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## Retired seniors: look for the ▼ symbol

If you are a retired senior, the ▼ symbol in this forms book and the *General Income Tax and Benefit Guide* will help you find information on the **most common** types of pension income, as well as deductions and credits that you may be entitled to.

If you received income or want to claim deductions or credits that are **not identified** with the ▼ symbol, read the information for those types of income, deductions, or credits in this forms book and the guide.

## What's new for 2016?

Certain provincial non-refundable tax credits and the Prince Edward Island low-income tax reduction have increased. The Prince Edward Island overseas employment tax credit has been eliminated. The rate used to calculate the dividend tax rate for other than eligible dividends has decreased to 3.05%. Form PE428, *Prince Edward Island Tax and Credits*, reflects these changes.

## General information

### Prince Edward Island sales tax credit

The Prince Edward Island sales tax credit (PEISTC) is a non-taxable amount paid to help offset the increase in sales tax for households with low and modest incomes. This amount is combined with the quarterly federal GST/HST credit payment. For more information including payment amounts, go to [cra-arc.gc.ca/bnfts/rltd\\_prgrms/prnc-eng.html](http://cra-arc.gc.ca/bnfts/rltd_prgrms/prnc-eng.html).

You do not need to apply for the GST/HST credit, or the PEISTC. When you file your income tax and benefit return, the Canada Revenue Agency (CRA) will determine your eligibility and tell you if you are entitled to receive the credit.

**File your return** – To ensure timely delivery of your payments, you (and your spouse or common-law partner) need to file your 2016 income tax and benefit return(s) by April 30, 2017. The information you give on your return(s) will determine what amount you will be entitled to receive starting in July 2017.

This credit is fully funded by the Province of Prince Edward Island. For more information, call the CRA at **1-800-387-1193**.

### For more information

If you have questions about **Prince Edward Island tax and the low-income tax reduction**, visit the CRA website at [cra.gc.ca](http://cra.gc.ca) or call the CRA at **1-800-959-8281**.

To get forms, go to [cra.gc.ca/forms](http://cra.gc.ca/forms).

## Completing your Prince Edward Island form

All the information you need to complete Form PE428, *Prince Edward Island tax and credits*, is included on the following pages. You will find two copies of Form PE428 in this book. Complete one copy of the form and attach it to your tax return.

The terms **spouse** and **common-law partner** are defined in the *General Income Tax and Benefit Guide*.

The term **end of the year** means December 31, 2016, the date you left Canada if you emigrated in 2016, or the date of death for a person who died in 2016.

#### Tax Tip

You should calculate your federal tax first since many rules for calculating Prince Edward Island tax are based on the federal *Income Tax Act*.

## Form PE428, *Prince Edward Island Tax and Credits*

Complete Form PE428 if you were a resident of Prince Edward Island at the end of the year.

If you had income from a business (including income you received as a limited or non-active partner) and the business has a permanent establishment outside Prince Edward Island, complete Form T2203, *Provincial and Territorial Taxes for 2016 – Multiple Jurisdictions*, instead of completing Form PE428.

You also have to complete Form PE428 if you were a non-resident of Canada in 2016 and you earned income from employment in Prince Edward Island or received income from a business with a permanent establishment only in Prince Edward Island.

## Step 1 – Prince Edward Island non-refundable tax credits

The eligibility criteria and rules for claiming the Prince Edward Island non-refundable tax credits are the same as those for the federal non-refundable tax credits. However, **the value and calculation of most Prince Edward Island non-refundable tax credits are different from the corresponding federal credits.**

### Newcomers to Canada and emigrants

If you prorated any of the amounts you claimed on lines 300 to 306, 315, 316, 318, 324, and 326 of your federal Schedule 1, you have to prorate the corresponding provincial amounts on lines 5804 to 5820, 5840, 5844, 5848, 5860, and 5864.

#### ▼Line 5804 – Basic personal amount

Claim \$8,000.

#### ▼Line 5808 – Age amount

You can claim this amount if you were 65 years of age or older on December 31, 2016, and your net income (line 236 of your return) is less than \$53,112.

If your net income is:

- \$28,019 or less, enter \$3,764 on line 5808; or
- more than \$28,019 but less than \$53,112, complete the calculation for line 5808 on the *Provincial Worksheet* in this book.

