



PRINCE EDWARD ISLAND
ÎLE-DU-PRINCE-ÉDOUARD

INCOME TAX ACT REGULATIONS

PLEASE NOTE

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For more information concerning the history of these regulations, please see the *Table of Regulations* on the Prince Edward Island Government web site (www.princeedwardisland.ca).

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**INCOME TAX ACT****Chapter I-1****REGULATIONS**

Pursuant to section 63 of the *Income Tax Act* R.S.P.E.I. 1988, Cap. I-1, Council made the following regulations:

1. Definitions

(1) In these regulations

- (a) “**Act**” means the *Income Tax Act* R.S.P.E.I. 1988, Cap. I-1;
- (a.1) “**approval form**” means the Prince Edward Island Teacher School Supply Tax Credit Form provided by the Department of Education or the Prince Edward Island Child Care Provider Tax Credit Form provided by the Child Care Facilities Board;
- (a.11) “**Child Care Facilities Board**” means the Board established pursuant to section 3 of the *Child Care Facilities Act* R.S.P.E.I. 1988, Cap. C-5;
- (a.2) “**employee**” means any person receiving remuneration who reports for work at an establishment of the employer in Prince Edward Island;
- (b) “**employer**” has the meaning given by section 100 of the *Income Tax Act* (Canada) regulations;
- (c) “**estimated deductions**” has the meaning given by section 100 of the *Income Tax Act* (Canada) regulations;
- (c.1) “**guidelines**” means the Prince Edward Island Teacher School Supply Tax Credit Guidelines established by the Department of Education or the Prince Edward Island Child Care Provider Tax Credit Guidelines established by the Child Care Facilities Board;
- (d) “**pay period**” has the meaning given by section 100 of the *Income Tax Act* (Canada) regulations;
- (e) “**personal credits**” means, in respect of a particular taxation year, the greater of
 - (i) the amount referred to in clause 9(1)(c) of the Act, and
 - (ii) the aggregate of the credits which the employee would be entitled to claim for the year under
 - (A) subsections 9(1), (2) and (3) of the Act if the description of A in those subsections were read as “is equal to one”,
 - (B) section 12 of the Act if the description of A in subsection 12(1) of the Act were read as “is equal to one” and if subsection 118.3(1) of the *Federal Act* were read without reference to paragraph (c) thereof,

- (C) sections 13 and 14 of the Act if subsection 118.5(1) of the *Federal Act* were read without reference to “the product obtained when the appropriate percentage for the year is multiplied by” and the description of A in subsection 14(1) of the Act were read as “is equal to one”, and after deducting from the aggregate of the amounts determined under those sections the excess over \$3,000 of the aggregate of amounts that the employee claims to expect to receive in the year on account of a scholarship, fellowship or bursary,
- (D) subsection 18(1) of the Act if the formula $A + B - C$ in section 118.8 of the *Federal Act* were read as

$$\frac{A + B}{C}$$

where

A is the value of A in that section,

B is the value of B in that section, and

C is the appropriate percentage for the year, and

- (E) subsection 18(2) of the Act if the formula $A - B$ in section 118.81 of the *Federal Act* were read as

$$\frac{A}{B}$$

where

A is the value of A set out in that section, and

B is the appropriate percentage for the year;

- (f) “**remuneration**” has the meaning given by section 100 of the *Income Tax Act* (Canada) regulations, except that it shall be read without reference to clause (a.1) of those regulations;
- (g) “**total remuneration**” has the meaning given by section 100 of the *Income Tax Act* (Canada) regulations, except that it shall be read without reference to clause (a.1) of those regulations.

s.100(3), (3.1), (4) apply

- (2) Subsections 100(3), (3.1), and (4) of the Federal Regulations apply, with such modifications as the circumstances require, for the purpose of these regulations.

Deductions for share acquisition

- (3) For the purposes of these regulations, where an employer deducts or withholds from a payment of remuneration to an employee an amount in respect of the acquisition by the employee of a share which would entitle the employee to a labour sponsored venture capital corporation credit under section 36 of the Act, there shall be deducted from the amount determined under clause 3(1)(e) or (2)(e), as the case may be, in respect of that payment the lesser of
- (a) 15 per cent of the amount deducted or withheld in respect of the acquisition of the share, and
- (b) the amount determined by the formula
- $$A - B$$
- where
- A is \$525, and



B is the aggregate of all deductions made in respect of prior pay periods in the taxation year under this subsection. (EC505/01; 723/03; 599/04)

