii) a program of a duration of five or more consecutive days in which more than 50% of the daily activities include a significant amount of artistic, recreational or developmental activity or physical activity,

(iii) a program of a duration of eight or more consecutive weeks offered to children by an organization in circumstances where a participant may select from a variety of activities offered as part of the program, if

(A) more than 50% of the activities offered to children include a significant amount of artistic, recreational or developmental activity or physical activity, or

(B) more than 50% of the time scheduled for the activities offered to children is for activities that include a significant amount of artistic, recreational or developmental activity or physical activity, or

(iv) a program specified in subsection (5) or (6);

(d) "**organization**" means a club, association or similar organization;

(e) "**physical activity**" means a supervised activity suitable for children, other than an activity where a child rides on or in a motorized vehicle as an essential component of that activity, that contributes to cardio-respiratory endurance and to one or more of the following:

(i) muscular strength,

(ii) muscular endurance,

(iii) flexibility,

(iv) balance;

(f) "**qualifying child**" in respect of an individual for a taxation year means a child of the individual who is under 18 years of age at the beginning of the taxation year;

(g) "**qualifying entity**" means a person or partnership that offers one or more eligible programs of artistic, cultural, recreational or developmental activity or physical activity.

Horseback riding

(4) For the purposes of the definition of "physical activity", horseback riding is deemed to be an activity that contributes to cardio-respiratory endurance and to one or more of muscular strength, muscular endurance, flexibility and balance.

Mixed-use facility

(5) For the purpose of the definition of "eligible expense", an eligible program of artistic, cultural, recreational or developmental activity or physical activity includes that portion of a program of activities offered by a mixed-use facility that is

(a) the percentage of those activities offered to children by the mixed-use facility that are activities that include a significant amount of artistic, cultural, recreational or developmental activity or physical activity; or

(b) the percentage of the time scheduled for activities in the program that is scheduled for activities that include a significant amount of artistic, cultural, recreational or developmental activity or physical activity,

where the program

(c) does not meet the requirements of subclause (3)(c)(iii);

(d) is not part of a school's curriculum;

(e) is of a duration of eight or more consecutive weeks; and

(f) is offered to children in circumstances where a participant may select amongst a variety of activities.

Membership

(6) For the purpose of the definition of "eligible expense", an eligible program of artistic, cultural, recreational or developmental activity or physical activity includes that portion of a membership in an organization that is the percentage of all the activities offered to children by the organization that are activities that include a significant amount of artistic, cultural, recreational or developmental activity or physical activity, where the membership

(a) does not meet the requirements of subclause (3)(c)(iii);

(b) is not part of a school's curriculum; and

(c) is of a duration of eight or more weeks. *2020,c.48,s.2; 2023,c.3,s.5.*

12. Credit for mental or physical impairment

(1) Where an individual is entitled to deduct an amount pursuant to subsection 118.3(1) of the Federal Act for the purpose of computing the individual's tax payable for a taxation year under Part I of the Federal Act, for the purposes of computing the tax payable under this Part by the individual for the taxation year, there may be deducted an amount determined by the formula

$$A \times (B+C)$$

where

A is the appropriate percentage for the year;

B is $6,890; and

C is

(a) where the individual has not attained the age of 18 before the end of the year, the amount, if any, by which

(i) $4,019

exceeds

(ii) the amount, if any, by which

(A) the total of all amounts each of which is an amount paid in the year for the care or supervision of the individual and included in computing a deduction under section 63, 64, 64.01 or 118.2 of the Federal Act for the taxation year

exceeds

(B) $2,354; and

(b) in any other case, nil.

Application of Federal Act provisions

(2) 118.3 and 118.4 of the Federal Act apply for the purposes of this Act, except that subsection (1) of this section applies instead of subsection 118.3(1) of the Federal Act.

Non-resident dependant having impairment

(3) Notwithstanding subsections (1) and (2), for the purpose of computing an individual's tax payable under this Part for a taxation year, where the person referred to in subsection 118.3(2) of the Federal Act did not reside in Prince Edward Island on the last day of the taxation year, there may be deducted an amount determined by the formula

$$A/B \times C$$

where

A is the appropriate percentage for the year;

B is the appropriate percentage for the year under the Federal Act; and

C is the amount that the individual is entitled to deduct pursuant to subsection 118.3(2) of the Federal Act for the year. *R.S.P.E.I. 1974, Cap. I-1, s.10; 1987,c.34,s.3; 1990,c.23,s.4; 2000,c.12,s.2; 2003,c.10,s.2; 2004,c.39,s.1; 2007,c.8.s1; 2022,c.60,s.2.*

13. Tuition credit

Section 118.5 of the Federal Act applies for the purposes of this Act, except that any reference to "appropriate percentage" in that section is to be read as a reference to "appropriate percentage" (as that term is defined for the purposes of this Division) for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.11; 1990,c.23,s.4; 1993,c.11,s.6; 2000,c.1,s.11; 2000,c.12,s.2.*

14. Education credit

(1) For the purposes of computing the tax payable under this Part by an individual who is a qualifying student for a taxation year, there may be deducted an amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is the total of the products obtained when

(a) $400 is multiplied by the number of months in the year during which the individual is enrolled in a qualifying educational program as a full-time student at a designated educational institution; and

(b) $120 is multiplied by the number of months in the year (other than months described in clause (a)), each of which is a month during which the individual is enrolled at a designated educational institution in a specified educational program that provides that each student in the program spend not less than twelve hours in the month on courses in the program.

Application of Federal Act provisions

(2) Subsections 118.6(1) and (3) of the Federal Act apply for the purposes of this section.

"Full time student" read as "student"

(3) Where the individual who is a qualifying student is eligible for a deduction under section 118.3 of the Federal Act or has a mental or physical impairment as described in paragraph 118.6(3)(b) of the Federal Act, the reference to "full-time student" in clause (1)(a) shall be read as "student". *R.S.P.E.I. 1974, Cap. I-1, s.12; 1982,c.10,s.3; 1987,c.34,s.4; 1990,c.23,s.4; 2000,c.12,s.2; 2007,c.26,s.3; 2017,c.67,s.2.*

15. Unused tuition and education tax credits

(1) For the purpose of computing the tax payable under this Part by an individual for a taxation year, if the individual is entitled to a deduction under subsection 118.61(2) of the Federal Act for the year, there may be deducted the lesser of

(a) the individual's unused tuition and education tax credits at the end of the preceding taxation year; and

(b) the amount that would be the individual's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under this section and any of sections 9, 11.1, 12, 15.1 and 17).

Idem

(1.1) In this section, subject to subsection (3), an individual's unused tuition and education tax credits at the end of a taxation year is the amount determined by the formula

$$A + (B-C) - (D+E)$$

where

A is the individual's unused tuition and education tax credits at the end of the preceding taxation year;

B is the total of all amounts each of which may be deducted under section 13 or 14 in computing the individual's tax payable under this Part for the year;

C is the lesser of the value of B and the amount that would be the individual's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under this section and any of sections 9, 11.1, 12, 15.1 and 17);

D is the amount that the individual may deduct under subsection 15(1) for the year; and

E is the tuition and education tax credits transferred for the year by the individual to the individual's spouse, common-law partner, parent or grandparent.

2000 carryover

(2) Notwithstanding subsection (1), an individual's unused tuition and education tax credits at the end of the 2000 taxation year shall be the amount equal to the provincial percentage of the individual's unused tuition and education tax credits at the end of the 2000 taxation year as determined pursuant to section 118.61 of the Federal Act for the purpose of computing the individual's tax payable under Part I of the Federal Act for the taxation year.

Restriction on credit

(3) Notwithstanding subsection (1) but subject to subsection (2), where an individual did not reside in Prince Edward Island on the last day of the taxation year for the preceding taxation year, the individual's unused tuition and education tax credits at the end of the preceding taxation year shall be equal to the lesser of

(a) the amount that would be the individual's unused tuition and education tax credits at the end of the preceding taxation year as determined pursuant to section 118.61 of the Federal Act if the percentage applied under sections 118.5 and 118.6 of the Federal Act had been the appropriate percentage for the year instead of the appropriate percentage as defined in that Act; and

(b) the amount that would be the individual's unused tuition and education tax credits at the end of the preceding taxation year as determined pursuant to a section (that is similar to section 118.61 of the Federal Act) of an income tax statute, or similar enactment, of the province, if any, in which the individual resided on the last day of the taxation year for the preceding taxation year if the percentage applied under that section had been the appropriate percentage for the year.

Idem

(4) For the purposes of subsection (3), where there is no section that is similar to section 118.61 of the Federal Act in the income tax statute, or similar enactment, of the province in which the individual resided on the last day of the taxation year for the preceding taxation year, the individual's unused tuition and education tax credits at the end of the preceding taxation year shall be deemed to equal the amount determined pursuant to clause (a) of that subsection.

Idem

(5) For the purposes of subsection (3), the amounts referenced in clause (a) of that subsection shall be used only to the extent that they have not been used in claiming a credit pursuant to section 118.5, 118.6 or 118.61 of the Federal Act, or in determining credits transferred pursuant to section 118.81 of the Federal Act, for any taxation year, and the amounts referenced in clause (b) of that subsection shall be used only to the extent that they have not been used in claiming a credit pursuant to a section (that is similar to section 118.5, 118.6 or 118.61 of the Federal Act), or in determining credits transferred pursuant to a section (that is similar to section 118.81 of the Federal Act), for any taxation year, of an income tax statute, or similar enactment, of the province in which the individual resided on the last day of the

taxation year for the preceding taxation year. *R.S.P.E.I. 1974, Cap. I-1, s.13; 1977,c.19,s.3; 1979,c.9,s.4; 1982,c.10,s.4; 1984,c.8,s.2; 1990,c.23,s.4; 2000,c.12,s.2; 2003,c.10,s.3; 2020,c.48,s.3(1)(a).*

15.1 Definitions

(1) In this section

(a) "**eligible individual**" means, in respect of a taxation year, an individual who, at any time during the taxation year, was

(i) a teacher, as defined in the *Education Act* R.S.P.E.I. 1988, Cap. E-.02, or

(ii) a person who is a member of the program staff of an early learning and child care centre;

(b) "**early learning and child care centre**" means a centre as defined in the *Early Learning and Child Care Act* R.S.P.E.I. 1988 Cap. E-.01;

(c) "**program staff**" means, in respect of an early learning child care centre, an employee engaged in the provision of services as defined in the *Early Learning and Child Care Act*;

(d) "eligible supplies" means supplies as prescribed.

Teacher school supply tax credit

(2) For the purpose of computing the tax payable under this Part for a taxation year by an eligible individual who was a resident in Prince Edward Island on the last day of the taxation year, there may be deducted an amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is the lesser of

(a) $500; and

(b) the total of all amounts paid by the eligible individual for eligible supplies in the taxation year. *2003,c.10,s.4; 2004,c.39,s.2; 2010,c.8,s.78; 2016,c.6,s.123.*

16. Interest on student loan tax credit

For the purpose of computing the tax payable under this Part by an individual for a taxation year, if the individual is entitled to a deduction under section 118.62 of the Federal Act for the year, there may be deducted an amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is the amount determined for B in the formula in section 118.62 of the Federal Act for the purpose of computing the individual's tax payable under Part I of the Federal Act for the year. *R.S.P.E.I. 1974, Cap. I-1, s.14; 1975,c.15,s.1; 1983,c.20,s.2; 1984,c.8,s.3; 1990,c.23,s.5; 1993,c.11,s.7; 2000,c.1,s.16; 2000,c.12,s.2.*

17. EI premium and CPP contribution credit

Section 118.7 of the Federal Act applies for the purposes of this Act, except that any reference to "appropriate percentage" in that section is to be read as a reference to "appropriate percentage" (as that term is defined for the purposes of this Division) for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.15; 1975,c.15,s.2; 1983,c.20,s.3; 1990,c.23,s.6; 1993,c.11,s.8; 2000,c.1,s.17; 2000,c.12,s.2.*

18. Transfer of tax credits

(1) Sections 118.8 and 118.81 of the Federal Act apply for the purposes of this Act, except that the reference to $800 (or to the amount that it is amended to read) in subparagraph (ii) of the description of A in paragraph 118.81(a) of the Federal Act shall be a reference to $490 for the purposes of this Act, and the description of B in paragraph 118.81(a) of the Federal Act shall be read as "B is the amount that would be the person's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under section 9, 11.1, 12, 15, 15.1 or 17), and".

Idem

(2) Section 118.9 of the Federal Act applies for the purposes of this Act.

Restriction on credit

(3) Notwithstanding subsections (1) and (2), for the purposes of section 118.81 of the Federal Act, as that section applies for the purposes of this Act, where a person did not reside in Prince Edward Island on the last day of the taxation year, the tuition and education tax credits transferred for the taxation year by the person to an individual shall be equal to the lesser of

(a) the amount determined by the formula

$$A / B \times C$$

where

A is the appropriate percentage for the year;

B is the appropriate percentage for the year under the Federal Act; and

C is the amount determined in respect of the person pursuant to section 118.81 of the Federal Act for the purpose of computing the person's tax payable under Part I of the Federal Act for the taxation year; and

(b) the amount determined by the formula

$$D /E \times F$$

where

D is the appropriate percentage for the year;

E is the percentage applied under the section referred to in the definition of F; and

F is the amount determined in respect of the person for the taxation year as determined pursuant to a section (that is similar to section 118.81 of the Federal Act) of an income tax statute, or similar enactment, of the province, if any, in which the person resided on the last day of the taxation year.

Idem

(3.1) For the purposes of subsection (3), where there is no section that is similar to section 118.81 of the Federal Act in the income tax statute, or similar enactment, of the province in which

the person resided on the last day of the taxation year, the tuition and education tax credits transferred for the taxation year by the person to an individual shall be deemed to equal the amount determined pursuant to clause (a) of that subsection.