#### Tax Tip

You may be able to transfer all or part of your age amount to your spouse or common-law partner or to claim all or part of his or her age amount. For more information, read line 5864.

#### ▼Line 5812 – Spouse or common-law partner amount

You can claim this amount if the rules are met for claiming the amount on line 303 of federal Schedule 1 and your spouse's or common-law partner's net income (line 236 of his or her return, or the amount that it would be if he or she filed a return) is less than \$7,474.

Complete the calculation on Form PE428, and enter the amount on line 5812.

#### Note

Enter your marital status and the information about your spouse or common-law partner (including his or her net income, even if it is zero) in the "Identification" area on page 1 of your return.

#### Line 5816 – Amount for an eligible dependant

You can claim this amount if the rules are met for claiming the amount on line 305 of federal Schedule 1 and your dependant's net income (line 236 of his or her return, or the amount that it would be if he or she filed a return) is less than \$7,474.

Complete the calculation on Form PE428, and enter the amount on line 5816.

#### Note

If you were a **single parent** on December 31, 2016, and you choose to include all universal child care benefit amounts you received in 2016 in the income of your dependant, include this amount in the calculation of his or her net income.

#### Line 5820 – Amount for infirm dependants age 18 or older

You can claim this amount if the rules are met for claiming the amount on line 306 of federal Schedule 1 and your dependant's net income (line 236 of his or her return, or the amount that it would be if he or she filed a return) is less than \$7,412.

#### Note

You may be able to claim an amount on this line even if you claimed an amount on line 5816.

Complete the calculation for line 5820 on the *Provincial Worksheet* in this book.

#### Line 5823 – Amount for young children

You can claim this amount if you were a resident of Prince Edward Island at the end of the year and you had a dependent child less than six years of age.

You can claim \$100 per month for each child, if **all** of the following conditions are met:

- the child was living with you on the first day of the month;
- the child was less than six years of age on the first day of the month for which you are claiming;
- no one else claimed this amount for the child for the month; and
- no one has received a special allowance under the *Children's Special Allowances Act* for the child for the month you are claiming.

If you had a spouse or common-law partner at the end of the year, only the person with the **lower net income** (including zero income) can claim this amount.

If you and your spouse or common-law partner have **equal net incomes**, you have to decide which **one** of you will claim this amount.

Complete the "Details of amount for young children" chart on Form PE428. Provide the details for each child you are claiming, including the number of months you are claiming for that child.

Enter the **total** number of months you are claiming for **all** children beside **box 6372** on Form PE428.

Claim \$100 for each month, and enter the total amount on line 5823. The maximum amount you can claim for 2016 is \$1,200 for each dependent child.

### **Line 5824 – CPP or QPP contributions through employment**

Enter on this line the amount you claimed on line 308 of your federal Schedule 1.

### **Line 5828 – CPP or QPP contributions on self-employment and other earnings**

Enter on this line the amount you claimed on line 310 of your federal Schedule 1.

### **Line 5832 – Employment insurance premiums through employment**

Enter on this line the amount you claimed on line 312 of your federal Schedule 1.

### **Line 5829 – Employment insurance premiums on self-employment and other eligible earnings**

Enter on this line the amount you claimed on line 317 of your federal Schedule 1.

### **▼Line 5836 – Pension income amount**

You can claim this amount if you met the rules for claiming the amount on line 314 of federal Schedule 1.

The amount you can claim on line 5836 is the amount on line 314 of your federal Schedule 1 or \$1,000, whichever is less.

#### **Note**

Only residents of Prince Edward Island are eligible for this amount. If you are not a resident of Prince Edward Island, you cannot claim this non-refundable tax credit in calculating your Prince Edward Island tax even though you may have received income from a source inside Prince Edward Island in 2016.

### **Line 5840 – Caregiver amount**

You can claim this amount if the rules are met for claiming the amount on line 315 of federal Schedule 1 and your dependant's net income (line 236 of his or her return, or the amount that it would be if he or she filed a return) is less than \$14,399.

Complete the calculation for line 5840 on the *Provincial Worksheet* in this book.

### **▼Line 5844 – Disability amount (for self)**

You can claim this amount if you met the rules for claiming the amount on line 316 of federal Schedule 1.

If you were **18 years of age or older** at the end of the year, enter \$6,890 on line 5844.