2. Deductions and remittances

Every person who makes a payment described in subsection 153(1) of the *Federal Act*, as that subsection applies for the purpose of section 43 of the Act, in a taxation year shall deduct or withhold therefrom, and remit to the Provincial Treasurer, such amount, if any, as is determined in accordance with rules prescribed in these regulations. (EC505/01)

3. Periodic payments

(1) Except as otherwise provided in these regulations, the amount to be deducted or withheld by an employer

(a) from any payment of remuneration made to an employee in the employee's taxation year where the employee reports for work at an establishment of the employer in Prince Edward Island; and

(b) for any pay period in which the payment is made by the employer

shall be determined for each payment in accordance with the following rules:

(c) an amount that is a notional remuneration for the year in respect of a payment to the employee is deemed to be the amount determined by the formula

$$A \times B$$

where

A is the amount that is deemed for the purpose of this clause to be the mid-point of the applicable range of remuneration for the pay period, as provided in section 1 of Schedule I, in which the payment falls,

and

B is the maximum number of such pay periods in that year;

(d) if the employee is not resident in Canada at the time of the payment, no personal credits will be allowed for the purposes of this subsection and, if the employee is resident in Canada at the time of the payment, the employee's personal credits for the year are deemed to be the mid-point of the range of amounts of personal credits for a taxation year as provided for in section 2 of Schedule I;

(e) an amount, being the notional tax for the year, shall be computed in respect of that employee by

(i) calculating the amount of tax payable for the year, as if that amount were calculated under section 7 of the Act, on the amount determined in accordance with clause (c) as if that amount represented the employee's amount taxable for that year,

and deducting the aggregate of

(ii) the amount determined in accordance with clause (d) multiplied by the appropriate percentage for the year,

(iii) an amount equal to

(A) the amount determined in accordance with clause (c) multiplied by the employee's premium rate for the year under the *Employment Insurance Act* (Canada), not exceeding the maximum amount of the premiums payable by the employee for the year under that Act,

multiplied by

- (B) the appropriate percentage for the year, and
- (iv) an amount equal to
 - (A) the product obtained when the difference between the amount determined in accordance with clause (c) and the amount determined under section 20 of the *Canada Pension Plan* (Canada) for the year is multiplied by the employee's contribution rate for the year under the *Canada Pension Plan* (Canada) or under a provincial pension plan as defined in subsection 3(1) of that Act, not exceeding the maximum amount of such contributions payable by the employee for the year under the plan,
- multiplied by
 - (B) the appropriate percentage for the year;
- (f) the amount determined in accordance with clause (e) shall be increased by an amount equal to the amount that would be determined under section 31 of the Act for the year in respect of the employee if the amount determined in accordance with clause (e) were that employee's tax payable under subdivisions a to e of Division B of Part II of the Act for that year; and
- (g) the amount to be deducted or withheld shall be computed by
 - (i) dividing the amount of the notional tax for the year by the maximum number of pay periods for the year in respect of the appropriate pay period, and
 - (ii) rounding the amount determined under subclause (i) to the nearest multiple of five cents or, if such amount is equidistant from two such multiples, to the higher multiple.

Election pursuant to s.107(2)

- (2) Where an employee has elected pursuant to subsection 107(2) of the Federal Regulations, as it applies for the purposes of these regulations, and has not revoked such election, the amount to be deducted or withheld by the employer from any payment of remuneration that is
 - (a) a payment in respect of commissions or is a combined payment of commissions and salary or wages; or
 - (b) a payment in respect of salary or wages where that employee receives a combined payment of commissions and salary or wages,
- made to that employee in the employee's taxation year where the employee reports for work at an establishment of the employer in Prince Edward Island, shall be determined for each payment in accordance with the following rules:
- (c) an employee's estimated annual taxable income shall be determined by using the formula

$$A - B$$
 where
 - A is the amount of that employee's total remuneration in respect of the year as recorded by the employee on the form referred to in subsection 107(2) of the Federal Regulations, as it applies for the purposes of these regulations, and
 - B is the amount of that employee's expenses in respect of the year as recorded by that employee on that form;
 - (d) if the employee is not resident in Canada at the time of the payment, no personal credits will be allowed for the purposes of this subsection and if the employee is resident in Canada at the time of the payment, the employee's personal credits for the year shall be the total claim amount as recorded by that employee on the return for



the year referred to in subsection 107(1) of the Federal Regulations, as it applies for the purposes of these regulations;

- (e) an amount, being the notional tax for the year, shall be calculated in respect of that employee by using the formula

$$C - [(D + E + F) \times G] + H$$

where

C is the amount of tax payable for the year, calculated as if that amount of tax were computed under section 7 of the Act, on the amount determined under clause (c) as if that amount represented the employee's amount taxable for that year,