Idem

(4) Notwithstanding subsections (1) and (2), for the purpose of section 118.8 of the Federal Act, as that section applies for the purposes of this Act, where in a taxation year an individual's spouse or common-law partner did not reside in Prince Edward Island on the last day of the taxation year,

(a) the amount for B in the formula in section 118.8 of the Federal Act, as that section applies for the purpose of this Act, for the individual for the taxation year shall be equal to the lesser of

(i) the amount determined by the formula

A / B x C

where

A is the appropriate percentage for the year;

B is the appropriate percentage for the year under the Federal Act; and

C is the amount determined for the individual for B in the formula in section 118.8 of the Federal Act for the purpose of computing the individual's tax payable under Part I of the Federal Act for the taxation year; and

(ii) the amount that would be determined for the individual for B in the formula in a section (that is similar to section 118.8 of the Federal Act) of an income tax statute, or similar enactment, of the province, if any, in which the individual's spouse or common-law partner resided on the last day of the taxation year if the individual resided in that province on the last day of the taxation year; and

(b) the amount for C in the formula in section 118.8 of the Federal Act, as that section applies for the purpose of this Act, for the individual for the taxation year shall be equal to the lesser of

(i) the amount determined by the formula

D / E x F

where

D is the appropriate percentage for the year,

E is the appropriate percentage for the year under the Federal Act, and

F is the amount determined for the individual for C in the formula in section 118.8 of the Federal Act for the purpose of computing the individual's tax payable under Part I of the Federal Act for the taxation year, and

(ii) the amount that would be determined for the individual for C in the formula in a section (that is similar to section 118.8 of the Federal Act) of an income tax statute, or similar enactment, of the province, if any, in which the individual's spouse or common-law partner resided on the last day of the taxation year if the individual resided in that province on the last day of the taxation year. Act. *R.S.P.E.I. 1974, Cap. I-1, s.16; 1975,c.15,s.3; 1975,c.47,s.3; 1977,.c.19,s.4; 1983,c.20,s.4; 1987,c.34,s.5; 1990,c.23,s.7; 2000,c.12,s.2; 2003,c.10,s.5; 2020,c.48,s.3(1)(b).*

19. Minimum tax carry-over

There may be deducted in computing an individual's tax payable under this Part for a taxation year the amount determined by the formula

$$A \times B$$

where

A is the provincial percentage; and

B is the amount that the individual may deduct for the taxation year under section 120.2 of the Federal Act for the purpose of computing the individual's tax payable under Part I of the Federal Act. *R.S.P.E.I. 1974, Cap. I-1, s.17; 1990,c.23,s.8; 1993,c.11,s.9; 2000,c.1,s.14; 2000,c.12,s.2.*

20. Dividend tax credit

For the purpose of computing the tax payable under this Part for a taxation year by an individual who was resident in Prince Edward Island on the last day of the taxation year, there may be deducted an amount equal to 10% of any amount required by subparagraph 82(1)(b)(i) of the Federal Act to be included in computing the individual's income for the year, and 38.13% of any amount required by subparagraph 82(1)(b)(ii) of the Federal Act to be included in computing the individual's income for the year. *1974, Cap. I-1, s.18; 1990,c.23,s.8; 2000,c.12,s.2; 2003,c.10,s.6; 2006,c.9,s.2; 2008,c.19,s.2,3,4; 2010,c.20,s.1(2),(3),(4); 2013,c.35,s.1; 2013,c.16,s.2; 2020,c.48,s.4; 2021,c.38,s.2.*

21. Overseas employment tax credit

For the purpose of computing the tax payable under this Part for a taxation year by an individual who was resident in Prince Edward Island on the last day of the taxation year, there may be deducted an amount equal to the provincial percentage of the amount that the individual may deduct under section 122.3 of the Federal Act for that taxation year. *R.S.P.E.I. 1974, Cap. I-1, s.19; 1984,c.8,s.4; 1985,c.25,s.1; 1987,c.34,s.6; 1988,c.31,s.5; 1990,c.23,s.8; 2000,c.1,s.15; 2000,c.12,s.2; 2003,c.10,s.7.*

Subdivision d - Restrictions on Credits and Other Rules

22. Part-year residents

Notwithstanding sections 9 to 18, where an individual is resident in Canada throughout part of a taxation year and throughout another part of the year is non-resident, for the purpose of computing the individual's tax payable under this Part for the year,

(a) the amount deductible for the year under each such provision in respect of the part of the year that is not included in the period or periods referred to in clause (b) shall be computed as though such part were the whole taxation year; and

(b) the individual shall be allowed only

(i) such of the deductions permitted under subsections 9(3) and (5) and sections 10, 11, 11.1, 13, 14, 15.1, 16, and 17 as can reasonably be considered wholly applicable, and

(ii) such part of the deductions permitted under sections 9 (other than subsections 9(3) and (5)), 12, and 18 as can reasonably be considered applicable

to the period or periods in the year throughout which the individual is resident in Canada, computed as though that period or those periods were the whole taxation year,

except that the amount deductible for the year by the individual under each such provision shall not exceed the amount that would have been deductible under that provision had the individual been resident in Canada throughout the taxation year. *R.S.P.E.I. 1974, Cap. I-1, s.20; 1982,c.10,s.5; 1990,c.23,s.9; 1993,c.11,s.10; 2000,c.12,s.2; 2008,c.19,s.6; 2020,c.48,s.3(2)(a).*

23. Ordering of credits

In computing an individual's tax payable under this Part, the following provisions shall be applied in the following order: subsections 9(1), (2) and (5), section 17, subsection 9(3) and sections 11.1, 12, 15.1, 15, 13, 14, 18, 11, 10, 16 and 20. *R.S.P.E.I. 1974, Cap. I-1, s.21; 1982,c.10,s.6; 1990,c.23,s.9; 1993,c.11,s.10; 2000,c.12,s.2; 2003,c.10,s.8; 2006,c.9,s.3; 2020,c.48,s.5.*

24. Credits in separate returns

Where a separate return of income with respect to an individual is filed pursuant to subsections 70(2), 104(23) or 150(4) of the Federal Act for a particular period and another return of income pursuant to the Federal Act with respect to the individual is filed for a period ending in the calendar year in which the particular period ends, for the purpose of computing the tax payable pursuant to this Act by the individual in those returns, the total of all deductions claimed in all of those returns pursuant to any of subsection 9(3), sections 10 to 15, sections 16 and 17 and subsection 18(2) of this Act cannot exceed the total that could be deducted pursuant to those provisions for the taxation year with respect to the individual if no separate returns were filed pursuant to subsections 70(2), 104(23) and 150(4) of the Federal Act. *R.S.P.E.I. 1974, Cap. I-1, s.22; 1985,c.25,s.2,3; 1987,c.34,s.7; 1990,c.23,s.10; 1993,c.11,s.11; 2000,c.12,s.2; 2008,c.19,s.7.*

25. Tax payable by non-resident

Sections 9, 11, 11.1, 14 and 18 of this Act, and subsection 118.3(2) of the Federal Act (as that subsection applies for the purposes of this Act), do not apply for the purpose of computing the tax payable under this Part for a taxation year by an individual who at no time in the taxation year is resident in Canada unless all or substantially all of the individual's income for the taxation year is included in computing the individual's taxable income earned in Canada for the taxation year. *R.S.P.E.I. 1974, Cap. I-1, s.23; 1987,c.34,s.8; 1990,c.23,s.11; 1993,c.11,s.12; 2000,c.12,s.2; 2008,c.19,s.8; 2020,c.48,s.3(2)(b).*

26. Credits in year of bankruptcy

Notwithstanding sections 9 to 18, for the purpose of computing an individual's tax payable under this Part for a taxation year that ends in a calendar year in which the individual becomes bankrupt, the individual shall be allowed only

(a) such of the deductions as the individual is entitled to under subsections 9(3) and (5), and sections 10, 11, 11.1, 13, 14, 15.1, 16 and 17 as can reasonably be considered wholly applicable to the taxation year; and

(b) such part of the deductions as the individual is entitled to under sections 9 (other than subsections 9(3) and (5)), 12 and 18 as can reasonably be considered applicable to the taxation year,

except that the total of the amounts so deductible for all taxation years of the individual in the calendar year under any of those provisions shall not exceed the amount that would have been deductible under that provision in respect of the calendar year if the individual had not become bankrupt. *R.S.P.E.I. 1974, Cap. I-1, s.24; 1987,c.34,s.9; 1990,c.23,s.12; 1993,c.11,s.13; 1993,c.29,s.4; 2000,c.1,s.16; 2000,c.12,s.2; 2003,c.10,s.9; 2006,c.9,s.4; 2020,c.48,s.3(2)(c).*

27. Tax payable by *inter vivos* trust

Section 122 of the Federal Act applies for the purposes of this Act, except that the reference to "29%" (or to the percentage that it is amended to read) in subsection 122(1) of the Federal Act shall be read, for the purposes of this Act, as a reference to the "highest percentage". *R.S.P.E.I. 1974, Cap. I-1, s.25; 1993,c.29,s.4; 2000,c.12,s.2.*

28. Bankrupt individuals

Subsection 128(2) of the Federal Act applies for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.26; 1990,c.23,s.13; 2000,c.12,s.2.*

Subdivision e - Other Taxes Payable

29. Tax on split income

Section 120.4 of the Federal Act applies for the purposes of this Act, except that

(a) the reference to "29%" (or to the percentage that it is amended to read) in subsection 120.4(2) of the Federal Act shall be read, for the purposes of this Act, as a reference to the "highest percentage"; and

(b) the reference to Canada shall be read as a reference to Canada. *R.S.P.E.I. 1974, Cap. I-1, s.27; 1990,c.23,s.14; 1993,c.11,s.14; 2000,c.1,s.17; 2000,c.12,s.2; 2022,c.60,s.3.*

30. Minimum tax

If an individual is required to pay tax under section 127.5 of the Federal Act in respect of a taxation year, there shall be added to the individual's tax payable under this Part for the taxation year an amount determined by the formula

$$A \times B$$

where

A is the provincial percentage; and

B i s the individual's additional tax for the taxation year determined pursuant to subsection 120.2(3) of the Federal Act. *R.S.P.E.I. 1974, Cap. I-1, s.28; 2000,c.12,s.2.*

Subdivision f - Surtax

31. Surtax

(1) In addition to the income tax payable (computed in accordance with subdivisions a to e) by an individual for a taxation year ending before 2024, every individual shall pay a personal income surtax in respect of the taxation year equal to 10% of the amount, if any, by which the tax computed pursuant to subdivisions a to e for the taxation year exceeds $12,500.

Applicable

(2) Subsection (1) does not apply to taxation years ending after 2023. *R.S.P.E.I. 1974, Cap. I-1, s.29; 1990,c.23,s.15; 2000,c.12,s.2; 2007,c.26,s.4, 2007,c.26,s.7; 2023,c.3,s.6.*

Subdivision g - Low Income Tax Reduction

32. Interpretation

(1) In this section,

(a) "**adjusted income**" of an individual for a taxation year means the total of all amounts each of which would be the income for the year of

(i) the individual, or

(ii) the individual's qualified relation for the year,

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;

(b) "**eligible individual**" for a taxation year means an individual, other than a trust, who is resident in Prince Edward Island on December 31st of that year, and who is

(i) married or in a common-law partnership,

(ii) a parent of a child, or

(iii) nineteen years of age or over;

(c) "**qualified dependant**" of an individual for a taxation year means a person

(i) in respect of whom the individual or the individual's qualified relation for the year is the only person who deducts an amount under subsection 9(1) for the year, or

(ii) who is a child of the individual residing with the individual at the end of the year,

and who is not

(iii) an eligible individual for the year,

(iv) the qualified relation of an individual for the year, or

(v) a person in respect of whom an amount is deducted under this section by any other individual for the year; and

(d) "**qualified relation**" of an individual for a taxation year means the person who, at the end of the year, is the individual's cohabiting spouse or common-law partner, within the meaning of section 122.6 of the Federal Act.

Low income tax reduction

(2) Subject to subsection (3), where an eligible individual for a taxation year applies in writing by filing with the individual's return of income under this Act for the year a prescribed form, containing prescribed information, the amount, if any, by which the total of

(a) $350;

(b) $350 for a person who is the qualified relation of the individual for the year;

(c) $350, where the individual has no qualified relation for the year and is entitled to deduct an amount for the year under subsection 118(1) of the federal act by reason of

paragraph (b) thereof in respect of a qualified dependant of the individual for the year;

(d) the product obtained when $300 is multiplied by the number of the qualified dependants of the individual for the year, other than a qualified dependant in respect of whom an amount is included by reason of clause (c) in computing an amount deductible pursuant to this subsection for the year;

(e) $250, where the individual, before the end of the year, has attained the age of sixty-five years; and

(f) $250, where the person who is the qualified relation of the individual for the year has attained the age of sixty-five years before the end of the year,

exceeds

(g) 5% of the amount, if any, by which the individual's adjusted income for the year exceeds $22,650,

may be deducted from the eligible individual's tax otherwise payable under subdivisions a to f for the taxation year.

Restriction on number of applicants

(3) Notwithstanding subsection (2), where an individual is a qualified relation of another individual for a taxation year, only one of those individuals may apply under subsection (2) for the year.

Transfer of unused credit

(4) Notwithstanding subsection (3), where an eligible individual (in this subsection referred to as the "applying eligible individual") has applied under subsection (2) for a taxation year, a qualified relation of the applying eligible individual, if the qualified relation is also an eligible individual, may deduct from the qualified relation's tax otherwise payable under subdivisions a to f for the taxation year an amount determined by the formula

A - B

where

A is the amount determined pursuant to subsection (2) which the applying eligible individual may deduct from the applying eligible individual's tax otherwise payable under subdivisions a to f for the taxation year; and

B is the lesser of

(a) the amount that, but for subsection (2), would be the applying eligible individual's tax otherwise payable under subdivisions a to f for the taxation year, and

(b) the amount deducted pursuant to subsection (2) by the applying eligible individual from the applying eligible individual's tax otherwise payable under subdivisions a to f for the taxation year.

Regulations

(5) The Lieutenant Governor in Council may make regulations adjusting annually the dollar amounts set out in subsection (2).

Non-residents and part-year residents

(6) For the purpose of this section, the income of a person who is non-resident at any time in a taxation year is deemed to be equal to the amount that would, if the person were resident in Canada throughout the year, be the person's income for the year.

