



*Prepared May 9, 2022*

## **Marginal 2022 Combined Federal and Provincial Tax Rates and Brackets for Prince Edward Island**

| <b>Personal Taxable Income Bracket</b>   | <b>Tax Rate</b>  |
|--|------------------|
|  | (See info below) |
| <b>Up to \$14,398</b> (the federal basic personal amt. for income below \$155,626)               | <b>0.00%</b>     |
| <b>\$14,399 to \$14,821<sup>1</sup></b> (PEI low income tax reduction ends at \$14,821)          | <b>15.00%</b>    |
| <b>\$14,822 to \$20,000</b>  | <b>24.80%</b>    |
| <b>\$20,001 to \$27,000</b> (5% clawback of PEI low income tax reduction <sup>1</sup> )          | <b>29.80%</b>    |
| <b>\$27,001 to \$31,984</b> (Also consider Canada Child Benefit clawback <sup>2</sup> )          | <b>24.80%</b>    |
| <b>\$31,985 to \$50,197</b> (Also consider age amt. clawback over \$39,826)                      | <b>28.80%</b>    |
| <b>\$50,198 to \$63,969</b>  | <b>34.30%</b>    |
| <b>\$63,970 to \$100,221<sup>4</sup></b> (Also consider OAS clawback <sup>3</sup> over \$81,761) | <b>37.20%</b>    |
| <b>\$100,222 to \$100,392</b>  | <b>38.87%</b>    |
| <b>\$100,393 to \$155,625</b>  | <b>44.37%</b>    |
| <b>\$155,626 to \$221,708</b>  | <b>47.75%</b>    |
| <b>\$221,709 and above</b>   | <b>51.37%</b>    |

<sup>1</sup> The PEI low income tax reduction eliminates taxes on taxable income above the PEI basic amount of \$11,250 up to \$14,821 assuming only the basic amount is claimed (no children); these taxes are recovered on taxable income between \$20,001 and \$27,000.

<sup>2</sup> The Canada Child Benefit is based the age and number of children and reduced by net income above \$32,797.

<sup>3</sup> The Old Age Security clawback, if counted as tax, will add approx. 10% to tax rates from \$81,761 to about \$133,000 if OAS is started at age 65 (upper threshold is higher if OAS is started at a later age).

<sup>4</sup> P.E.I. surtax effect of 1.67% starts at \$100,222 assuming the only credit claimed is the basic amount.

**Guidance:** These rates apply to regular income, such as employment, interest and business income. Taxable Canadian dividends are taxed at lower rates (see next page for approximations), and only 50% of capital gains are taxable. Effects of various clawbacks are excluded, which can be substantial. Increasing income may result in reduction of EI benefits, Old Age Security, Guaranteed Income Supplement, Age Amount, Canada Child Benefit, GST/HST Credit, medical expense credit, nursing home subsidies and other payments and benefits. Alternative minimum tax may also be applicable. Rates vary by province and territory, and may be changed at any time by legislation. See your tax advisor for current and complete information.

**Important – Using Marginal Tax Rates:** When income moves to the next tax bracket, the additional income is taxed at the higher rate, but income below that bracket is still taxed at the lower rates. These “marginal” rates apply to the “next dollar” earned or deducted. They differ from “average” tax rates that relate to an approximation of income taxes in relation to total taxable income.

*See approximate income tax and dividend tax rates on the next page.*

*(Continued)*

*Financial Planning For a Balanced Lifestyle*

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## 2022 APPROXIMATE Combined Federal and Provincial Marginal Tax Rates for Prince Edward Island

For ease of discussion and understanding, this table approximates rates and tax brackets.

| Approximate Taxable<br>Income Bracket | Regular<br>Income <sup>5</sup> | Eligible<br>Dividends <sup>6</sup> | Ineligible<br>Dividends <sup>6</sup> | Average<br>Rates<br>(Regular) |
|---------------------------------------|--------------------------------|------------------------------------|--------------------------------------|-------------------------------|
| <i>Rounded</i>                        | <i>Approximate</i>             |                                    |                                      |                               |
| <b>Up to \$14,000</b>                 | <b>0%</b>                      | <b>0%</b>                          | <b>0%</b>                            | <b>0%</b>                     |
| <b>\$14,000 to \$50,000</b>           | <b>28%</b>                     | <b>5%</b>                          | <b>20%</b>                           | <b>0 - 20%</b>                |
| <b>\$50,000 to \$100,000</b>          | <b>37%</b>                     | <b>16%</b>                         | <b>30%</b>                           | <b>20 - 28%</b>               |
| <b>\$100,000 to \$156,000</b>         | <b>44%</b>                     | <b>25%</b>                         | <b>39%</b>                           | <b>28 - 34%</b>               |
| <b>\$156,000 to \$222,000</b>         | <b>48%</b>                     | <b>29%</b>                         | <b>43%</b>                           | <b>34 - 38%</b>               |
| <b>\$222,000 and above</b>            | <b>51%</b>                     | <b>34%</b>                         | <b>47%</b>                           | <b>38 - 51%</b>               |

<sup>5</sup> Regular income includes such items as wages, pensions, interest, rents, business income, etc.

<sup>6</sup> Eligible dividends are typically those paid by public companies, but also include certain qualifying amounts paid by private companies. These tax rates apply to the actual amount of the dividend, not the grossed-up dividend reported on the tax return.

### Frequently used tax credits and other information:

|  | Federal<br>amount <sup>7</sup>  | PEI<br>Amount <sup>7</sup> | Combined tax<br>savings |
|--|---|----------------------------|-------------------------|
| Basic personal amount  | \$14,398 <sup>8</sup>   | \$11,250                   | \$3,262                 |
| Amount for spouse, common-law partner or eligible dependant (reduced by income of that individual) | \$14,398 <sup>8</sup>   | \$9,555                    | \$3,096                 |
| Age amount (up to net income of \$39,826 / \$28,019, reducing thereafter)                          | \$7,898   | \$3,764                    | \$1,554                 |
| Disability amount (excluding child supplement)   | \$8,870   | \$6,890                    | \$2,005                 |
| Charitable donations   | 45.7% to 51.37% of amount > \$200 (24.8% up to \$200)   |                            |                         |
| Guaranteed Income Supplement and OAS calculator  | <a href="https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/payments.html#tbl1">https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/payments.html#tbl1</a>                       |                            |                         |
| Canada Child Benefit and Family Benefits calculator  | <a href="https://www.canada.ca/en/revenue-agency/services/child-family-benefits/child-family-benefits-calculator.html">https://www.canada.ca/en/revenue-agency/services/child-family-benefits/child-family-benefits-calculator.html</a> |                            |                         |
| Child and spousal support calculator   | <a href="https://www.mysupportcalculator.ca">https://www.mysupportcalculator.ca</a>   |                            |                         |

<sup>7</sup> The first two columns are the base amounts on the tax return, while the final column is the actual taxes saved. The tax savings will be slightly higher for higher incomes because of the addition of PEI surtax above \$100,221 and the reduction of the federal basic amount above \$155,625.

<sup>8</sup> These federal amounts gradually reduce to \$12,719 as income increases from \$155,625 to \$221,708.

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