D is the amount determined in accordance with clause (d),

E is the amount determined in the description of A in clause (c) multiplied by the employee's premium rate for the year under the *Employment Insurance Act* (Canada), not exceeding the maximum amount of the premiums payable by the employee for the year under that Act,

F is the amount determined in the description of A in clause (c) less the amount for the year determined under section 20 of the *Canada Pension Plan* (Canada) multiplied by the employee's contribution rate for the year under that Act or under a provincial plan as defined in section 3 of that Act, not exceeding the maximum amount of such contributions payable by the employee for the year under the plan,

G is the appropriate percentage for the year, and

H is an amount equal to the amount that would be determined under section 31 of the Act for the year in respect of the employee if the amount of the notional tax for the year (determined without reference to this element in this formula) for the employee were that employee's tax payable under subdivisions a to e of B of Part II of the Act for that year;

- (f) the employee's notional rate of tax for a year shall be calculated by dividing the amount determined under clause (e) by the amount referred to in the description of A in clause (c) in respect of that employee and expressed as a decimal fraction rounded to the nearest hundredth, or where the third digit is equidistant from two consecutive one-hundredths, to the higher thereof; and
- (g) the amount to be deducted or withheld in respect of any payment made to that employee shall be determined by multiplying the payment by the appropriate decimal fraction determined pursuant to clause (f).

Previously reported commissions

- (3) Notwithstanding subsections (1) and (2), no amount shall be deducted or withheld in the year by an employer from a payment of remuneration to an employee in respect of commissions earned by the employee in the immediately preceding year where those commissions were previously reported by the employer as remuneration of the employee in respect of that year on an information return. (EC505/01)

4. Non-periodic payments

- (1) Where a payment in respect of a bonus or retroactive increase in remuneration is made by an employer to an employee whose total remuneration from the employer, including the bonus or retroactive increase, may reasonably be expected not to exceed \$5,000 in the taxation year of the employee in which the payment is made, the employer shall deduct or withhold 5 per cent of such payment in lieu of the amount determined under section 3.

Deduction or withholding, bonus

- (2) Where a payment in respect of a bonus is made by an employer to an employee whose total remuneration from the employer, including the bonus, may reasonably be expected to exceed \$5,000 in the taxation year of the employee in which the payment is made, the amount to be deducted or withheld therefrom by the employer is
- (a) the amount determined under section 3 in respect of an assumed remuneration equal to the aggregate of
- (i) the amount of regular remuneration paid by the employer to the employee in the pay period in which the remuneration is paid, and
- (ii) an amount equal to the bonus payment divided by the number of pay periods in the taxation year of the employee in which the payment is made
- minus
- (b) the amount determined under section 3 in respect of the amount of regular remuneration paid by the employer to the employee in the pay period
- multiplied by
- (c) the number of pay periods in the taxation year of the employee in which the payment is made.

Deduction withholding, retroactive increase

- (3) Where a payment in respect of a retroactive increase in remuneration is made by an employer to an employee whose total remuneration from the employer, including the retroactive increase, may reasonably be expected to exceed \$5,000 in the taxation year of the employee in which the payment is made, the amount to be deducted or withheld therefrom by the employer is
- (a) the amount determined under section 3 in respect of the new rate of remuneration
- minus
- (b) the amount determined under section 3 in respect of the previous rate of remuneration
- multiplied by
- (c) the number of pay periods in respect of which the increase in remuneration is retroactive.

Lump sum payment

- (4) Subject to subsection (5), where a lump sum payment is made by an employer to an employee who is a resident of Canada,
- (a) if the payment does not exceed \$5,000, the employer shall deduct or withhold therefrom 3 per cent of such payment in lieu of the amount determined under section 3;
- (b) if the payment exceeds \$5,000 but does not exceed \$15,000, the employer shall deduct or withhold therefrom 7 per cent of such payment in lieu of the amount determined under section 3; and
- (c) if the payment exceeds \$15,000, the employer shall deduct or withhold therefrom 10 per cent of such payment in lieu of the amount determined under section 3.

Pension income

- (5) Where the payment referred to in subsection (4) would be pension income or qualified pension income of the employee in respect of which subsection 118(3) of the *Federal Act* would apply if the definition "pension income" in subsection 118(7) of the *Federal Act* were



read without reference to subparagraphs (a)(ii) and (iii) thereof, the payment shall be deemed to be the amount of the payment minus

- (a) where the payment does not exceed the amount taxable referred to in clause 7(a) of the Act, the lesser of \$1,000 and the amount of the payment;
- (b) where the payment exceeds the amount taxable referred to in clause 7(a) of the Act but does not exceed the amount taxable referred to in clause 7(c) of the Act, \$710; and
- (c) where the payment exceeds the amount taxable referred to in clause 7(c) of the Act, \$587.