Exclusions

(7) Notwithstanding subsection (1), a person shall be deemed

(a) not to be an eligible individual for a taxation year;

(b) not to be a qualified dependant of an individual for a taxation year; and

(c) not to be a qualified relation of an individual for a taxation year,

where the person

(d) dies before the end of the taxation year;

(e) is, at the end of the taxation year, a person described in paragraph 149(1)(a) or (b) of the Federal Act; or

(f) is, at the end of the taxation year, confined to a prison or similar institution, and has been so confined for a total amount of time in the taxation year exceeding six months. *R.S.P.E.I. 1974, Cap. I-1, s.30; 1987,c.34,s.10; 1990,c.23,s.16; 1999,c.30,s.1; 2000,c.1,s.18; 2000,c.12,s.2; 2005,c.10,s.2; 2006,c.9,s.5; 2015,c.8,s.1; 2015,c.31,s.1; 2016,c.11,s.2; 2018,c.50,s.2; 2019,c.7,s.2; 2020,c.48,s.6; 2021,c.38,s.3; 2023,c.3,s.2,7; 2024,c.69,s.3; 2025,c.6,s.3(1).*

Subdivision h - Multi-jurisdictional and Non-resident Individuals

33. Multi-jurisdictional and non-resident individuals

Notwithstanding subdivisions a to g, the tax payable under subdivisions a to g for a taxation year by an individual

(a) who resided in Prince Edward Island on the last day of the taxation year but had income earned in the taxation year outside Prince Edward Island; or

(b) who did not reside in Prince Edward Island on the last day of the taxation year but had income earned in the taxation year in Prince Edward Island,

shall be the amount determined by the formula

$$A \times B/C$$

where

A is the tax otherwise payable by the individual under subdivisions a to g;

B is the individual's income earned in the taxation year in Prince Edward Island; and

C is the individual's income for the year. *R.S.P.E.I. 1974, Cap. I-1, s.31; 1978,c.11,s.2; 2000,c.12,s.2.*

33.1 Additional deduction for multi-jurisdictional individuals

Where an individual resided in Prince Edward Island on the last day of a taxation year but had income earned in the taxation year outside Prince Edward Island, the individual may deduct from the amount of tax otherwise payable for the taxation year an amount determined by the formula

$$A \times B/C$$

where

A is the total of all amounts each of which is deductible under subsections 9(3) or (5), or section 11.1, 15.1, 20 or 21 by the individual for the taxation year;

B is the individual's income earned in the taxation year outside Prince Edward Island; and

C is the individual's income for the taxation year. *2003,c.10,s.10; 2006,c.9,s.6; 2020,c.48,s.7.*

Subdivision i - Foreign Tax Deduction

34. Foreign tax deduction

(1) Where an individual resided in Prince Edward Island on the last day of a taxation year and had income for the year that included income earned in a country other than Canada in respect of which non-business-income tax was paid by the individual to the government of a country other than Canada, the individual may deduct from the tax payable by the individual under this Act for that taxation year an amount equal to the lesser of

(a) the amount, if any, by which any non-business-income tax paid by the individual for the year to the government of such other country exceeds

(i) if section 127.5 of the Federal Act does not apply to the individual for the taxation year, the amount deductible from the individual's tax payable under Part I of the Federal Act for that year under subsection 126(1) of the Federal Act in respect of any non-business-income tax paid to the government of such other country, or

(ii) if section 127.5 of the Federal Act applies to the individual for the taxation year, the amount of the individual's special foreign tax credit for the year determined under section 127.54 of the Federal Act that is in respect of any non-business-income tax paid to the government of such other country; and

(b) that portion of the tax otherwise payable under this Act for that taxation year that

(i) the amount, if any, by which the total of the individual's qualifying income exceeds the total of the individual's qualifying losses

(A) for the year, if the individual is resident in Canada throughout the year, and

(B) for the part of the year throughout which the individual is resident in Canada, if the individual is non-resident at any time in the year,

from sources in that country, on the assumption that

(C) no businesses were carried on by the individual in that country,

(D) no amount was deducted under subsection 91(5) of the Federal Act in computing the individual's income for the year, and

(E) the individual's income from employment in that country was not from a source in that country to the extent of the lesser of the amounts determined in respect thereof under paragraphs 122.3(1)(c) and (d) of the Federal Act for the year,

is of

(ii) the amount, if any, by which,

(A) if the individual was resident in Canada throughout the year, the individual's income earned in the year in Prince Edward Island computed without reference to paragraph 20(1)(ww) of the Federal Act, and

(B) if the individual was non-resident at any time in the year, the individual's income earned in the year in Prince Edward Island that

is included in the amount determined under paragraph 114(a) of the Federal Act in respect of the individual for the year,

exceeds

(C) the total of all amounts each of which is an amount deducted under section 110.6 or paragraph 111(1)(b) of the Federal Act, or deductible under any of paragraphs 110(1)(d) to (g) or section 112 of the Federal Act for the year, in computing the individual's taxable income for the year.

Non-business-income tax paid to country other than Canada

(2) For the purposes of subsection (1) and clause 40(1)(b), the non-business-income tax paid by a taxpayer to the government of a country other than Canada in respect of the taxpayer's income for a taxation year is the non-business-income tax paid by the taxpayer to the government of that country in respect of that year as determined under the definition "non-business-income tax" in subsection 126(7) of the Federal Act.

Government of a country other than Canada

(3) For the purposes of this section and clause 40(1)(b), "government of a country other than Canada" includes the government of a state, province or other political subdivision of that country.

Income from more than one country other than Canada

(4) Where an individual's income for a taxation year is in whole or in part from sources in more than one country other than Canada, subsection 34(1) shall be read as providing for separate deductions in respect of each of the countries other than Canada.

Deemed income from a separate source in a country

(5) For the purposes of this section and section 40, if any income for a taxation year from a source in a particular country would be tax-exempt income but for the fact that a portion of the income is subject to an income or profits tax imposed by the government of a country other than Canada, the portion is deemed to be income from a separate source in the particular country.

Definitions

(6) For the purposes of this section, the definitions of "**qualifying incomes**", "**qualifying losses**" and "**tax-exempt income**" in subsection 126(7) of the Federal Act apply. *R.S.P.E.I. 1974, Cap. I-1, s.32; 1993,c.11,s.16; 2000,c.12,s.2; 2003,c.10,s.11; 2022,c.60,s.4.*

Subdivision j - Capital Gains Refund to Mutual Fund Trust

35. Capital gains refund to mutual fund trust

(1) Where an amount is to be refunded to a trust in respect of a taxation year pursuant to section 132 of the Federal Act, the Minister shall, subject to subsection (2), at such time and in such manner as is provided in that section, refund to the trust an amount (in this section referred to as its "capital gains refund" for the year) equal to the amount of the refund for the year calculated under subsection 132(1) of the Federal Act multiplied by the provincial percentage for the year.

Income earned outside Prince Edward Island

(2) For the purpose of computing the capital gains refund under subsection (1) for a trust in respect of a taxation year, where the trust had income earned in the taxation year outside Prince Edward Island, the refund shall be that proportion of the capital gains refund for the year, otherwise determined under subsection (1), that the trust's income earned in the taxation year in Prince Edward Island is of its income for the year.

Application of refund to other liability

(3) Instead of making a refund that might otherwise be made under subsection (1), the Minister may, where the trust is liable or about to become liable to make any payment under this Act, apply the amount that would otherwise be refunded to that other liability and notify the trust of that action. *R.S.P.E.I. 1974, Cap. I-1, s.33; 1990,c.23,s.17; 1993,c.11,s.16; 2000,c.12,s.2.*

Subdivision k - Labour Sponsored Venture Capital Corporation Credit

36. Deduction, labour-sponsored venture capital corporation

There may be deducted from the tax otherwise payable under this Act for a taxation year by a taxpayer who is an individual resident in Prince Edward Island on the last day of the taxation year an amount equal to the lesser of

(a) $525; and

(b) 15 per cent of the net cost to the individual or a qualifying trust for the individual of all approved shares of a prescribed registered labour-sponsored venture capital corporation acquired by the individual, or by a qualifying trust for the individual in respect of the shares, in the taxation year or within 60 days after the end of the taxation year (to the extent that no amount was deducted in respect of such shares under this section for the immediately preceding taxation year). *R.S.P.E.I. 1974, Cap. I-1, s.34; 1993,c.29,s.4; 2000,c.12,s.2.*

Subdivision L - Equity Tax Credit

36.1 Equity Tax Credit

(1) In this section, "equity tax credit" means a credit in respect of a tax-credit certificate issued to a taxpayer pursuant to subsection 6(2) of the *Community Development Equity Tax Credit Act* R.S.P.E.I. 1988, Cap. C-13.01.

Deduction

(2) Where, in respect of a taxation year, a taxpayer has been issued a tax-credit certificate pursuant to subsection 6(2) of the *Community Development Equity Tax Credit Act*, there may be deducted from the tax otherwise payable by that taxpayer under this Part in respect of that taxation year the lesser of

(a) the aggregate of the equity tax credit;

(b) $7,000.

Filing copy of tax-credit certificate

(3) A taxpayer who is entitled to a deduction pursuant to this section shall file, with the taxpayer's annual return for any taxation year in respect of which a deduction is claimed pursuant to this section, a copy of the tax-credit certificate.

Loss of deduction if taxpayer takes more than three years to file return

(4) A taxpayer is not entitled to a deduction pursuant to this section unless the taxpayer files a return within three years after the end of the taxation year to which the deduction pertains.

Unused balance may be carried back and deducted from three prior taxation years

(5) Where a taxpayer

(a) has been issued a tax-credit certificate pursuant to subsection 6(2) of the *Community Development Equity Tax Credit Act*; and

(b) the amount of the equity tax credit exceeds the amount of tax payable by that taxpayer for the taxation year,

the taxpayer may

(c) subject to subsection (6), carry back and deduct any unused balance of the equity tax credit from tax otherwise payable by the taxpayer in any one or more of the taxpayer's three previous taxation years if, in any taxation year the equity tax credit is carried back, the total equity tax credit deducted from tax otherwise payable does not exceed the amount in clause (2)(b) that was applicable for that taxation year; or

(d) carry forward and deduct any unused balance of the equity tax credit from tax otherwise payable by the taxpayer in any one or more of the taxpayer's seven subsequent taxation years if, in any taxation year the equity tax credit is carried forward, the total equity tax credit deducted from tax otherwise payable does not exceed the amount in clause (2)(b) that is applicable for that taxation year.

Unused balance may not be carried back and deducted taxation year prior to 2011

(6) A taxpayer may not, under subsection (5), carry back and deduct any unused balance of the equity tax credit from tax otherwise payable by the taxpayer for a taxation year prior to 2011. *2010,c.6,s.18; 2019,c.27,s.12(2).*

Subdivision m - Volunteer Firefighter, Volunteer Search and Rescue Personnel Tax Credit

36.2 Volunteer firefighter and volunteer search and rescue personnel tax credit

(1) For the purpose of computing the tax payable under this Part by an individual, other than an individual that is a trust, for a taxation year, there may be deducted the amount of $1,000 where the individual

(a) is entitled to a deduction under section 118.06 or 118.07 of the Federal Act for the taxation year;

(b) has not excluded all or part of the payments for volunteer services under subsection 81(4) of the Federal Act; and

(c) was residing in the province

(i) on December 31 of the taxation year, or

(ii) on the date of death, where the individual died in the year.

Payment of amount by which deduction exceeds tax otherwise payable

(2) Subject to subsection (3), the Minister shall pay to an individual the amount, if any, by which the deduction to which the individual is entitled under this section for a taxation year exceeds the individual's tax payable under this Act for the taxation year calculated without reference to this section.

Application of amount owed to individual to his or her liabilities to the Sovereign

(3) Where an individual is liable or about to become liable to make a payment to the Sovereign in right of Canada or the Sovereign in right of the Province of Prince Edward Island or another province of Canada, the Minister may apply all or part of the amount referred to in subsection (2) to pay that liability.

Restriction on deduction

(4) No amount may be deducted pursuant to this section on a separate return of income filed pursuant to subsection 70(2) or 150(4), paragraph 104(23)(d) or paragraph 128(2)(e) of the Federal Act. *2012,c.20,s.1; 2022,c.62,s.37.*

Subdivision n - Sales Tax Credit

36.3 Interpretation

(1) In this section,

(a) "**adjusted income**" means adjusted income as defined in subsection 122.5(1) of the Federal Act;

(b) "**cohabiting spouse or common-law partner**" of an individual at any time means a cohabiting spouse or common-law partner as defined in section 122.6 of the Federal Act;

(c) "**eligible individual**" means an individual who is resident in the province before a month specified in subsection (8), is an eligible individual as defined in subsection 122.5(1) of the Federal Act and is not excluded from this definition by virtue of subsection 122.5(2) of the Federal Act;

(d) "**qualified dependant**" means a qualified dependant as defined in subsection 122.5(1) of the Federal Act who is not excluded from this definition by virtue of subsection 122.5(2) of the Federal Act;

(e) "**qualified relation**" means a qualified relation as defined in subsection 122.5(1) of the Federal Act who is not excluded from this definition by virtue of subsection 122.5(2) of the Federal Act;

(f) "**return of income**" means a return of income as defined in subsection 122.5(1) of the Federal Act;

(g) "**shared-custody parent**" means a shared-custody parent as defined in section 122.6 of the Federal Act but with the words "**qualified dependant**" in that section defined as in clause (d).

Application of definition

(2) In applying the definition of return of income in subsection 122.5(1) of the Federal Act for the purposes of this section, references to Canada are not to be read as references to Prince Edward Island.

Deemed payment on account of tax

(3) An amount determined in accordance with subsection (4) is deemed to be an amount paid by an individual on account of the individual's tax payable pursuant to this Act for a taxation year during each of the months specified for that year pursuant to subsection (8) where the individual:

(a) is an eligible individual;

(b) has filed a return of income for the taxation year; and

(c) has applied for the taxation year pursuant to subsection 122.5(3) of the Federal Act.

Calculation of amount

(4) The amount described in subsection (3) is the amount A calculated in accordance with the following formula:

$$A = ¼ \times (110 + B + C - D)$$

where:

B is the amount B determined in accordance with subsection (5);

C is the amount C determined in accordance with subsection (6); and

D is the amount D determined in accordance with subsection (7).

Amount B

(5) For the purposes of subsection (4), the amount B is

(a) $55, where the individual has a qualified relation in relation to the specified month; or

(b) $55, where the individual

(i) has no qualified relation in relation to the specified month, but

(ii) is entitled to deduct an amount for the taxation year pursuant to subsection 118(1)(b) of the Federal Act with respect to a qualified dependant in relation to the specified month.

Amount C

(6) For the purposes of subsection (4), the amount C is equal to 0.5% of the amount, if any, by which the individual's adjusted income for the taxation year exceeds $30,000, to a maximum of $55.

Amount D

(7) For the purposes of subsection (4), the amount D is equal to 2.0% of the amount, if any, by which the individual's adjusted income for the taxation year exceeds $50,000.

Specified months

(8) For the purposes of this section, the months specified for a taxation year are July and October of the immediately following taxation year and January and April of the second immediately following taxation year.

Calculation of amount - July 2022

(8.1) Where the month referred to in subsection (3) is July 2022,

(a) the formula in subsection (4) shall be read as follows:

$$A = ¼ \times (1{,}270 + B + C - D);$$

(b) the value of the amount B is $655; and

(c) the percentage stated in subsection (7) shall be read as 4%.

