



## TAX HIGHLIGHTS FROM THE 2020 ONTARIO ECONOMIC AND FISCAL UPDATE

On March 25, 2020, due to uncertainty caused by COVID-19, Ontario Minister of Finance Rod Phillips released an economic and fiscal update for the province in place of a budget. The minister indicated that his intention is to release a full multi-year budget no later than November 15, 2020. In the meantime, this update provides a one-year outlook based on current economic projections.

As per the update, the province is projecting a deficit of \$9.2 billion in 2019-20. Due to the response to COVID-19, the government is planning for a deficit of \$20.5 billion in 2020-21. Net debt-to-GDP is forecasted to be 39.9% in 2019-20 and is projected to increase to 41.7% by 2020-21.

On the income tax side, there were no proposed increases or decreases to personal or corporate income tax rates for 2020. A new Regional Opportunities Tax Credit is proposed for corporations and planned property tax reassessments are postponed.

The following pages are a summary of measures as they relate to our industry. Please note that these measures are proposals until passed into law by the provincial government.

## PERSONAL TAX MATTERS

### Personal income tax rates and tax brackets

The update leaves personal income tax rates unchanged from 2019. The table below shows Ontario tax rates and brackets for 2020.

Taxable income range	2020 tax rates
First \$44,740	5.05%
\$44,741 – \$89,482	9.15%
\$89,483 – \$150,000	11.16%
\$150,001 – \$220,000	12.16%
Over \$220,000	13.16%

Below are the 2020 combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2020 combined tax rates
Regular income	53.53%
Capital gains	26.76%
Eligible dividends	39.34%
Non-eligible dividends	47.74%

# CORPORATE TAX MATTERS

## Corporate income tax rates

The update proposed no changes to corporate income tax rates. The table below shows Ontario tax rates and the small business limit for 2020.

Category	2020 tax rates
General rate	11.5%
Manufacturing and processing rate	10%
Investment income rate	11.5%
Small business rate	3.2%
Small business limit	\$500,000

Below are combined federal and provincial corporate income tax rates for 2020 for various types of income earned by a Canadian-controlled private corporation (CCPC).

Type of income	2020 combined tax rates
Small business income	12.2%
Active income over \$500,000	26.5%
Manufacturing and processing income	25.0%
Investment income	50.2%

## Interest and Penalty Relief for Ontario Businesses

Beginning April 1, 2020, penalties and interest will not apply to Ontario's businesses that miss any filing or remittance deadlines under select provincially administered taxes. This will continue for a period of five months, up until August 31, 2020, for the following provincially administered tax programs:

- Employer Health Tax
- Tobacco Tax
- Fuel Tax
- Gas Tax
- Beer, Wine and Spirits Taxes
- Mining Tax
- Insurance Premium Tax
- International Fuel Tax Agreement
- Retail Sales Tax on Insurance Contracts and Benefit Plans
- Race Tracks Tax.

The interest and penalty relief period is available to all Ontario businesses that are required to file returns and make remittances under these tax programs. During the relief period, penalties and interest will not apply to late returns or remittances made under these tax programs. This measure complements relief from interest and penalties from not remitting corporate income tax owing announced by the federal government on March 18, 2020.

Businesses will not be required to provide any documentation supporting their reasons for late filings or payments and will not be required to advise the Ontario Ministry of Finance of their inability to meet their deadline(s).



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## Regional Opportunities Investment Tax Credit

The government is proposing a new 10% refundable corporate income tax credit for capital investments – the Regional Opportunities Investment Tax Credit – for eligible corporations. An eligible corporation would include a Canadian-controlled private corporation that makes qualifying investments that become available for use on or after March 25, 2020 in specified regions of Ontario. Qualifying investments would be eligible expenditures for capital property included in Class 1 and Class 6 for the purposes of calculating capital cost allowance and would include expenditures for constructing, renovating or acquiring eligible commercial and industrial buildings and other assets. The tax credit would be available for expenditures in excess of \$50,000 and up to a limit of \$500,000 for qualifying investments that become available for use by a Canadian-controlled private corporation in the taxation year.

The government proposes a mandatory review to be undertaken every three years. The review would evaluate the credit for effectiveness, compliance burden and administrative costs.

## OTHER PROPOSALS

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### Temporary Doubling of the Employer Health Tax Exemption

The Employer Health Tax (EHT) is a payroll tax paid by employers based on their total annual Ontario remuneration, and has a top rate of 1.95%. Private-sector employers with total annual Ontario remuneration of less than \$5 million are currently eligible for an EHT exemption on up to \$490,000 of their payroll. Private-sector employers (except registered charities) with total annual Ontario remuneration over \$5 million and public-sector employers are not eligible for the exemption.

To provide immediate relief to employers during the COVID-19 outbreak, the government proposes to retroactively raise the EHT exemption from \$490,000 to \$1 million for 2020. The exemption is proposed to return to its current level of \$490,000 on January 1, 2021.

### Workplace Safety and Insurance Board (WSIB)

Working in conjunction with the government, the WSIB will allow employers to defer payments for a period of six months.

All employers covered by the WSIB's workplace insurance are automatically eligible for the financial relief package. Schedule 1 employers with premiums owed to the WSIB will be allowed to defer reporting and payments until August 31, 2020. The deferral will also apply to Schedule 2 businesses that pay WSIB for the cost related to their workplace injury and illness claims. In addition, no interest will be accrued on outstanding premium payments and no penalties will be charged during this six-month deferral period.

### Postponement of Planned Property Tax Reassessment

To ensure that municipal governments can focus their resources on health initiatives and other COVID-19 related efforts, the government is postponing the planned property tax reassessment for 2021.

The next property valuation update, known as a reassessment, had been scheduled to be completed by the Municipal Property Assessment Corporation (MPAC) in 2020 for the 2021 taxation year. However, in view of the unforeseen challenges that all municipalities, residents, and businesses are currently facing, the government is postponing the reassessment. This means that assessments for the 2021 taxation year will continue to be based on the same valuation date that was in effect for the 2020 taxation year.



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## Guaranteed annual income system (GAINS)

The government is providing immediate financial support to seniors, who may need more help to cover essential expenses during the COVID 19 outbreak, by proposing to double the GAINS maximum payment for low-income seniors, for six months starting in April 2020. This would increase the maximum payment to \$166 per month for individuals and \$332 per month for couples.

## Assistance for families

The government is proposing to help families pay for extra costs associated with school and daycare closure during the COVID 19 outbreak by providing a one-time \$200 payment per child up to 12 years of age, and \$250 for those with special needs, including children enrolled in private schools.

## Ontario Student Assistance Program (OSAP)

The government is temporarily suspending OSAP loan repayments between March 30, 2020 and September 30, 2020, during which time borrowers will not be required to make any loan or interest payments.

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