“lump sum payment”

- (6) For the purposes of subsection (4), “lump sum payment” shall have the meaning given to that expression in subsection 103(6) of the Federal Regulations. (EC505/01)

5. Deductions not required

- (1) No amount shall be deducted or withheld from a payment in accordance with section 3 or 4 in respect of an employee who was neither employed nor resident in Canada at the time of payment except in respect of
 - (a) remuneration described in subparagraph 115(2)(e)(i) of the *Federal Act* that is paid to a non-resident person who has in the year, or had in any previous year, ceased to be resident in Canada; or
 - (b) remuneration reasonably attributable to the duties of any office or employment performed or to be performed in Canada by the non-resident person.

Application of Federal Regulations

- (2) Subsections 104(3), (3.01), (3.1) and (4) and section 104.1 of the Federal Regulations apply for the purpose of these regulations. (EC505/01)

6. Variations in deductions

Where an employer makes a payment of remuneration to an employee in the employee's taxation year

- (a) for a period for which no provision is made in Schedule I; or
- (b) for a pay period referred to in Schedule I in an amount that is greater than any amount provided for therein,

the amount to be deducted or withheld by the employer from any such payment is that proportion of the payment that the tax that may reasonably be expected to be payable under the Act by the employee with respect to the aggregate of all remuneration that may reasonably be expected to be paid by the employer to the employee in respect of that taxation year is of such aggregate. (EC505/01)

7. Employee's returns

Section 107 of the Federal Regulations applies for the purpose of these regulations. (EC505/01)

8. Remittances to Provincial Treasurer

Section 108 of the Federal Regulations applies for the purpose of these regulations. (EC505/01)

9. Elections to increase deductions

Section 109 of the Federal Regulations applies for the purpose of these regulations. (EC505/01)

10. Prescribed persons

Section 110 of the Federal Regulations applies for the purpose of these regulations. (EC505/01)

11. Eligible supplies

For the purposes of section 15.1 of the Act and section 12 of these regulations, “**eligible supplies**” means those supplies

- (a) that fit the description and conditions of allowable supplies given in the guidelines; and
- (b) that have been approved,
 - (i) in the case of a claim by an eligible individual who is a teacher, by the school principal as indicated by the principal’s signature on a completed approval form, or
 - (ii) in the case of a claim by an eligible individual who is a child care provider, by either a child care facility owner or the chairperson of a board that operates a child care facility, as indicated by their respective signature on a completed approval form. (EC723/03; 599/04)

12. Approval form submission

- (1) An eligible individual who wishes to claim a tax credit under section 15.1 of the Act in respect of the purchase of eligible supplies shall submit to
 - (a) the principal of the school at which the eligible individual is employed, a completed approval form together with receipts for the supplies the eligible individual has purchased; or
 - (b) the child care facility owner or chairperson of the board that operates the child care facility at which the eligible individual is employed, a completed approval form together with receipts for the supplies the eligible individual has purchased.

Separate approval form

- (2) Where an eligible individual is employed in more than one school or child care facility in a taxation year, the eligible individual must submit a separate approval form for the supplies purchased for each school or child care facility to ensure that the principal of the school or the child care facility owner or chairperson of a board that operates the child care facility approves only the supplies used in the school of the principal or child care facility of the owner or board.

Responsibility

- (3) School principals, child care facility owners and chairpersons of boards that operate child care facilities must provide the approval forms and guidelines to eligible individuals in their respective schools and child care facilities, as needed.

Approval

- (4) A school principal, child care facility owner or chairperson of a board that operates a child care facility must, if he or she finds that the supplies purchased fit the description and conditions of the allowable supplies given in the guidelines, sign the approval form and return



the approval form and receipts to the eligible individual who submitted them. (EC723/03; 599/04)

SCHEDULE I**RANGES OF REMUNERATION AND OF TOTAL REMUNERATION****1. Ranges of remuneration**

For the purposes of clause 3(1)(c), the ranges of remuneration for each pay period in a taxation year shall be determined as follows:

- (a) in respect of a daily pay period, the ranges of remuneration shall commence at \$33 and increase in increments of \$1 for each range up to and including \$86.99;
- (b) in respect of a weekly pay period, the ranges of remuneration shall commence at \$149 and increase in increments of
 - (i) \$2 for each range up to and including \$256.99,
 - (ii) \$4 for each range from \$257 to \$476.99,
 - (iii) \$8 for each range from \$477 to \$916.99,
 - (iv) \$12 for each range from \$917 to \$1,576.99,
 - (v) \$16 for each range from \$1,577 to \$2,456.99, and
 - (vi) \$20 for each range from \$2,457 to \$3,556.99;
- (c) in respect of a bi-weekly pay period, the ranges of remuneration shall commence at \$298 and increase in increments of
 - (i) \$4 for each range up to and including \$513.99,
 - (ii) \$8 for each range from \$514 to \$953.99,
 - (iii) \$16 for each range from \$954 to \$1,833.99,
 - (iv) \$24 for each range from \$1,834 to \$3,153.99,
 - (v) \$32 for each range from \$3,154 to \$4,913.99, and
 - (vi) \$40 for each range from \$4,914 to \$7,113.99;
- (d) in respect of a semi-monthly pay period, the ranges of remuneration shall commence at \$323 and increase in increments of
 - (i) \$4 for each range up to and including \$538.99,
 - (ii) \$8 for each range from \$539 to \$978.99,
 - (iii) \$18 for each range from \$979 to \$1,968.99,
 - (iv) \$26 for each range from \$1,969 to \$3,398.99,
 - (v) \$34 for each range from \$3,399 to \$5,268.99, and
 - (vi) \$44 for each range from \$5,269 to \$7,688.99;
- (e) in respect of 12 monthly pay periods, the ranges of remuneration shall commence at \$644 and increase in increments of
 - (i) \$8 for each range up to and including \$1,075.99,
 - (ii) \$18 for each range from \$1,076 to \$2,065.99,
 - (iii) \$34 for each range from \$2,066 to \$3,935.99,
 - (iv) \$52 for each range from \$3,936 to \$6,795.99,
 - (v) \$70 for each range from \$6,796 to \$10,645.99, and
 - (vi) \$86 for each range from \$10,646 to \$15,375.99;
- (f) in respect of 10 monthly pay periods, the ranges of remuneration shall commence at \$773 and increase in increments of

- (i) \$10 for each range up to and including \$1,312.99,
- (ii) \$20 for each range from \$1,313 to \$2,412.99,
- (iii) \$42 for each range from \$2,413 to \$4,722.99,
- (iv) \$62 for each range from \$4,723 to \$8,132.99,
- (v) \$84 for each range from \$8,133 to \$12,752.99, and
- (vi) \$104 for each range from \$12,753 to \$18,472.99;
- (g) in respect of four-week pay periods, the ranges of remuneration shall commence at \$595 and increase in increments of
 - (i) \$8 for each range up to and including \$1,026.99,
 - (ii) \$16 for each range from \$1,027 to \$1,906.99,
 - (iii) \$32 for each range from \$1,907 to \$3,666.99,
 - (iv) \$48 for each range from \$3,667 to \$6,306.99,
 - (v) \$64 for each range from \$6,307 to \$9,826.99,
 - (vi) \$80 for each range from \$9,827 to \$14,226.99; and
- (h) in respect of 22 pay periods per annum, the ranges of remuneration shall commence at \$351 and increase in increments of
 - (i) \$5 for each range up to and including \$620.99,
 - (ii) \$10 for each range from \$621 to \$1,170.99,
 - (iii) \$18 for each range from \$1,171 to \$2,160.99,
 - (iv) \$28 for each range from \$2,161 to \$3,700.99,
 - (v) \$38 for each range from \$3,701 to \$5,790.99, and
 - (vi) \$48 for each range from \$5,791 to \$8,430.99.

2. Mid-points of personal credits

For the purposes of clause 3(1)(d), the mid-point of the range of amounts of personal credits for a taxation year shall be as follows:

- (a) from \$0 to \$7,412, \$7,412;
- (b) from \$7,412.01 to \$9,012, \$8,212.;
- (c) from \$9,012.01 to \$10,612, \$9,812;
- (d) from \$10,612.01 to \$12,212, \$11,412;
- (e) from \$12,212.01 to \$13,812, \$13,012;
- (f) from \$13,812.01 to \$15,412, \$14,612;
- (g) from \$15,412.01 to \$17,012, \$16,212;
- (h) from \$17,012.01 to \$18,612, \$17,812;
- (i) from \$18,612.01 to \$20,212, \$19,412;
- (j) from \$20,212.01 to \$21,812, \$21,012; and
- (k) for amounts in excess of \$21,812, the amount of the personal credits.

(EC505/01)