Calculation of amount - January 2023

(8.2) Where the month referred to in subsection (3) is January 2023,

(a) the formula in subsection (4) shall be read as follows:

$$A = ¼ \times (2{,}110 + B + C - D);$$

(b) the value of the amount B is $2,055;

(c) the percentage stated in subsection (7) shall be read as 9%; and

(d) the amount stated in subsection (7) shall be read as $100,000.

Application of Federal Act

(9) Subsections 122.5(3.1) and (3.2) of the Federal Act apply for the purposes of this section.

Dollar amount to be used

(10) In applying subsection 122.5(3.1) of the Federal Act for the purposes of this section, the amount in dollars to be used in paragraph (a) or (b) of that subsection is $10 and not the amount specified in that paragraph.

Reference deemed to be to subsection (3)

(11) In applying subsection 122.5(3.2) of the Federal Act for the purposes of this section, the references to subsection (3) are deemed to be references to subsection (3) of this section.

Application of Federal Act

(12) Subject to subsections (13) and (14), subsections 122.5(5), (6), (6.1) and (6.2) of the Federal Act apply for the purposes of this section.

Reference not to Prince Edward Island

(13) In applying subsection 122.5(6.2) of the Federal Act for the purposes of this section, the reference to Canada is not to be read as a reference to Prince Edward Island.

Bankruptcy in taxation year

(14) For the purposes of this section, where an individual becomes bankrupt in a taxation year, the individual's income for the year includes the individual's income for the taxation year that begins on January 1 of the calendar year that includes the date of the bankruptcy.

Resident in PEI

(15) In applying section 122.5(6.1) of the Federal Act for the purposes of this section, that section shall be read as including the following paragraph:

(d) an individual becomes or ceases to be resident in Prince Edward Island.

Shared-custody parent, formula

(16) Notwithstanding subsection (4), if an eligible individual is a shared-custody parent in respect of the qualified dependant at the beginning of a month, the amount deemed by subsection (3) to have been paid during a specified month is equal to the amount determined by the following formula:

$$1/2 \times (A + B)$$

where

A is the amount determined by the formula in subsection (4), calculated without reference to this subsection, and

B is the amount determined by the formula in subsection (4), calculated without reference to this subsection and subparagraph (b)(ii) of the definition "eligible individual" in section 122.6 of the Federal Act.

More than one qualified dependant

(17) If an eligible individual has more than one qualified dependant, subsection (16) applies only if all dependants are in shared custody.

Regulations

(18) The Lieutenant Governor in Council may make regulations prescribing

(a) a month specified pursuant to subsection (8) in which an increased amount shall be paid under subsection (3); and

(b) the dollar amounts and percentages to be used in the formula set out in subsection (4) for the purpose of calculating the increased amount. *2012(2nd),c.22,s.24; 2016,c.11,s.3; 2022,c.60,s.5; 2022,c.61,s.1; 2022,c.77,s.1.*

Subdivision n.1 – Child Benefit

36.3.1 Interpretation

(1) In this section,

(a) "**adjusted income**" means adjusted income as defined in section 122.6 of the Federal Act;

(b) "**base taxation year**" means a base taxation year as defined in section 122.6 of the Federal Act;

(c) "**cohabiting spouse or common-law partner**" means a cohabiting spouse or common-law partner as defined in section 122.6 of the Federal Act;

(d) "**eligible individual**" means an eligible individual as defined in section 122.6 of the Federal Act;

(e) "**qualified dependant**" means a qualified dependant as defined in section 122.6 of the Federal Act;

(f) "**return of income**" means return of income as defined in section 122.6 of the Federal Act;

(g) "**shared-custody parent**" means a shared-custody parent as defined in section 122.6 of the Federal Act.

Deemed overpayment

(2) If a person and, if the Minister so demands, the person's cohabiting spouse or common-law partner at the end of a taxation year have filed a return of income for the year, an overpayment on account of the person's liability under this Subdivision for the year is deemed to have arisen during a month in relation to which the year is the base taxation year, equal to the amount determined by the formula

$$(A \times B) / 12$$

where

A is

(a) $360, if the eligible individual's adjusted income is less than $45,000;

(b) $240, if the eligible individual's adjusted income is $45,000 or more but not more than $80,000;

(c) $0, if the eligible individual's adjusted income is more than $80,000; and

B is the number of qualified dependants in respect of whom the person was an eligible individual at the beginning of the month.

Shared-custody parent

(3) Notwithstanding subsection (2), if an eligible individual is a shared-custody parent in respect of one or more qualified dependants at the beginning of a month, the overpayment deemed by subsection (2) to have arisen during the month is equal to the amount determined by the formula

$$1/2 \times (A + B)$$

where

A is the amount determined by the formula in subsection (2), calculated without reference to this subsection; and

B is the amount determined by the formula in subsection (2), calculated without reference to this subsection and subparagraph (b)(ii) of the definition of "**eligible individual"** referred to in subsection (1).

Application of Federal Act

(4) Subsections 122.61(3) and (3.1) and 122.62(1), (2), (4), (5), (6), (7), (8), (9), (10) and (11) of the Federal Act apply in respect of an overpayment.

Amount not to be charged, etc.

(5) A refund of an amount deemed by this section to be an overpayment on account of a person's liability under this subdivision for a taxation year

(a) shall not be subject to the operation of any law relating to bankruptcy or insolvency;

(b) cannot be assigned, charged, attached or given as security;

(c) does not qualify as a refund of tax for the purposes of the *Tax Rebate Discounting Act* (Canada);

(d) cannot be retained by way of deduction or set-off under the *Financial Administration Act* (Canada); and

(e) is not garnishable moneys for the purposes of the *Family Orders and Agreements Enforcement Assistance Act* (Canada). *2024,c.69,s.4.*

Subdivision o – Political Contribution Deduction

36.4 Definitions

(1) In this section,

(a) **"candidate"** means a person who has been officially nominated as a candidate pursuant to the *Election Act* R.S.P.E.I. 1988, Cap. E-1.1;

(b) **"donation in kind"** means any property other than money given or provided to or for the benefit of a recognized party or a candidate without compensation from the recognized party or candidate, and includes services of an employee of the taxpayer provided to a recognized party or a candidate without compensation from the recognized party or candidate;

(c) **"individual"** means a person other than a corporation and, notwithstanding the definition "individual" in section 1, does not include a trust or estate;

(d) "**registered party**" means a political party registered under section 24 of the *Election Act*.

Deduction for political contributions

(2) In respect of the aggregate amount of contributions, other than donations in kind, made by a taxpayer who is an individual to candidates and recognized parties during the taxation year, that taxpayer may deduct from the amount of tax which that taxpayer would otherwise be required to pay under this Act an amount equal to the lesser of

(a) the amount of the tax payable; and

(b) where the aggregate amount contributed

(i) does not exceed $100, 75% of the aggregate amount contributed,

(ii) exceeds $100 but does not exceed $550, $75 plus 50% of the amount by which the aggregate amount contributed exceeds $100 but does not exceed $550, and

(iii) exceeds $550, the lesser of

(A) $300 plus 33⅓% of the amount by which the aggregate amount contributed exceeds $550, and

(B) $500.

Receipts

(3) Payment of each amount that is included in the aggregate amount of contributions in respect of which a deduction is claimed under subsection (2) shall be proved by filing with the Minister receipts containing prescribed information, signed by the official agent of the recognized party or the official agent of the candidate, as the case may be. *2020,c.48,s.8.*

DIVISION C — COMPUTATION OF TAX FOR CORPORATIONS

Subdivision a - Computation of Tax

37. Tax payable by corporation

(1) The tax payable by a corporation under this Part for a taxation year is 15% of the corporation's taxable income earned in the year in Prince Edward Island.

Where corporation eligible for small business deduction

(2) Notwithstanding subsection (1), if 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 7.5%;

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

(2.1) Subsection (2) applies in respect of a corporation's taxation year which ends before April 1, 2005.

Where credit union eligible for small business deduction

(3) Notwithstanding subsection (1), if in a taxation year a credit union is eligible for a deduction under subsection 125(1) or 137(3) of the Federal Act, the tax payable by that credit union 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 7.5%;

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 credit union for the taxation year, plus the amount, if any, by which the lesser of the amounts determined pursuant to paragraphs 137(3)(a) and (b) of the Federal Act exceeds paragraph 137(3)(c) of the Federal Act for the credit union 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

(3.1) Subsection (3) applies in respect of a credit union's taxation year which ends before April 1, 2005.

Application of Federal Act to rate

(4) Repealed by *2006,c.33,s.1.*

Taxable Income

(5) For the purposes of this Division,

(a) "taxable income earned in the year in Prince Edward Island" of a corporation means its taxable income earned in the year in Prince Edward Island as determined in accordance with Federal Regulations made for the purposes of the definition "taxable income earned in the year in a province" in subsection 124(4) of the Federal Act; and

(b) "taxable income earned in the year in a province" is the amount determined for the corporation for the taxation year for the purposes of the definition "taxable income earned in the year in a province" in subsection 124(4) of the Federal Act. *R.S.P.E.I. 1974, Cap. I-1, s.35; 1982,c.10,s.7; 1984,c.8,s.5; 1990,c.23,s.18; 2000,c.12,s.2; 2005,c.43,s.2; 2006,c.33,s.1; 2025,c.6,s.4.*

37.1 Where corporation eligible for small business deduction

(1) Notwithstanding subsections 37(1) and (2), if 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 6.5%;

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 April 1, 2005 and ends before April 1, 2006.

Transitional

(3) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2005 and part of which is on or after April 1, 2005 but not after March 31, 2006, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2005 and the second beginning on April 1, 2005;

(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(2), and

(ii) tax for the second notional taxation year in accordance with subsection 37.1(1);

(d) by adding together the amounts determined under paragraph (c).

Idem

(4) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2005 and part of which is on or after April 1, 2006, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into three notional taxation years, the first ending on March 31, 2005, the second beginning on April 1, 2005 and ending on March 31, 2006, and the third beginning on April 1, 2006;

(b) by apportioning the taxable income earned in the taxation year between the three 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(2),

(ii) tax for the second notional taxation year in accordance with subsection 37.1(1), and

(iii) tax for the third notional taxation year in accordance with subsection 37.3(1);

(d) by adding together the amounts determined under paragraph (c). *2005,c.43,s.3; 2006,c.33,s.2.*

37.2 Where credit union eligible for small business deduction

(1) Notwithstanding subsections 37(1) and (3), if in a taxation year a credit union is eligible for a deduction under subsection 125(1) or 137(3) of the Federal Act, the tax payable by that credit union 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 6.5%;

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 credit union for the taxation year, plus the amount, if any, by which the lesser of the amounts determined pursuant to paragraphs 137(3)(a) and (b) of the Federal Act exceeds paragraph 137(3)(c) of the Federal Act for the credit union 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 credit union's taxation year which begins on or after April 1, 2005 and ends before April 1, 2006.

Transitional

(3) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2005 and part of which is on or after April 1, 2005 but not after March 31, 2006, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2005 and the second beginning on April 1, 2005;

(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(3), and

(ii) tax for the second notional taxation year in accordance with subsection 37.2(1);

(d) by adding together the amounts determined under paragraph (c).

Idem

(4) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2005 and part of which is on or after April 1, 2006, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into three notional taxation years, the first ending on March 31, 2005, the second beginning on April 1, 2005 and ending on March 31, 2006, and the third beginning on April 1, 2006;

(b) by apportioning the taxable income earned in the taxation year between the three 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(3),

(ii) tax for the second notional taxation year in accordance with subsection 37.2(1), and

(iii) tax for the third notional taxation year in accordance with subsection 37.4(1);

(d) by adding together the amounts determined under paragraph (c). *2005,c.43,s.3; 2006,c.33,s.3.*

37.3 Where corporation eligible for small business deduction

(1) Notwithstanding subsection 37(1), if 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 5.4%;

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 April 1, 2006 and ends before April 1, 2007.

Transitional

(3) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2006 but not before April 1, 2005 and part of which is on or after April 1, 2006 but not after March 31, 2007, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2006 and the second beginning on April 1, 2006;

(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 37.1(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.3(1);

(d) by adding together the amounts determined under paragraph (c).

Idem

(4) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2006 and part of which is on or after April 1, 2007, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into three notional taxation years, the first ending on March 31, 2006, the second beginning on April 1, 2006 and ending on March 31, 2007, and the third beginning on April 1, 2007;

(b) by apportioning the taxable income earned in the taxation year between the three 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 37.1(1),

(ii) tax for the second notional taxation year in accordance with subsection 37.3(1), and

(iii) tax for the third notional taxation year in accordance with subsection 37.5(1);

(d) by adding together the amounts determined under paragraph (c). *2006,c.33,s.4.*

37.4 Where credit union eligible for small business deduction

(1) Notwithstanding subsection 37(1), if in a taxation year a credit union is eligible for a deduction under subsection 125(1) or 137(3) of the Federal Act, the tax payable by that credit union 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 5.4%;

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 credit union for the taxation year, plus the amount, if any, by which the lesser of the amounts determined pursuant to paragraphs 137(3)(a) and (b) of the Federal Act exceeds paragraph 137(3)(c) of the Federal Act for the credit union 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 credit union's taxation year which begins on or after April 1, 2006 and ends before April 1, 2007.

Transitional

(3) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2006 but not before April 1, 2005 and part of which is on or after April 1, 2006 but not after March 31, 2007, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2006 and the second beginning on April 1, 2006;

(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 37.2(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.4(1);

(d) by adding together the amounts determined under paragraph (c).

Idem

(4) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2006 and part of which is on or after April 1, 2007, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into three notional taxation years, the first ending on March 31, 2006, the second beginning on April 1, 2006 and ending on March 31, 2007, and the third beginning on April 1, 2007;

(b) by apportioning the taxable income earned in the taxation year between the three 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 37.2(1),

(ii) tax for the second notional taxation year in accordance with subsection 37.4(1), and

(iii) tax for the third notional taxation year in accordance with subsection 37.6(1);

(d) by adding together the amounts determined under paragraph (c). *2006,c.33,s.4.*

37.5 Where corporation eligible for small business deduction

(1) Notwithstanding subsection 37(1), if 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 4.3%;

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 April 1, 2007 and ends before April 1, 2008.

Transitional

(3) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2007 but not before April 1, 2006 and part of which is on or after April 1, 2007 but not after March 31, 2008, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2007 and the second beginning on April 1, 2007;

(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 37.3(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.5(1);

(d) by adding together the amounts determined under paragraph (c).

