



Prepared September 4, 2023

Marginal Tax Rates and Brackets for Prince Edward Island

Personal Taxable Income Bracket	Tax Rate
	(See info below)
Up to \$15,000 (the federal basic personal amt. for income below \$165,431)	0.00%
\$15,001 to \$16,321¹ (PEI low income tax reduction ends at \$16,321)	15.00%
\$16,322 to \$20,750	24.80%
\$20,751 to \$27,750 (5% clawback of PEI low income tax reduction ¹)	29.80%
\$27,751 to \$31,984 (Also consider Canada Child Benefit clawback ²)	24.80%
\$31,985 to \$53,359 (Also consider age amt. clawback over \$42,335)	28.80%
\$53,360 to \$63,969	34.30%
\$63,970 to \$101,102 (Also consider OAS clawback ³ over \$86,912)	37.20%
\$100,103⁴ to \$106,717	38.87%
\$106,718 to \$165,430	44.37%
\$165,431 to \$235,675	47.69%
\$235,676 and above	51.37%

¹ The PEI low income tax reduction eliminates taxes on taxable income above the PEI basic amount of \$12,750 up to \$16,321 assuming only the basic amount is claimed (no other credits); these taxes are recovered on taxable income from \$20,751 to \$27,750.

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

³ The Old Age Security clawback, if counted as tax, will add approximately 10% to tax rates from \$86,912 to about \$142,000 if OAS is started at age 65 (upper threshold is higher after age 75 or if OAS is started at a later age).

⁴ P.E.I. surtax effect of 1.67% starts at \$101,103 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 tax rates on regular income and dividends on next page.

(Continued)

Financial Planning For a Balanced Lifestyle

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2023 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 Income Bracket	Regular Income ⁵	Eligible Dividends ⁶	Ineligible Dividends ⁶	Average Rates (Regular)
<i>Rounded</i>	<i>Approximate</i>			
Up to \$15,000	0%	0%	0%	0%
\$15,000 to \$53,000	28%	5%	21%	0 - 21%
\$53,000 to \$107,000	37%	16%	30%	21 - 29%
\$107,000 to \$165,000	44%	25%	39%	29 – 34%
\$165,000 to \$236,000	48%	29%	43%	34 – 38%
\$236,000 and above	51%	34%	47%	38 – 51%

⁵ Regular income includes such items as wages, pensions, interest, rents, business income, etc.

⁶ 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. (which is 138% of actual for eligible and 115% for other than eligible).

Frequently used tax credits and other information:

	Federal amount ⁷	PEI Amount ⁷	Combined tax savings
Basic personal amount	\$15,000 ⁸	\$12,750	\$3,499
Amount for spouse, common-law partner or eligible dependant (reduced by income of that individual)	\$15,000 ⁸	\$10,829	\$3,311
Age amount (up to net income of \$42,335 / \$39,879, reducing thereafter)	\$8,396	\$4,679	\$1,718
Disability amount (excluding child supplement)	\$9,428	\$6,890	\$2,089
Charitable donations	45.7% to 51.37% of amount > \$200 (24.8% up to \$200)		
Guaranteed Income Supplement and OAS calculator	https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/payments.html#tbl1		
Canada Child Benefit and Family Benefits calculator	https://www.canada.ca/en/revenue-agency/services/child-family-benefits/child-family-benefits-calculator.html		
Child and spousal support calculator	https://www.mysupportcalculator.ca		

⁷ The first two columns are the base amounts on the tax return, while the final column shows the actual taxes saved. The tax savings will be slightly higher for higher incomes because of the addition of PEI surtax above \$101,102 and lower with the reduction of the federal basic amount above \$165,430.

⁸ These federal amounts gradually reduce to \$13,520 as income increases from \$165,430 to \$235,675.

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