If you were **under 18 years of age** at the end of the year, you may be eligible to claim a supplement up to a maximum of \$4,019 in addition to the base amount of \$6,890. Complete the calculation for line 5844 on the *Provincial Worksheet* in this book.

### **Line 5848 – Disability amount transferred from a dependant**

You can claim this amount if the rules are met for claiming the amount on line 318 of federal Schedule 1.

Complete the calculation for line 5848 on the *Provincial Worksheet* in this book.

### **Line 5850 – Teacher school supply amount**

If you are a teacher or a member of the program staff of an early learning and child care centre, and you resided in Prince Edward Island at the end of the year, you can claim an amount for expenses incurred to buy eligible school supplies with your own money.

Eligible school supplies are listed in the guidelines available from your principal or child care facility operator. Document the supplies you bought on the approval form included with the guidelines. You can claim up to \$500 of eligible expenses incurred in 2016.

**Supporting documents** – If you are filing electronically, or filing a paper return, do not send any documents. Keep all your documents in case we ask to see them later.

### **Line 5852 – Interest paid on your student loans**

Enter on this line the amount you claimed on line 319 of your federal Schedule 1.

### **Line 5856 – Your tuition and education amounts**

Complete Schedule PE(S11), *Prince Edward Island Tuition and Education Amounts*.

**Supporting documents** – If you are filing electronically, keep all your documents in case we ask to see them at a later date. If you are filing a **paper return, attach your completed Schedule PE(S11)**, but do not send your other documents. Keep all your documents in case we ask to see them at a later date.

### **Transferring and carrying forward amounts**

You may not need all of your 2016 tuition and education amounts to reduce your provincial income tax to zero. In this case, you can **transfer** all or some of the unused part to **one** person, either your spouse or common-law partner (who would claim it on line 5864) or your or your spouse's or common-law partner's parent or grandparent (who would claim it on line 5860).

You can only transfer an amount to your or your spouse's or common-law partner's parent or grandparent if your spouse or common-law partner does not claim an amount for you on line 5812 or 5864.

To designate who can claim the transferred amount and to specify the provincial amount this person can claim, complete the "Transfer/Carryforward of unused amount" section of Schedule PE(S11), as well as the related form:

- T2202A, *Tuition, Education, and Textbook Amounts Certificate*;
- TL11A, *Tuition, Education, and Textbook Amounts Certificate – University Outside Canada*;
- TL11B, *Tuition, Education and Textbook Amounts Certificate – Flying School or Club*; or

■ **TL11C, Tuition, Education, and Textbook Amounts Certificate – Commuter to the United States.**

The transferred amount may be different from the amount calculated for the same person on your federal Schedule 11. Enter the provincial amount you are transferring on line 20 of your Schedule PE(S11).

**Tax Tip**

If you are transferring an amount to a designated individual, only transfer the amount this person can use. That way, you can carry forward as much as possible to use in a future year.

Complete the “Transfer/Carryforward of unused amount” section of Schedule PE(S11) to calculate the amount you can **carry forward** to a future year. This amount corresponds to the part of your tuition and education amounts you do not need to use (and do not transfer) for the year.

**Line 5860 – Tuition and education amounts transferred from a child**

You can claim these amounts if the rules are met for claiming an amount on line 324 of federal Schedule 1.

Enter on line 5860 the total of all provincial amounts that each student has transferred to you as shown on his or her Form T2202A, TL11A, TL11B, or TL11C.

**Notes**

The student **must have entered this amount on line 20** of his or her Schedule PE(S11). He or she may have chosen to transfer an amount that is less than the available provincial amount. The student cannot transfer to you any unused tuition and education amounts carried forward from a previous year.

If you and the student were residents of different provinces or territories on December 31, 2016, special rules may apply. Contact the Canada Revenue Agency to determine the amount you can claim on line 5860.

Other rules may apply if the student has a spouse or a common-law partner. Read line 324 in the *General Income Tax and Benefit Guide*.

**Supporting documents** – If you are filing electronically, or filing a paper return, do not send any documents. Keep all your documents in case we ask to see them later. The **student** must attach Schedule PE(S11) to his or her **paper return**.

▼ **Line 5864 – Amounts transferred from your spouse or common-law partner**

You can claim these amounts if the rules are met for claiming an amount on line 326 of federal Schedule 1.