Idem

(4) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2007 and part of which is on or after April 1, 2008, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into three notional taxation years, the first ending on March 31, 2007, the second beginning on April 1, 2007 and ending on March 31, 2008, and the third beginning on April 1, 2008;

(b) by apportioning the taxable income earned in the taxation year between the three 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 37.3(1),

(ii) tax for the second notional taxation year in accordance with subsection 37.5(1), and

(iii) tax for the third notional taxation year in accordance with subsection 37.7(1);

(d) by adding together the amounts determined under paragraph (c). *2006,c.33,s.4.*

37.6 Where credit union eligible for small business deduction

(1) Notwithstanding subsection 37(1), if in a taxation year a credit union is eligible for a deduction under subsection 125(1) or 137(3) of the Federal Act, the tax payable by that credit union 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 4.3%;

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 credit union for the taxation year, plus the amount, if any, by which the lesser of the amounts determined pursuant to paragraphs 137(3)(a) and (b) of the Federal Act exceeds paragraph 137(3)(c) of the Federal Act for the credit union 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 credit union's taxation year which begins on or after April 1, 2007 and ends before April 1, 2008.

Transitional

(3) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2007 but not before April 1, 2006 and part of which is on or after April 1, 2007 but not after March 31, 2008, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2007 and the second beginning on April 1, 2007;

(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 37.4(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.6(1);

(d) by adding together the amounts determined under paragraph (c).

Idem

(4) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2007 and part of which is on or after April 1, 2008, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into three notional taxation years, the first ending on March 31, 2007, the second beginning on April 1, 2007 and ending on March 31, 2008, and the third beginning on April 1, 2008;

(b) by apportioning the taxable income earned in the taxation year between the three 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 37.4(1),

(ii) tax for the second notional taxation year in accordance with subsection 37.6(1), and

(iii) tax for the third notional taxation year in accordance with subsection 37.8(1);

(d) by adding together the amounts determined under paragraph (c). *2006,c.33,s.4.*

37.7 Where corporation eligible for small business deduction

(1) Notwithstanding subsection 37(1), if 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 3.2%;

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 April 1, 2008 and ends before April 1, 2009.

Transitional

(3) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2008 but not before April 1, 2007 and part of which is on or after April 1, 2008 but not after March 31, 2009, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2008 and the second beginning on April 1, 2008;

(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 37.5(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.7(1);

(d) by adding together the amounts determined under paragraph (c).

Idem

(4) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2008 and part of which is on or after April 1, 2009, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into three notional taxation years, the first ending on March 31, 2008, the second beginning on April 1, 2008 and ending on March 31, 2009, and the third beginning on April 1, 2009;

(b) by apportioning the taxable income earned in the taxation year between the three 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 37.5(1),

(ii) tax for the second notional taxation year in accordance with subsection 37.7(1), and

(iii) tax for the third notional taxation year in accordance with subsection 37.9(1);

(d) by adding together the amounts determined under paragraph (c). *2006,c.33,s.4.*

37.8 Where credit union eligible for small business deduction

(1) Notwithstanding subsection 37(1), if in a taxation year a credit union is eligible for a deduction under subsection 125(1) or 137(3) of the Federal Act, the tax payable by that credit union 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 3.2%;

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 credit union for the taxation year, plus the amount, if any, by which the lesser of the amounts determined pursuant to paragraphs 137(3)(a) and (b) of the Federal Act exceeds paragraph 137(3)(c) of the Federal Act for the credit union 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) (1) applies in respect of a credit union's taxation year which begins on or after April 1, 2008 and ends before April 1, 2009.

Transitional

(3) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2008 but not before April 1, 2007 and part of which is on or after April 1, 2008 but not after March 31, 2009, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2008 and the second beginning on April 1, 2008;

(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 37.6(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.8(1);

(d) by adding together the amounts determined under paragraph (c).

Idem

(4) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2008 and part of which is on or after April 1, 2009, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into three notional taxation years, the first ending on March 31, 2008, the second beginning on April 1, 2008 and ending on March 31, 2009, and the third beginning on April 1, 2009;

(b) by apportioning the taxable income earned in the taxation year between the three 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 37.6(1),

(ii) tax for the second notional taxation year in accordance with subsection 37.8(1), and

(iii) tax for the third notional taxation year in accordance with subsection 37.10(1);

(d) by adding together the amounts determined under paragraph (c). *2006,c.33,s.4.*

37.9 Where corporation eligible for small business deduction

(1) Notwithstanding subsection 37(1), if 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 2.1%;

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 April 1, 2009 and ends before April 1, 2010.

Transitional

(3) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2009 but not before April 1, 2008 and part of which is on or after April 1, 2009 but not after March 31, 2010, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2009 and the second beginning on April 1, 2009;

(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 37.7(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.9(1);

(d) by adding together the amounts determined under paragraph (c).

Idem

(4) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2009 and part of which is on or after April 1, 2010, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into three notional taxation years, the first ending on March 31, 2009, the second beginning on April 1, 2009 and ending on March 31, 2010, and the third beginning on April 1, 2010;

(b) by apportioning the taxable income earned in the taxation year between the three 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 37.7(1),

(ii) tax for the second notional taxation year in accordance with subsection 37.9(1), and

(iii) tax for the third notional taxation year in accordance with subsection 37.11(1);

(d) by adding together the amounts determined under paragraph (c). *2006,c.33,s.4.*

37.10 Where credit union eligible for small business deduction

(1) Notwithstanding subsection 37(1), if in a taxation year a credit union is eligible for a deduction under subsection 125(1) or 137(3) of the Federal Act, the tax payable by that credit union 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 2.1%;

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 credit union for the taxation year, plus the amount, if any, by which the lesser of the amounts determined pursuant to paragraphs 137(3)(a) and (b) of the Federal Act exceeds paragraph 137(3)(c) of the Federal Act for the credit union 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 credit union's taxation year which begins on or after April 1, 2009 and ends before April 1, 2010.

Transitional

(3) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2009 but not before April 1, 2008 and part of which is on or after April 1, 2009 but not after March 31, 2010, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2009 and the second beginning on April 1, 2009;

(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 37.8(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.10(1);

(d) by adding together the amounts determined under paragraph (c).

Idem

(4) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2009 and part of which is on or after April 1, 2010, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into three notional taxation years, the first ending on March 31, 2009, the second beginning on April 1, 2009 and ending on March 31, 2010, and the third beginning on April 1, 2010;

(b) by apportioning the taxable income earned in the taxation year between the three 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 37.8(1),

(ii) tax for the second notional taxation year in accordance with subsection 37.10(1), and

(iii) tax for the third notional taxation year in accordance with subsection 37.12(1);

(d) by adding together the amounts determined under paragraph (c). *2006,c.33,s.4.*

37.11 Where corporation eligible for small business deduction

(1) Notwithstanding subsection 37(1), if 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 April 1, 2010 and ends before April 1, 2013.

Transitional

(3) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2010, but not before April 1, 2009 and part of which is on or after April 1, 2010, the tax payable for the taxation year shall be calculated as follows

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2010 and the second beginning on April 1, 2010;

(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 37.9(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.11(1);

(d) by adding together the amounts determined under paragraph (c). *2006,c.33,s.4; 2013,c.35,s.2(1).*

37.11.1 Where corporation eligible for small business deduction on or after April 1, 2013

(1) Notwithstanding subsection 37(1), if 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 4.5%;

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 April 1, 2013, and ends before January 1, 2018.

Transitional

(3) Where a corporation to which subsection (1) applies has a taxation year part of which is before April 1, 2013, but not before April 1, 2012 and part of which is on or after April 1, 2013, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2013 and the second beginning on April 1, 2013;

(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(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.11.1(1);

(d) by adding together the amounts determined under clause (c). *2013,c.35,s.2(2); 2018,c.29,s.2.*

37.11.2 Where corporation eligible for small business deduction on or after January 1, 2018

(1) Notwithstanding subsection 37(1), where in a taxation year a corporation, other than 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 4%;

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, 2018 and ends before January 1, 2019.

Transitional

(3) Where a corporation to which subsection (1) applies has a taxation year part of which is before January 1, 2018, 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, 2017, and the second beginning on January 1, 2018;

(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

(A) for a corporation other than a credit union, in accordance with subsection 37.11.1(1), and

(B) for a credit union, in accordance with subsection 37.12.1(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.11.2(1); and

(d) by adding together the amounts determined under clause (c). *2018,c.29,s.3; 2018,c.50,s.3; 2025,c.6,s.5,6.*

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 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 and ends before January 1, 2020.

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). *2018,c.50,s.4; 2019,c.7,s.3; 2025,c.6,s.5.*

37.11.4 Where corporation eligible for small business deduction on or after January 1, 2020

(1) Notwithstanding subsection 37(1), where in a taxation year a corporation, other than 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%;

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, 2020 and ends before January 1, 2021.

Transitional

(3) Where a corporation to which subsection (1) applies has a taxation year part of which is before January 1, 2020, 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, 2019, and the second beginning on January 1, 2020;

(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 37.11.3(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.11.4(1); and

(d) by adding together the amounts determined under clause (c). *2019,c.7,s.4; 2020,c.48,s.9; 2025,c.6,s.5.*

37.11.5 Where corporation eligible for small business deduction on or after January 1, 2021

(1) Notwithstanding subsection 37(1), where in a taxation year a corporation, other than 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 2.0%;

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, 2021 and ends before January 1, 2022.

Transitional

(3) Where a corporation to which subsection (1) applies has a taxation year part of which is before January 1, 2021, 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, 2020, and the second beginning on January 1, 2021;

(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 37.11.4(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.11.5(1); and

(d) by adding together the amounts determined under clause (c). *2020,c.48,s.10; 2021,c.38,s.4; 2025,c.6,s.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 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, and ends before July 1, 2025.

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). *2021,c.38,s.5; 2025,c.6,s.5,7.*

37.11.7 Where corporation eligible for small business deduction on or after July 1, 2025

(1) Notwithstanding subsection 37(1), where in a taxation year a corporation, other than 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;

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 15%.

Adjustment to s. 125 of Federal Act

(2) For the purposes of subsection (1), the corporation's business limit determined in section 125 of the Federal Act for a taxation year is deemed to be the amount that would be determined pursuant to that section if the reference to the $500,000 amount, or another amount set under section 125 of the Federal Act, were read as a reference to $600,000.

Application

(3) Subsection (1) applies in respect of a corporation's taxation year which begins on or after July 1, 2025.

Transitional

(4) Where a corporation to which subsection (1) applies has a taxation year, part of which is before July 1, 2025, 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 June 30, 2025, and the second beginning on July 1, 2025;

(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 37.11.6(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). *2025,c.6,s.8.*

37.12 Where credit union eligible for small business deduction

(1) Notwithstanding subsection 37(1), if in a taxation year a credit union is eligible for a deduction under subsection 125(1) or 137(3) of the Federal Act, the tax payable by that credit union 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 credit union for the taxation year, plus the amount, if any, by which the lesser of the amounts determined pursuant to paragraphs 137(3)(a) and (b) of the Federal Act exceeds paragraph 137(3)(c) of the Federal Act for the credit union 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 credit union's taxation year which begins on or after April 1, 2010 and before April 1, 2013.

Transitional

(3) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2010 but not before April 1, 2009 and part of which is on or after April 1, 2010, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2010 and the second beginning on April 1, 2010;

(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 37.10(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.12(1);

(d) by adding together the amounts determined under paragraph (c).

Transitional

(4) Where a credit union to which subsection (1) applies has a taxation year that ends after March 20, 2013, B in subsection (1) is the amount determined by the formula

$$F + (G \times H)$$

where

F is the least of the amounts determined pursuant to paragraphs 125(1)(a), (b) and (c) of the Federal Act in respect of the credit union for the taxation year;

G is the amount for B in subsection 137(3) of the Federal Act; and

H is the percentage that is the total of

(a) the proportion of 100% that the number of days in the year that are before March 21, 2013, is of the number of days in the year; and

(b) the proportion of 80% that the number of days in the year that are after March 20, 2013, and before 2014 is of the number of days in the year;

(c) the proportion of 60% that the number of days in the year that are in 2014 is of the number of days in the year. *2006,c.33,s.4; 2013,c.35,s.3(1); 2013,c.16,s.3.*

37.12.1 Where credit union eligible for small business deduction on or after April 1, 2013

(1) Notwithstanding subsection 37(1), if in a taxation year a credit union is eligible for a deduction under subsection 125(1) or 137(3) of the Federal Act, the tax payable by that credit union 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 4.5%;

B is the amount determined by the formula

$$F + (G \times H)$$

where

F is the least of the amounts determined pursuant to paragraphs 125(1)(a), (b) and (c) of the Federal Act in respect of the credit union for the taxation year,

G is the amount for B in subsection 137(3) of the Federal Act; and

H is the percentage that is the total of

(a) the proportion of 80% that the number of days in the year that are before 2014 is of the number of days in the year;

(b) the proportion of 60% that the number of days in the year that are in 2014 is of the number of days in the year;

(c) the proportion of 40% that the number of days in the year in 2015 is of the number of days in the year;

(d) the proportion of 20% that the number of days in the year in 2016 is of the number of days in the year; and

(e) if one or more days in the year are after 2016, 0%;

C is the credit union's taxable income earned in the year in Prince Edward Island;

D is the credit union's taxable income earned in the year in a province;

and

E is 16%.

Application

(2) Subsection (1) applies in respect of a credit union's taxation year which begins on or after April 1, 2013, and ends before January 1, 2018.

Transitional

(3) Where a credit union to which subsection (1) applies has a taxation year part of which is before April 1, 2013 but not before April 1, 2012 and part of which is on or after April 1, 2013, the tax payable for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2013 and the second beginning on April 1, 2013;

(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 37.12(1), and

(ii) tax for the second notional taxation year in accordance with subsection 37.12.1(1);

(d) by adding together the amounts determined under clause (c). *2013,c.35,s.3(2); 2013,c.16,s.4; 2025,c.6,s.9.*

37.13 Application of Federal Act to rate

Notwithstanding subsections 37(1), (3), 37.2(1), (3) and (4), 37.4(1), (3) and (4), 37.6(1), (3) and (4), 37.8(1), (3) and (4), 37.10(1), (3) and (4), 37.11.2(1) and (3), 37.11.3(1) and (3), 37.11.4(1) and (3), 37.11.5(1) and (3), 37.11.6(1) and (3), 37.11.7(1) and (4), and 37.12(1) and (3), and 37.12.1(1) and (3), a corporation to which subsection 137.1(9) of the Federal Act applies in a taxation year shall pay a tax under this Part equal to 7.5 per cent of its taxable income earned in the year in Prince Edward Island. *2006,c.33,s.4; 2013,c.35,s.4; 2025,c.6,s.10.*

Subdivision b - Manufacturing and Processing Profits Deduction

38. Manufacturing and processing profits deduction

Where a portion of a corporation's taxable income earned in the year in Prince Edward Island is Canadian manufacturing and processing profits (within the meaning assigned by subsection 125.1(3) of the Federal Act), the corporation may deduct, from the amount of tax otherwise payable by it under section 37, an amount determined by the formula

$$A \times B \times C/D$$

where

A is 8.5%;

B is the lesser of the amounts determined under paragraph 125.1(1)(a) or (b) of the Federal Act for the year in respect of the corporation;

C is the corporation's taxable income earned in the year in Prince Edward Island; and

D is the corporation's taxable income earned in the year in a province.

