



TAX HIGHLIGHTS FROM THE 2019 ONTARIO BUDGET

Finance Minister Victor Fedeli tabled the 2019 Ontario provincial budget on April 11, 2019. The budget projects a deficit of \$11.7 billion for the 2018-2019 fiscal year with a plan to return to balanced budgets by 2023-24.

On the income tax side, there were no increases or decreases to personal or corporate income tax rates for 2019. The government introduced a new Childcare Access and Relief from Expenses (CARE) tax credit and proposed a reduction to Ontario's estate administration (i.e., probate) tax for taxable estates.

The following pages are a summary of the changes announced in the budget. Please note that these changes are proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

The 2019 budget leaves personal income tax rates unchanged from 2018. Tax brackets (other than the \$150,000 and \$220,000 brackets) and personal credit amounts have been indexed by 2.2% to recognize the impact of inflation. The table below shows Ontario tax rates and brackets for 2019.

Taxable income range	2019 tax rates
First \$43,906	5.05%
\$43,907 - \$87,813	9.15%
\$87,814 - \$150,000	11.16%
\$150,001 - \$220,000	12.16%
\$220,001 and over	13.16%

Ontario also imposes a surtax equal to 20% of Ontario income tax in excess of \$4,740, plus an additional 36% of Ontario income tax in excess of \$6,067.

The table below shows the 2019 combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2019 combined tax rates
Regular income	53.53%
Capital gains	26.76%
Eligible dividends	39.34%
Non-eligible dividends	47.40%

Ontario Childcare Access and Relief from Expenses (CARE) tax credit

Budget 2019 proposes to introduce a new Ontario Childcare Access and Relief from Expenses (CARE) tax credit. With this new personal income tax credit, eligible families would receive up to 75% of their eligible child care expenses incurred as of January 1, 2019. The tax credit rate decreases based on family income, with the full 75% rate applicable to those with family income up to \$20,000. Each year the CARE tax credit would provide up to \$6,000 per child under the age of seven, up to \$3,750 per child between the ages of seven and 16, and up to \$8,250 per child with a severe disability.

The CARE tax credit would provide relief to eligible families with incomes of up to \$150,000 and can be claimed in addition to the existing federal and provincial child care expense deductions.

The CARE credit will be available effective 2019 and, starting with the 2021 tax year, it will also be available through regular advance payments upon request.

Low-Income Individuals and Families Tax (LIFT) credit

Effective January 1, 2019, the non-refundable LIFT credit provides up to \$850 in Ontario personal income tax relief to low-income Ontario taxpayers with employment income. The credit was announced in the 2018 Ontario Economic Outlook and Fiscal Review.

Budget 2019 confirms the government's intention to move forward with this credit and Ontario tax filers will be able to claim the LIFT credit for 2019 when they file their 2019 tax return in 2020.

Estate administration tax

Budget 2019 proposes to provide an estate administration tax cut for all taxable estates. Effective January 1, 2020, the estate administration (i.e., probate) tax would be eliminated for taxable estates with assets of \$50,000 or less and would be reduced by \$250 for larger taxable estates.

Currently, there is no estate administration tax payable if the value of the estate is \$1,000 or less. For all other estates, the tax is applied at the following rates:

- \$5 for every \$1,000, or part thereof, of the first \$50,000 of the value of the estate; and
- \$15 for every \$1,000, or part thereof, of the value of the estate exceeding \$50,000.

The estate administration tax will continue to apply at its current rate for estate values that exceed \$50,000, with the first \$50,000 being exempt.

The proposed change will apply if an estate certificate is requested on January 1, 2020 or later. Also, effective January 1, 2020, to reduce related compliance burdens, Budget 2019 proposes to extend the deadline for filing estate information returns from 90 to 180 days, and for filing amended returns from 30 to 60 days.



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CORPORATE TAX MATTERS

Corporate income tax rates

There were no changes proposed to corporate income tax rates. The table below shows Ontario tax rates and the small business limit for 2019.

Category	2019 tax rates
General rate	11.5%
Manufacturing and processing rate	10.0%
Investment income rate	11.5%
Small business rate	3.5%
Small business limit	\$500,000

The table below shows the 2019 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian controlled private corporation (CCPC).

Type of income	2019 combined tax rates
Small business income	12.5%
Active income over \$500,000	26.5%
Manufacturing and processing income	25.0%
Investment income	50.2%

Budget 2019 confirms the government will not proceed with the previous Ontario government's announcement that would have phased out the benefit of the lower small business tax rate for companies earning over \$50,000 of passive investment income in a tax year.

Ontario job creation investment incentive

Budget 2019 confirms the introduction of the Ontario job creation investment incentive. This incentive parallels the immediate write-off measures and the accelerated investment incentive announced in the federal government's Fall Economic Statement 2018. Under these measures:

- Manufacturing and processing machinery and equipment and specified clean energy equipment can be immediately written off; and
- Most other capital investments are eligible for an accelerated investment incentive that provides a depreciation rate of up to three times the normal rate in the first year the asset is put to use.

These measures are in place for assets acquired after November 20, 2018 and will be phased out from 2024 to 2027.



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Review of cultural media tax credit certification

Ontario offers a suite of five refundable cultural media tax credits to promote growth in the cultural media industries. The tax credits are jointly administered by the Canada Revenue Agency and Ontario Creates. Due to recent industry growth, tax credit applications to Ontario Creates have increased, resulting in long wait times for tax credit certification. The government will review the tax credit certification process to streamline administration and reduce the tax credit application backlog.

Ontario Interactive Digital Media Tax Credit (OIDMTC)

The OIDMTC is a refundable tax credit available to qualifying corporations for expenditures related to eligible interactive digital media products. For these purposes, to qualify as a specialized digital game corporation, a company must spend at least \$1 million in its taxation year on Ontario labour expenditures for eligible digital games. Budget 2019 proposes to reduce this minimum expenditure from \$1 million to \$500,000, to benefit smaller video game developers. This proposal would be effective for taxation years commencing after April 11, 2019.

Tax evasion and avoidance

Budget 2019 indicates an intention to promote fairness for businesses by fighting tax evasion and avoidance. To find and address tax loopholes and abuse, the government has created a specialized unit of tax experts who are working with federal and provincial tax officials.

OTHER PROPOSALS

Ontario property tax – a review of property assessments

The province will develop a plan to further improve the accuracy, transparency and stability of property assessments. Specifically, the province will conduct a review to explore opportunities to:

- Enhance the accuracy and stability of property assessments,
- Support a competitive business environment,
- Provide relief to residents, and
- Strengthen governance and accountability of the Municipal Property Assessment Corporation (MPAC) by proposing changes to the board's structure to ensure better representation for Ontario property taxpayers.

Title protection for financial planners and financial advisors

The province will move forward with proposed legislation to protect titles for financial planners and financial advisors in Ontario. The proposed new framework is being developed for the financial services industry to require that individuals using the financial planner and financial advisor titles have an appropriate credential.

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