Complete Schedule PE(S2), *Provincial Amounts Transferred From Your Spouse or Common-Law Partner*, and attach a copy to your return.

▼ **Line 5868 – Medical expenses for self, spouse or common-law partner, and your dependent children born in 1999 or later**

The medical expenses you can claim on line 5868 are the same as those you can claim on line 330 of your federal

Schedule 1. They have to cover the **same 12-month period** ending in 2016, and no one claimed them on a 2015 return. However, your total expenses have to be more than either **3%** of your net income (line 236 of your return) or **\$1,678**, whichever is **less**.

**Note**

If the total medical expenses claimed are more than \$1,678 but less than \$2,237, it is important that you enter the amount on line 5868 **and** on line 330 of your federal Schedule 1.

**Line 5872 – Allowable amount of medical expenses for other dependants**

In addition to the medical expenses claimed on line 5868, you can claim medical expenses for other dependants.

The medical expenses you can claim on line 5872 are the same as those you can claim on line 331 of your federal Schedule 1. They have to cover the **same 12-month period** ending in 2016, and no one claimed them on a 2015 return.

The total expenses for each dependant have to be more than either **3%** of that dependant’s net income (line 236 of his or her return) or **\$1,678**, whichever is **less**.

Complete the calculation for line 5872 on the *Provincial Worksheet* in this book.

▼ **Line 5896 – Donations and gifts**

Enter the amounts from lines 16 and 17 of your federal Schedule 9 and multiply them by the rates at lines 28 and 29 on Form PE428.

**Step 2 – Prince Edward Island tax on taxable income**

Enter on line 32 your taxable income from line 260 of your return. Complete the appropriate column depending on the amount entered.

**Step 3 – Prince Edward Island tax**

**Line 41 – Prince Edward Island tax on split income**

If you have to pay federal tax on split income on line 424 of your federal Schedule 1, complete Part 2 of Form T1206, *Tax on Split Income*, to calculate the Prince Edward Island tax that applies to this income.

Form T1206 also contains a special rule that applies to the amount you enter on line 428 of your return. For more information on tax on split income, see the *General Income Tax and Benefit Guide*.

## **Line 48 – Prince Edward Island additional tax for minimum tax purposes**

If you have to pay federal minimum tax as calculated on Form T691, *Alternative Minimum Tax*, you will also have to determine your Prince Edward Island additional tax for minimum tax purposes.

To do this, complete the calculation on line 48 of Form PE428. For more information about minimum tax, see the *General Income Tax and Benefit Guide*.

## **Line 50 – Prince Edward Island surtax**

You have to pay a surtax of 10% if the amount on line 49 is more than \$12,500.

## **▼ Prince Edward Island low-income tax reduction**

You **can** claim this tax reduction if you were a resident of Prince Edward Island on December 31, 2016, and **any** of the following conditions applied to you:

- you were 19 years of age or older;
- you had a spouse or common-law partner; or
- you were a parent.

If you had a spouse or common-law partner on December 31, 2016, you and your spouse or common-law partner have to decide which one of you will claim this low-income tax reduction for your family. Any unused amount can be claimed by the other spouse or common-law partner on their Form PE428.

You **cannot** claim this tax reduction if on December 31, 2016, you were confined to a prison or a similar institution and were there for a total of more than six months during 2016.

Also, you **cannot** claim the tax reduction for a person who died in 2016.

## **Line 52 – Unused low-income tax reduction from your spouse or common-law partner**

If you had a spouse or common-law partner on December 31, 2016, and he or she did not need all of the low-income tax reduction to reduce his or her Prince Edward Island tax to zero, you can claim, on line 52, the unused amount calculated on his or her Form PE428.

### **Adjusted family income**

When you calculate your **adjusted family income** (lines 54 to 59 of Form PE428), complete columns 1 and 2 using the information from your and your spouse's or common-law partner's returns for the year.

#### **Note**

Enter your marital status and the information about your spouse or common-law partner (including his or her net income, even if it is zero) in the "Identification" area on page 1 of your return.

## **Line 61 – Basic reduction**

Claim \$350 for yourself.

## **Line 62 – Age reduction for self**

Claim \$250 if you were 65 years old or older on December 31, 2016.

## **Line 63 – Reduction for spouse or common-law partner**

Claim \$350 if you had a spouse or common-law partner on December 31, 2016.