1984,c.8,s.6; *1990,c.23,s.18; 2000,c.12,s.2.*

38.1 Application

Section 38 applies in respect of a corporation's taxation year which ends before April 1, 2005. *2005,c.43,s.4.*

38.2 Transitional

Where a corporation has a taxation year part of which is before April 1, 2005 and part of which is on or after April 1, 2005 the amount that may be deducted by the corporation for the taxation year shall be calculated as follows:

(a) by dividing the taxation year into two notional taxation years, the first ending on March 31, 2005 and the second beginning on April 1, 2005;

(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 the appropriate deduction for the first notional tax year in accordance with section 38 as it read on March 31, 2005. *2005,c.43,s.4.*

Subdivision c - Prince Edward Island Corporate Investment Tax Credit

39. Prince Edward Island corporate investment tax credit

(1) There may be deducted from the tax otherwise payable under this Act by a corporation for a taxation year an amount equal to the amount of the corporation's investment tax credit at the end of the taxation year.

Definitions

(2) In this section,

(a) "**investment tax credit**" of a corporation at the end of a taxation year means the amount, if any, by which the aggregate of

(i) an amount equal to 10 per cent of the aggregate of all amounts each of which is the capital cost to it of a qualified property acquired by it in the year, determined without reference to subsection 13(7.1) of the Federal Act,

(ii) an amount equal to 10 per cent of the aggregate of all amounts each of which is the capital cost to it of a qualified property acquired by it in any of the seven taxation years immediately preceding or the three taxation years immediately following that year, determined without reference to subsection 13(7.1) of the Federal Act,

(iii) an amount equal to the aggregate of all amounts each of which is an amount required by subsection (3) or (4) to be added in computing its investment tax credit at the end of the year, and

(iv) the aggregate of all amounts each of which is an amount required by subsection (3) or (4) to be added in computing its investment tax credit at the

end of any of the seven taxation years immediately preceding or the three taxation years immediately following that year,

exceeds

(v) the aggregate of all amounts each of which is that portion of the amount deducted under subsection (1) from the tax otherwise payable under this Act by the corporation for a preceding taxation year that is in respect of property acquired in the year or in the seven taxation years immediately preceding or the two taxation years immediately following the year;

(b) "**manufacturing or processing**" has the meaning assigned by subsection 125.1(3) of the Federal Act and includes "**qualified activities**" as defined by Federal regulations made for the purposes of the definition "**Canadian manufacturing and processing profits**" in subsection 125.1(3) of the Federal Act;

(c) "**qualified property**" of a corporation means property that is prescribed machinery and equipment prescribed for the purposes of paragraph (b) of the definition "**qualified property**" in subsection 127(9) of the Federal Act acquired by the corporation after 1992, that has not been used, or acquired for use or lease, for any purpose whatever before it was acquired by the taxpayer and that is

(i) to be used by the corporation in Prince Edward Island primarily for the purpose of manufacturing or processing of goods for sale or lease, or

(ii) to be leased by the corporation to a lessee (other than a person exempt from tax under section 149 of the Federal Act) who can reasonably be expected to use the property in Prince Edward Island primarily for the purpose of manufacturing or processing of goods for sale or lease, but this subparagraph does not apply in respect of property that is machinery and equipment unless the property is leased by the corporation in the ordinary course of carrying on a business in Prince Edward Island and the principal business of the corporation is manufacturing property that it sells or leases.

Credit, trust beneficiary

(3) Where in a particular taxation year of a corporation which is a beneficiary under a trust, an amount would, if the trust were a taxpayer, be determined in respect of the trust under subclause (2)(a)(i) or (iii) for its taxation year ending in that particular taxation year, the portion of that amount that may, having regard to all the circumstances including the terms and conditions of the trust, reasonably be considered to be the corporation's share thereof, shall be added in computing the investment tax credit of the corporation at the end of that particular taxation year.

Credit, partnership

(4) Where, in a particular taxation year of a corporation which is a member of a partnership an amount would, if the partnership were a taxpayer, be determined in respect of the partnership under subclause (2)(a)(i) or (iii) for its taxation year ending in that particular taxation year, the portion of that amount that may reasonably be considered to be the corporation's share thereof shall be added in computing the investment tax credit of the corporation at the end of that particular taxation year.

Credit, amalgamation

(5) Where after 1992 there has been an amalgamation within the meaning of subsection 87(1) of the Federal Act, for the purposes only of determining the investment tax credit of the new corporation for any taxation year preceding any taxation year of the new corporation, the new corporation shall be deemed to be the same corporation as, and a continuation of, each such predecessor corporation.

Credit, winding-up

(6) Where after 1992 there has been a winding-up to which subsection 88(1) of the Federal Act applies, for the purposes only of determining the investment tax credit of the parent for any taxation year preceding any taxation year of the parent, the parent shall be deemed to be the same corporation as, and a continuation of, the subsidiary.

Renouncement of tax credit

(7) A corporation may renounce its investment tax credit on or before the time on or before which the corporation is required to file its return of income for the year pursuant to section 150 of the Federal Act and, where the corporation so renounces entitlement to that credit, the corporation shall be deemed for all purposes never to have received, to have been entitled to receive or to have had a reasonable expectation of receiving that credit. *1984,c.8,s.6; 1990,c.23,s.18; 2000,c.12,s.2.*

Subdivision d - Foreign Tax Deduction

40. Foreign Tax deduction

(1) Where the income for a taxation year of a corporation that maintained a permanent establishment in Prince Edward Island at any time in the taxation year includes income described in subparagraph 126(1)(b)(i) of the Federal Act from sources in a country other than Canada, (in this section referred to as "foreign investment income"), and where the corporation may claim a deduction under subsection 126(1) of the Federal Act in respect of the foreign investment income, the corporation may deduct from the tax for the year otherwise payable under this Act an amount equal to the lesser of

(a) 15% of the product of

(i) the foreign investment income of the corporation for the year from sources in the country, and

(ii) that proportion that the corporation's taxable income earned in the year in Prince Edward Island is of the corporation's taxable income earned in the year; and

(b) that proportion of the amount by which such part of any non-business-income tax paid by the corporation for the year to the government of a country other than Canada, except any such tax or part thereof that may reasonably be regarded as having been paid in respect of income from a share of the capital stock of a foreign affiliate of the corporation, exceeds the amount deductible by the corporation under subsection 126(1) of the Federal Act that

(i) the corporation's taxable income earned in the year in Prince Edward Island,

is of

(ii) the corporation's taxable income earned in the year in a province.

Application of subsection (1)

(2) Where the income of a corporation for a taxation year includes income from sources in more than one country other than Canada, subsection (1) shall be read as providing for separate deductions in respect of each of the countries other than Canada. *R.S.P.E.I. 1974, Cap. I-1, s.36; 1990,c.23,s.19; 1993,c.11,s.17; 2000,c.12,s.2; 2003,c.12,s.12; 2005,c.10,s.3; 2025,s.6,s.11.*

Subdivision e - Capital Gains Refund to Mutual Fund Corporation

41. Capital gains refund to mutual fund corporation and investment corporation

(1) Where an amount is to be refunded to a corporation in respect of a taxation year, pursuant to section 131 of the Federal Act, the Minister shall, subject to subsection (2), at such time and in such manner as is provided in that section, refund to the corporation an amount (in this section referred to as its "capital gains refund" for the year) equal to the lesser of

(a) that proportion of the amount of the refund for the year calculated under subsection 131(2) of the Federal Act that

(i) the percentage referred to in subsection 37(1) for the year,

is of

(ii) the percentage referred to in paragraph (b) of the description of A in the formula in the definition "refundable capital gains tax on hand" in subsection 131(6) of the Federal Act for the year; and

(b) the capital gains tax payable by the corporation for the year.

Income earned outside Prince Edward Island

(2) For the purpose of computing the capital gains refund under subsection (1) for a corporation in respect of a taxation year, where

(a) the corporation's taxable income earned in the year in Prince Edward Island,

is less than

(b) the corporation's taxable income for the year,

the refund shall be that proportion of the capital gains refund for the year, otherwise determined under subsection (1), that the amount determined under clause (a) is of the amount determined under clause (b).

Application to other liability

(3) Instead of making a refund that might otherwise be made under subsection (1), the Minister may, where the corporation is liable or about to become liable to make any payment under this Act, apply the amount that would otherwise be refunded to that other liability and notify the corporation of that action. *R.S.P.E.I. 1974, Cap. I-1, s.37; 1990,c.23,s.20; 1993,c.11,s.17; 2000,c.12,s.2.*

DIVISION D — DEDUCTIONS AVAILABLE TO ALL TAXPAYERS

Political Contributions

42.

Repealed by 2020,c.48,s.11. *R.S.P.E.I. 1974, Cap. I-1, s.38; 1982,c.10,s.8; 1985,c.24,s.1; 1987,c.34,s.11; 1990,c.23,s.21; 1993,c.11,s.17; 2000,c.1,s.20; 2000,c.12,s.2; 2003,c.10,s.13; 2020,c.48,s.11.*

DIVISION E — RETURNS, ASSESSMENTS, PAYMENT AND APPEALS

43. Returns, estimate of tax, assessment, and withholding

Subsection 70(7), except the portion thereof that is after paragraph (a) thereof, sections 150,150.1 and 151 and subsections 152(1) to (3.1) and (4) to (9), 153(1), 153(1.01),

(1.1) to (3) and 156.1(4) of the Federal Act apply for the purposes of this Act. *1984,c.8,s.7; 1990,c.23,s.22; 1993,c.11,s.17; 2000,c.12,s.2; 2022,c.60,s.6.*

44. Reassessment

When a collection agreement is in effect, notwithstanding that the normal reassessment period for a taxpayer in respect of a taxation year has elapsed, if the tax payable under Part I of the Federal Act by the taxpayer for the year is reassessed, the Minister of Finance shall reassess, make additional assessments or assess tax, interest or penalties, as the circumstances require. *R.S.P.E.I. 1974, Cap. I-1, s.39; 1990,c.23,s.23; 1993,c.29,s.4; 2000,c.1,s.21; 2000,c.12,s.2; 2010,c.31,s.3; 2012,c.17,s.2; 2015,c.28,s.3.*

45. Instalments, farmers - fishermen

Section 155 of the Federal Act applies for the purpose of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.40; 1975,c.27,s.5; 1983,c.1,s.6; 1986,c.5,s.2; 1990,c.23,s.24; 2000,c.12,s.2.*

46. Instalments by other individuals

(1) Section 156 of the Federal Act applies for the purpose of this Act.

Where no instalments required

(2) Where, because of subsection 156.1(2) or (3) of the Federal Act, no instalment is required to be made under section 155 or 156 of the Federal Act by an individual for a particular taxation year, the requirements for payment of instalments under section 45 and subsection (1) do not apply to the individual for that year. *R.S.P.E.I. 1974, Cap. I-1, s.41; 1990,c.23,s.24; 2000,c.12,s.2.*

47. Payment of tax by corporations

(1) Subsections 157(1),(2),(2.1) and (4) of the Federal Act apply for the purposes of this Act.

Payments where collection agreement in effect

(2) Where a collection agreement is in effect, a corporation that pays amounts in respect of a taxation year computed pursuant to subparagraphs 157(1)(a)(i),(ii) or (iii) of the Federal Act and that is required to make payments pursuant to subsection 157(1) of the Federal Act, as it applies for the purposes of this Act, shall pay amounts in respect of the year computed pursuant to the same subparagraph as it applies for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.42; 1982,c.10,s.9; 1990,c.23,s.24; 2000,c.12,s.2.*

48. Application of Federal Act provisions, returns, payments and interest

Subsection 70(2), paragraph 104(23)(d), sections 158,159 and 160, subsections 160.1(1),(3) and (4), sections 160.2 and 160.3, and subsections 161(1) to (7),(9) and (11) of the Federal Act apply for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.43; 2000,c.12,s.2; 2022,c.60,s.7.*

49. Refund for tax credits

In applying subsection 160.1(1) of the Federal Act for the purposes of this Act, "refund" includes a refund that arises by reason of a provision of this Act

(a) that allows a taxpayer to deduct an amount from the tax payable pursuant to this Act; or

(b) that deems an amount to have been paid by a taxpayer as or on account of the tax payable pursuant to this Act by the taxpayer. *R.S.P.E.I. 1974, Cap. I-1, s.44; 1990,c.23,s.25; 2000,c.12,s.2.*

50. Computing Instalments

(1) Where an individual is deemed under subsection 161(4) of the Federal Act to be liable, in respect of tax payable under Part I of the Federal Act for a taxation year, to pay a part or instalment computed by reference to an amount described in paragraph 161(4)(a),(b) or (c) of the Federal Act, notwithstanding subsection 161(4) of the Federal Act, as it applies for the purposes of this Act, the individual is deemed for the purposes of subsection 161(2) of the Federal Act, as it applies for the purposes of this Act, to be liable to pay, in respect of tax payable under this Act for the year, a part or instalment computed by reference to the same paragraph, as it applies for the purposes of this Act.

Idem

(2) Where an individual is deemed under subsection 161(4.01) of the Federal Act to be liable, in respect of tax payable under Part I of the Federal Act for a taxation year, to pay a part or instalment computed by reference to an amount described in paragraph 161(4.01)(a),(b),(c) or (d) of the Federal Act, notwithstanding subsection 161(4.01) of the Federal Act, as it applies for the purposes of this Act, the individual is deemed for the purposes of subsection 161(2) of the Federal Act, as it applies for the purposes of this Act, to be liable to pay, in respect of tax payable under this Act for the year, a part or instalment computed by reference to the same paragraph, as it applies for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.45; 1990,c.23,s.26; 1993,c.11,s.18; 2000,c.12,s.2.*

51. Penalties

Subsections 162(1) to (3),(5),(7) and (11) and section 235 of the Federal Act apply for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.46; 1990,c.23,s.27; 1993,c.11,s.19; 2000,c.1,s.23; 2000,c.12,s.2.*

52. Repeated failures to report income and gross negligence

Subsection 163(1), subsection 163(2) as it would apply without the references to subsection 120(2) of the Federal Act therein, and subsections 163(2.1),(3) and (4) of the Federal Act apply for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.47; 2000,c.12,s.2.*

53. Penalty - late or deficient

Section 163.1 of the Federal Act applies for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.48; 1990,c.23,s.28; 1993,c.29,s.4; 2000,c.12,s.2.*

54. Refunds

(1) Subsections 164(1) to (1.31) and (1.5), (2), (2.01) and (3) to (7) of the Federal Act apply for the purposes of this Act.

Where collection agreement

(2) Where a collection agreement is in effect and by reason of a decision referred to in subsection 164(4.1) of the Federal Act a repayment of tax, interest or penalties pursuant to that Act for a taxation year is made to a taxpayer or any security accepted pursuant to that Act

for such tax, interest or penalties is surrendered to the taxpayer, subsection 164(4.1) of the Federal Act, as it applies for the purposes of this Act, applies to any overpayment of tax, interest or penalties pursuant to this Act for the year that arises by reason of the decision. *R.S.P.E.I. 1974, Cap. I-1, s.49; 1993,c.11,s.20; 2000,c.12,s.2; 2013,c.35,s.5.*

55. Objections to assessments

Sections 165,166.1 and 166.2 of the Federal Act apply for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.50; 1993,c.11,s.20; 2000,c.12,s.2.*

DIVISION F — APPEALS TO THE SUPREME COURT OF PRINCE EDWARD ISLAND

56. Appeals

(1) Section 169 of the Federal Act applies for the purposes of this Act.

Subject of appeal

(2) An appeal from an assessment under this Act may be taken in respect of any question relating,

(a) in the case of an individual, to the determination of

(i) the individual's residence for the purposes of this Act,

(ii) the individual's income earned in the taxation year in Prince Edward Island, as defined in clause 6(c), and the individual's income for the year, as defined in clause 6(e),

(iii) the amount of tax payable for a taxation year to the extent that tax payable is based on the tax payable under the Federal Act for that year, as defined in clause 6(g), and the amount of tax payable for a taxation year to the extent that tax payable is based on the individual's taxable income under the Federal Act for that year, or

(iv) any credit against, or deduction from, tax payable by the individual under this Act as provided for in this Act; and

(b) in the case of a corporation, to the determination of

(i) its taxable income earned in the year in Prince Edward Island, as defined in subsection 37(5), or

(ii) the amount of tax payable for a taxation year based on the taxable income of the corporation for that year,

but no appeal from an assessment lies in respect of the computation of the tax payable under the Federal Act, as defined in clause 6(g), of the taxable income of an individual or of the taxable income of a corporation.

Notice of appeal

(3) An appeal to the Court shall be instituted by serving upon the Minister of Finance a notice of appeal in duplicate in prescribed form and by filing a copy thereof with the registrar of the Court or the local registrar of the Court for the county or district in which the taxpayer resides.

Manner of service

(4) A notice of appeal shall be served upon the Minister of Finance by being sent by registered mail addressed to the deputy head.

Content of notice of appeal

(5) The taxpayer appealing shall set out in the notice of appeal a statement of the allegations of fact, the statutory provisions and the reasons that the taxpayer intends to submit in support of the taxpayer's appeal.

Fee

(6) The taxpayer appealing shall pay to the registrar of the Court the fee prescribed under the *Court Fees Act* R.S.P.E.I. 1988, Cap. C-27.001 upon the filing of the copy of the notice of appeal with the registrar. *R.S.P.E.I. 1974, Cap. I-1, s.51; 1979,c.9,s.5; 1983,c.1,s.6; 1986,c.5,s.2; 1990,c.23,s.29; 1993,c.11,s.21; 1993,c.29,s.4; 2000,c.1,s.24; 2000,c.12,s.2; 2010,c.31.s.3; 2012,c.10,s.5; 2012,c.17,s.2; 2015,c.28,s.3.*

57. Reply of Minister

(1) The Minister of Finance shall, within sixty days from the day the notice of appeal is received, or within such further time as the Court or a judge thereof may either before or after the expiration of that time allow, serve on the appellant and file in the Court a reply to the notice of appeal admitting or denying the facts alleged and containing a statement of such further allegations of fact and of such statutory provisions and reasons as the Minister of Finance intends to rely on.

Power of Court respecting notice of appeal

(2) The Court or a judge may, in the Court's or the judge's discretion, strike out a notice of appeal or any part thereof for failure to comply with subsection 56(5) and may permit an amendment to be made to a notice of appeal or a new notice of appeal to be substituted for the one struck out.

Power of Court respecting reply of Minister

(3) The Court or a judge may, in the Court's or the judge's discretion,

(a) strike out any part of a reply for failure to comply with this section or permit the amendment of a reply; and

(b) strike out a reply for failure to comply with this section and order a new reply to be filed within a time to be fixed by the order.

Where notice of appeal struck out

(4) Where a notice of appeal is struck out for failure to comply with subsection 56(5) and a new notice of appeal is not filed as and when permitted by the Court or a judge, the Court or a judge thereof may, in the Court's or the judge's discretion, dispose of the appeal by dismissing it.

Where reply of Minister struck out

(5) Where a reply is not filed as required by this section or is struck out under this section and a new reply is not filed as ordered by the Court or a judge within the time ordered, the Court may dispose of the appeal without notice or after a hearing on the basis that the allegations of fact contained in the notice of appeal are true. *R.S.P.E.I. 1974, Cap. I-1, s.52; 2000,c.1,s.26; 2000,c.12,s.2; 2010,c.31,s.3; 2012,c.17,s.2; 2015,c.28,s.3.*

58. Appeal deemed action in Court

(1) Upon the filing of the material referred to in sections 56 and 57, the matter is deemed to be an action in the Court and, unless the Court otherwise orders, ready for hearing.

Pleadings

(2) Any fact or statutory provision not set out in the notice of appeal or reply may be pleaded or referred to in such manner and upon such terms as the Court may direct. *1978,c.11,s.3; 1997,c.20,s.3; 2000,c.1,s.27; 2000,c.12,s.2.*

59. Irregularities, etc.

Sections 166,167,171,179 and 179.1 of the Federal Act apply for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.53; 2000,c.1,s.28; 2000,c.12,s.2.*

60. Practice and procedure

Except as provided in regulations prescribed by the Lieutenant Governor in Council, the practice and procedure of the Court apply to every matter deemed to be an action under section 58, and every judgment and order given or made in every such action may be enforced in the same manner and by the like process as a judgment or order given or made in an action commenced in the Court. *R.S.P.E.I. 1974, Cap. I-1, s.54; 1990,c.23,s.30; 1993,c.29,s.4; 2000,c.12,s.2.*

PART III — ADMINISTRATION AND ENFORCEMENT

Administration

61. Application of Federal Act

Sections 220,221.1,224,225.1 and 225.2 of the Federal Act apply for the purposes of this Act. *R.S.P.E.I. 1974, Cap. I-1, s.55; 2000,c.12,s.2.*

62. Remission of provincial portion of federal tax remitted

Where, under the Financial Administration Act (Canada),

(a) remission is granted to any individual of any tax, interest, or penalty payable under the Federal Act; and

(b) any tax, interest, or penalty was paid by the individual under this Act in respect of the same circumstances that gave rise to the remission granted under the *Financial Administration Act* (Canada),

the Minister of Finance may, if the Minister of Finance considers that the circumstances are sufficiently similar and that a remission of an amount payable under this Act should be granted either for the relief of extreme hardship, the taxpayer experienced financial setback coupled with extenuating circumstances or because the individual received incorrect advice from the Canada Customs and Revenue Agency,

(c) grant remission of all or any part of any tax, interest, or penalty paid under this Act; and

(d) authorize the repayment to the individual of any amount remitted in accordance with this section. *R.S.P.E.I. 1974, Cap. I-1, s.56; 1990,c.23,s.31; 1993,c.29,s.4; 2000,c.1,s.29; 2000,c.12,s.2; 2010,c.31,s.3; 2012,c.17,s.2; 2015,c.28,s.3.*

62.1 Definition, "Minister of Finance"

(1) For the purposes of this section, "Minister of Finance" means the Minister designated by the Lieutenant Governor in Council as the Minister responsible for the administration of this Act.

Authority to collect, use, disclose personal information

(2) The Minister of Finance has authority to collect and use personal information for the purposes of the administration of this Act and the regulations. *2022,c.77,s.2.*

63. Regulations

(1) The Lieutenant Governor in Council may make regulations

(a) prescribing anything that, by this Act, is to be prescribed or is to be determined or regulated by regulation;

(a.1) providing for overpayments of tax for specific purposes and the refund of those overpayments;

(b) providing in any case of doubt, the circumstances in which, and the extent to which, the Federal Regulations apply; and

(c) generally to carry out the purposes and the provisions of this Act.

Application of Federal Regulations

(2) Except to the extent that they are inconsistent with any regulations made under subsection (1) or are expressed by any regulation made under subsection (1) to be inapplicable, the Federal Regulations made under subsection 221(1) of the Federal Act apply *mutatis mutandis* for the purposes of this Act with respect to all matters enumerated in that subsection.

Regulations to be published

(3) No regulation made under this Act or under the Federal Act where it is applicable *mutatis mutandis* has effect for the purposes of this Act until it has been published in the Gazette of Prince Edward Island or the Canada Gazette, as the case may be, but, when so published, a regulation shall, if it so provides, be effective with reference to a period before it was published. *R.S.P.E.I. 1974, Cap. I-1, s.57; 2000,c.12,s.2; 2022,c.77,s.3.*

Enforcement

64. Debts to Her Majesty

Section 222 of the Federal Act applies for the purposes of this Act. *2000,c.12,s.2.*

65. Certificate regarding amount payable

(1) Subsection 223(1), except paragraphs (b),(b.1),(c) and (d) thereof, and subsections 223(2) to (4) of the Federal Act apply for the purposes of this Act.

Where collection agreement

(2) Where a collection agreement is in effect, subsection (1) does not apply, but the Minister may proceed pursuant to section 223 of the Federal Act for the purpose of collecting any amount payable pursuant to this Act by a taxpayer. *2000,c.12,s.2.*

66. Warrant to recover amount payable

The Minister of Finance may issue a warrant directed to the sheriff of any county or district in which any property of the taxpayer is located or situate, for the amount of tax, interest and penalty, or any of them, owing by the taxpayer, together with interest thereon from the date of the issue of the warrant and the costs, expenses and poundage of the sheriff, and such warrant shall have the same force and effect as a writ of execution issued out of the Court. *2000,c.12,s.2; 2010,c.31,s.3; 2012,c.17,s.2; 2015,c.28,s.3.*

67. Acquisition of debtor's property

Section 224.2 of the Federal Act applies for the purpose of this Act. *2000,c.12,s.2.*

68. Payment of money seized

Section 224.3 of the Federal Act applies for the purposes of this Act. *2000,c.12,s.2.*

69. Seizure of chattels

Section 225 of the Federal Act applies for the purposes of this Act. *2000,c.12,s.2.*

70. Taxpayer leaving Canada

Section 226 of the Federal Act applies for the purposes of this Act. *2000,c.12,s.2.*

71. Rules regarding withholding taxes

(1) Subsections 227(1) to (5.2),(8),(8.2) to (9),(9.2), and (9.4) to (13) of the Federal Act apply for the purposes of this Act.

Assessment

(2) The Minister of Finance may assess

(a) any person for any amount that has been deducted or withheld by that person pursuant to this Act or a regulation or pursuant to a provision of the Federal Act or of the Federal Regulations that applies for the purpose of this Act; and

(b) any person for any amount payable by that person pursuant to subsection 224(4) or (4.1), section 227.1 or 235 of the Federal Act, as they apply for the purpose of this Act, or section 75,

and, where the Minister of Finance sends a notice of assessment to that person, sections 43 and 48 to 60 are applicable with such modifications as the circumstances require.

Restriction on penalty

(3) Notwithstanding any other provision of this Act or any other enactment, the penalty for failure to remit an amount required to be remitted by a person on or before the day prescribed in the Federal Regulations made for the purposes of subsection 153(1) of the Federal Act, as both those regulations and that subsection apply for the purposes of this Act, shall, unless the person required to remit the amount has, knowingly or under circumstances that amount to gross negligence, delayed in remitting the amount or has, knowingly or under circumstances that amount to gross negligence, remitted an amount less than the amount required to be remitted, apply only to the amount by which the total of all amounts so required to be remitted on or before that day exceeds $500. *2000,c.12,s.2; 2010,c.31,s.3; 2012,c.17,s.2; 2015,c.28,s.3.*

72. Liability of directors

Section 227.1 of the Federal Act applies for the purpose of this Act. *2000,c.12,s.2.*

73. Books and records

Section 230 of the Federal Act applies for the purpose of this Act. *2000,c.12,s.2.*

74. Rules regarding audit and inspection

(1) Sections 231 to 231.8 of the Federal Act apply for the purpose of this Act.

Solicitor client privilege

(2) Sections 232,233 and 236 of the Federal Act apply for the purpose of this Act. *2000,c.12,s.2.*

75. Violation of paragraph 221(1)(d) or (e) of Federal Act

(1) Every person who fails to comply with a regulation made under paragraphs 221(1)(d) or (e) of the Federal Act as it applies by virtue of subsection 63(2) is liable in respect of each failure to so comply to a penalty of $10 a day for each day of default but not exceeding in all $2,500.

Penalty respecting section 63

(2) Every person who fails to comply with a regulation made under section 63 or incorporated by reference by virtue of subsection (2) thereof is liable to a penalty of $10 a day for each day of default but not exceeding in all $2,500. *2000,c.12,s.2.*

Offences

76. Failure to file

(1) Every person who fails to file a return as and when required by or pursuant to this Act or a regulation, or by or pursuant to a provision of the Federal Act or of the Federal Regulations as the provision applies for the purpose of this Act, or who fails to comply with any of subsections 153(1),227(5) and 230(3),(4) and (6) and sections 231 to 231.5 and 232 of the Federal Act, as it applies for the purpose of this Act, or with an order made pursuant to subsection (2), is guilty of an offence and, in addition to any penalty otherwise provided, is liable on summary conviction to

(a) a fine of not less than $1,000 and not more than $25,000; or

(b) both the fine referred to in clause (a) and imprisonment for a term not exceeding twelve months.