## **Line 64 – Age reduction for spouse or common-law partner**

Claim \$250 if your spouse or common-law partner was 65 years of age or older on December 31, 2016.

## **Line 65 – Reduction for an eligible dependant**

Claim \$350 if you claimed the amount for an eligible dependant on line 5816 of Form PE428 and you **did not** claim an amount on line 63.

## **Line 66 – Reduction for dependent children born in 1998 or later**

Enter beside **box 6099** the number of dependent children you have who were born in 1998 or later.

Claim \$300 for each child.

Do not include a child for whom you claimed the reduction for an eligible dependant on line 65 of Form PE428.

Only one person can claim the tax reduction for a child.

### **Who is a dependent child?**

A dependent child is a person who, on December 31, 2016:

- was 18 years of age or younger;
- did not have a spouse or common-law partner;
- was not a parent; **and**
- either lived with you or was claimed as a dependant only by you or your spouse or common-law partner.

### **Unused low-income tax reduction that can be claimed by your spouse or common-law partner**

If you had a spouse or common-law partner on December 31, 2016, your spouse or common-law partner can claim, on his or her Form PE428, any amount of the low-income tax reduction that you do not need to reduce your Prince Edward Island tax to zero.

Complete the calculation at lines 85 to 87 on your Form PE428 to determine the unused amount that your spouse or common-law partner can claim on line 52 on his or her Form PE428.

## **Line 75 – Provincial foreign tax credit**

If your federal foreign tax credit on non-business income is less than the related tax you paid to a foreign country, you may be eligible to claim a provincial foreign tax credit.

To claim the credit, complete Form T2036, *Provincial or Territorial Foreign Tax Credit*. You can get this form from the

CRA's website or by contacting us (read "For more information" on page 2).

Enter on line 75 of Form PE428 the tax credit calculated on line 5 of Form T2036.

**Supporting documents** – If you are filing electronically, keep all your documents in case we ask to see them at a later date. If you are filing a **paper return**, attach your Form T2036.

### **Lines 77 and 78 – Prince Edward Island political contribution tax credit**

You can claim a credit for the contributions you made in 2016 to a recognized political party of Prince Edward Island or to a candidate seeking election to the Prince Edward Island Legislative Assembly.

#### **How to claim**

Enter your total contributions on line 77 of Form PE428 and calculate the amount to enter on line 78, as follows:

- For contributions of **\$1,150 or less**, complete the calculation for line 78 on the *Provincial Worksheet* in this book.
- For contributions of **more than \$1,150**, enter \$500 on line 78 of Form PE428.

**Supporting documents** – If you are filing electronically, keep all your documents in case we ask to see them later. If you are filing a **paper return**, for each contribution attach the official receipt signed by an official of the recognized political party, or by the candidate's agent.

### **Line 80 – Equity tax credit**

You can claim this credit for investments in eligible shares you acquired in 2016 or in the first 60 days of 2017.

Enter on line 80 of Form PE428 the amount shown on Certificate PE-ETC. The maximum you can claim is \$7,000.

**Supporting documents** – If you are filing electronically, keep all of your documents in case we ask to see them later. If you are filing a **paper return**, attach your Certificate PE-ETC.

### **Unused equity tax credit**

You can carry forward unused credits seven years or back three years. The maximum credit you can claim is \$7,000 per tax year, including any unused amounts from other years.

To claim an unused amount, enter on line 81 of Form PE428 the unused amount shown on your notice of assessment or notice of reassessment.

To claim a carry-back amount, you must ask for an adjustment to your prior-year return. For more information, read "How to change a return?" in the *General Income Tax and Benefit Guide*.

### **Prince Edward Island volunteer firefighter tax credit (line 84)**

You can claim this refundable tax credit if you met the rules for claiming the amount on line 362 of federal Schedule 1.

If you qualify for this credit, enter \$500 on line 84 of Form PE428.

#### **Note**

Only residents of Prince Edward Island are eligible for this credit. If you are not a resident of Prince Edward Island, you cannot claim this credit in calculating your Prince Edward Island tax even though you may have received income from a source inside Prince Edward Island in 2016.

If you are preparing a return for a person who died in 2016, you can claim this credit on the deceased person's final return if he or she was a resident of Prince Edward Island on the day of death and met all of the conditions.