Compliance orders

(2) Subsection 238(2) of the Federal Act applies for the purpose of this Act.

Saving

(3) Where a person is convicted pursuant to this section for failure to comply with a provision of this Act or a regulation or a provision of the Federal Act or of the Federal Regulations that applies, for the purpose of this Act, that person is not liable to a penalty pursuant to subsection 227(8),(8.5),(9) or (9.5) of the Federal Act, as those subsections apply for the purpose of this Act, or pursuant to section 51 or 75 for the same failure unless that person was assessed for that penalty or that penalty was demanded from that person before the information or complaint giving rise to the conviction was laid or made. *2000,c.12,s.2.*

77. Other offences and punishment

Subsections 239(1) and (1.1) of the Federal Act apply for the purpose of this Act. *2000,c.12,s.2.*

78. Offences under both Acts

Where a collection agreement is entered into and proceedings under section 238 or 239 of the Federal Act are taken against any person, the Minister may take or refrain from any action against such person contemplated by section 76 or 77, as the case may be. *2000,c.12,s.2.*

79. Revealing confidential information

(1) Every person who, while employed in the administration of this Act,

(a) knowingly communicates or knowingly allows to be communicated to any person not legally entitled thereto any information obtained by or on behalf of the Minister of Finance for the purposes of this Act;

(b) knowingly allows any person not legally entitled thereto to inspect or to have access to any book, record, writing, return or other document obtained by or on behalf of the Minister of Finance for the purposes of this Act; or

(c) knowingly uses, other than in the course of that person's duties in connection with the administration or enforcement of this Act, any information obtained by or on behalf of the Minister of Finance for the purposes of this Act,

is guilty of an offence and liable on summary conviction to a fine not exceeding $5,000 or to imprisonment for a term not exceeding twelve months or to both a fine and imprisonment.

Exceptions

(2) Subsection (1) does not apply to the communication of information between

(a) the Minister of National Revenue for Canada and the Minister of Finance of Prince Edward Island;

(b) the Minister of Finance of Prince Edward Island or the Minister of National Revenue for Canada, acting on behalf of Prince Edward Island, and the provincial treasurer, provincial secretary-treasurer, or minister of finance of the government of

(i) an agreeing province, or

(ii) a non-agreeing province, as defined in clause 89(1)(c), to which an adjusting payment may be made under subsection 89(2); or

(c) the Minister of National Revenue for Canada and the Minister of Finance for Canada, where that information is provided pursuant to subsection (3).

Provision of information

(3) The Minister may provide any information obtained by or on behalf of the province for the purposes of this Act to an official of the Minister of Finance for Canada, solely for the purposes of the formulation of fiscal policy. *2000,c.12,s.2; 2010,c.31,s.3; 2012,c.17,s.2; 2015,c.28,s.3; 2022,c.60,s.9.*

80. Officers, etc., of corporations

Section 242 of the Federal Act applies for the purpose of this Act. *2000,c.12,s.2.*

81. Power to decrease punishment

Section 243 of the Federal Act applies for the purpose of this Act. *2000,c.12,s.2.*

Procedure and Evidence

82. Rules regarding procedure and evidence

(1) Subsections 244(1) to (5), (6.1), (7) to (11), (13) to (18), and (20) to (22) of the Federal Act apply for the purpose of this Act.

Judicial notice

(2) Judicial notice shall be taken of

(a) all orders or regulations made under this Act; and

(b) a collection agreement entered into under this Act or any agreement for the collection by Canada of the tax imposed under the income tax statute of an agreeing province,

without such orders, regulations or agreements being specially pleaded or proven.

Deemed date of remittance

(3) For the purpose of this Act, anything sent by first-class mail or its equivalent is deemed to have been received by the person to whom it is sent on the day that it was mailed except that a remittance of an amount deducted or withheld as required by this Act or a regulation or by a provision of the Federal Act or of the Federal Regulations that applies for the purpose of this Act, as it applies for the purpose of this Act, is deemed to have been remitted on the day it is received by the Minister of Finance.

***Prima facie* evidence of collection agreement**

(4) A document purporting to be a collection agreement entered into under this Act or an agreement with Canada for the collection of tax imposed under the income tax statute of an agreeing province that is

(a) published in the Canada Gazette; or

(b) certified as such by or on behalf of

(i) the Minister of Finance, or

(ii) the provincial treasurer, the provincial secretary-treasurer or the minister of finance of the appropriate agreeing province,

shall be received as *prima facie* evidence of the contents thereof.

***Prima facie* evidence of tax payable**

(5) Every certificate by the Minister of Finance as to

(a) a taxpayer's tax payable under the Federal Act, as defined in clause 6(g);

(b) a taxpayer's income for the year, as defined in clause 6(e); or

(c) the taxable income of a corporation,

is *prima facie* evidence that a taxpayer's tax payable under the Federal Act, a taxpayer's income for the year or the taxable income of a corporation, as the case may be, is in the amount set out therein.

Certificate deemed that of Provincial Treasurer where collection agreement

(6) Where a collection agreement is entered into, any document or certificate that is executed or issued by the Minister, the Commissioner of Customs and Revenue, or an official of the Canada Customs and Revenue Agency on behalf or in place of the Minister of Finance, the Provincial Treasurer's deputy or an officer of the Provincial Treasurer's Department, is deemed, for all purposes of this Act, to be executed or issued by the Minister of Finance, the Provincial Treasurer's deputy or an officer of the Provincial Treasurer's Department, as the case may be.

Reference to R.C.M.P.

(7) Where no collection agreement is entered into, a reference in this section to the Royal Canadian Mounted Police shall be construed as a reference to the police force carrying out the duties of a provincial police in Prince Edward Island. *2000,c.12,s.2; 2010,c.31,s.3; 2010,c.31,s.3; 2015,c.28,s.3; 2022,c.60,s.10.*

83. General anti-avoidance rule

Section 245 of the Federal Act applies for the purpose of this Act. *2000,c.12,s.2.*

84. Benefit conferred on a person

Section 246 of the Federal Act applies for the purpose of this Act. *2000,c.12,s.2.*

PART IV — COLLECTION OF TAX

Subdivision a - Collection Agreement

85. Collection agreement

(1) The Minister of Finance, with the approval of the Lieutenant Governor in Council, may, on behalf of the Government of the Province of Prince Edward Island, enter into a collection agreement with the Government of Canada pursuant to which the Government of Canada will collect taxes payable under this Act on behalf of Prince Edward Island and will make payments to Prince Edward Island in respect of the taxes so collected, in accordance with such terms and conditions as the collection agreement prescribes.

Amendment of Collection Agreement

(2) The Minister of Finance, with the approval of the Lieutenant Governor in Council, may, on behalf of the Government of the Province of Prince Edward Island enter into an agreement amending the terms and conditions of a collection agreement entered into pursuant to subsection (1).

Delegation to Federal Minister

(3) When a collection agreement is in effect, the Minister of National Revenue for Canada, on behalf of, or as agent for, the Minister of Finance, is hereby authorized to employ all the powers, to perform all the duties, and to exercise any discretion that the Minister of Finance or the deputy head has under this Act, including the discretion to refuse to permit the production in judicial or other proceedings in Prince Edward Island of any document that it is not, in the opinion of the Minister of National Revenue for Canada, in the interests of public policy to produce.

Delegation to Commissioner of Customs and Revenue

(4) When a collection agreement is in effect, the Commissioner of Customs and Revenue may

(a) employ all the powers, perform the duties and exercise any discretion that the Minister has under subsection (3) or otherwise under this Act; and

(b) designate officers of the Canada Customs and Revenue Agency to carry out such functions, duties and powers as are similar to those that are exercised by them on behalf of the Commissioner of Customs and Revenue under the Federal Act. *2000,c.12,s.2; 2010,c.31,s.3; 2012,c.17,s.2; 2015,c.28,s.3.*

Payments on Account

86. Application of tax payment

(1) A collection agreement may provide that where a payment is received by the Minister or Receiver General of Canada on account of tax payable by a taxpayer for a taxation year under this Act, the Federal Act or an income tax statute of another agreeing province, or under any two or more of such Acts or statutes, the payment so received may be applied by the Minister towards the tax payable by the taxpayer under any such Act or statute in such manner as may be specified in the agreement, notwithstanding that the taxpayer directed that the payment be applied in any other manner or made no direction as to its application.

Effect of application of payment

(2) Any payment or part thereof applied by the Minister in accordance with a collection agreement towards the tax payable by a taxpayer for a taxation year under this Act

(a) relieves the taxpayer of liability to pay such tax to the extent of the payment or part thereof so applied; and

(b) is deemed to have been applied in accordance with a direction made by the taxpayer. *2000,c.12,s.2; 2012,c.17,s.2.*

Deductions at Source

87. Restriction on application of tax payment

When a collection agreement is in effect and an amount is remitted to the Minister of Finance pursuant to subsection 153(1) of the Federal Act, as it applies for the purpose of this Act, on account of the tax of an individual who is resident on the last day of the taxation year in another agreeing province,

(a) no action lies for recovery of such amount by that individual; and

(b) the amount may not be applied in discharge of any liability of that individual under this Act. *2000,c.12,s.2; 2010,c.31,s.3; 2012,c.17,s.2; 2015,c.28,s.3.*

88. Where tax deducted in another province

(1) When a collection agreement is in effect, an individual resident in Prince Edward Island on the last day of the taxation year is not required to remit any amount on account of tax payable by the individual under this Act for the taxation year to the extent of the amount deducted or withheld on account of the individual's tax for that year under the income tax statute of another agreeing province.

Overpayment

(2) Where the total amount deducted or withheld on account of tax payable under this Act and under the income tax statute of another agreeing province by an individual resident in Prince Edward Island on the last day of the taxation year to whom subsection (1) applies exceeds the tax payable by the individual under this Act for that year, the provisions of the Federal Act that apply for the purposes of this Act because of section 54 apply in respect of such individual as though the excess were an overpayment under this Act. *2000,c.12,s.2.*

Subdivision b - Non-agreeing Provinces

89. Definitions

(1) In this section,

(a) "**adjusting payment**" means a payment, calculated in accordance with this section, made by or on the direction of Prince Edward Island to a non-agreeing province;

(b) "**amount deducted or withheld**" does not include any refund made in respect of that amount; and

(c) "**non-agreeing province**" means a province that is not an agreeing province.

Payment to non-agreeing province

(2) Where, in respect of a taxation year a non-agreeing province is authorized to make a payment to Prince Edward Island that, in the opinion of the Minister of Finance, corresponds to an adjusting payment, the Lieutenant Governor in Council may authorize the Minister of Finance to make an adjusting payment to that non-agreeing province and enter into any agreement that may be necessary to carry out the purpose of this section.

Adjusting payment by Government of Canada

(3) When a collection agreement is in effect, an adjusting payment that may be made pursuant to subsection (2) may be made by the Government of Canada, where it has agreed to act on the direction of Prince Edward Island, as communicated by the Minister of Finance for Prince Edward Island to the Minister of National Revenue for Canada.

Computation of adjusting payment

(4) The adjusting payment to be made under this section shall be in an amount that is equal to the aggregate of the amounts deducted or withheld under subsection 153(1) of the Federal Act, as it applies for the purpose of this Act, in respect of the tax payable for a taxation year by individuals who

(a) file returns under the Federal Act;

(b) are taxable thereunder in respect of that year; and

(c) are resident on the last day of that year in the non-agreeing province to

which the adjusting payment is to be made.

Effect of adjusting payment

(5) Where an adjusting payment is to be made to a non-agreeing province and there has been an amount deducted or withheld under subsection 153(1) of the Federal Act, as it applies for the purpose of this Act, on account of the tax for a taxation year of an individual who is taxable under the Federal Act in respect of that year and who is resident on the last day of that taxation year in the non-agreeing province,

(a) no action lies for the recovery of such amount by that individual; and

(b) the amount may not be applied in discharge of any liability of that individual under this Act.

Further effect

(6) Where an adjusting payment to a non-agreeing province is to be made under this section for a taxation year, an individual resident in Prince Edward Island on the last day of the taxation year is not required to remit any amount on account of income tax payable, or that might have been payable, by the individual under this Act for the taxation year to the extent of the amount deducted or withheld on account of the individual's income tax for that year under the law of that non-agreeing province.

Overpayment by taxpayer

(7) Where an adjusting payment to a non-agreeing province is to be made under this section for a taxation year and the total amount deducted or withheld on account of the tax payable under this Act and on account of the income tax payable under the law of the non-agreeing province by an individual resident in Prince Edward Island on the last day of the taxation year to whom subsection (6) applies exceeds the tax payable by the individual under this Act for that year, the provisions of the Federal Act that apply for the purposes of this Act because of section 54 apply in respect of such individual as though the excess were an overpayment under this Act.

Manner of making adjusting payment where collection agreement

(8) When a collection agreement is in effect and the Government of Canada has agreed in respect of a taxation year to carry out the direction of Prince Edward Island and to make an adjusting payment on behalf of Prince Edward Island, the adjusting payment

(a) shall be made out of any moneys that have been collected on account of tax under this Act for any taxation year; and

(b) shall be the amount calculated by the Minister to be the amount required to be paid under subsection (4),

and the payment thereof discharges any obligation the Government of Canada may have with respect to the payment to Prince Edward Island of any amount deducted or withheld under subsection 153(1) of the Federal Act, as it applies for the purpose of this Act, to which subsection (5) applies. *2000,c.12,s.2; 2010,c.31,s.3; 2012,c.17,s.2; 2015,c.28,s.3.*

Subdivision c - Reciprocal Enforcement of Judgments

90. Reciprocal enforcement of judgments

(1) A judgment of a superior court of an agreeing province under that province's income tax statute, including any certificate registered in such superior court in a manner similar to that provided in subsection 65(2), may be enforced in the manner provided in the Reciprocal Enforcement of Judgments Act R.S.P.E.I. 1988, Cap. R-6.

Registration

(2) For the purposes of subsection (1), where a judgment of a superior court of an agreeing province is sought to be registered under the *Reciprocal Enforcement of Judgments Act*, such judgment shall be registered, notwithstanding that it is established that one or more of the provisions of section 3 of that Act apply.

Regulations

(3) For the purposes of subsection (1), the Lieutenant Governor in Council may make regulations to enable the enforcement of judgments in respect of taxes in agreeing provinces to be enforced in Prince Edward Island. *2000,c.12,s.2.*

91. Deemed commencement

Subsections 15(3) to (5), 18(3), (3.1), and (4) of this Act are deemed to have come into force on January 1, 2001. *2000,c.12,s.2; 2004,c.39,s.3.*