



Canadian tax alert

2019-2020 Ontario budget highlights

April 11, 2019

The Minister of Finance, Victor Fedeli, presented the 2019-2020 Ontario budget in the Legislative Assembly this afternoon. This year's budget is projected to be a deficit and is focused on health care, child care, and education. The following is a summary of the economic and tax highlights contained in the budget.

Fiscal/economic outlook

The 2019-2020 budget projects annual growth in both revenue and spending of 3.0% and 1.0%, respectively, until the budget is balanced. For 2019-2020, the projected deficit is \$10.3 billion with declining deficits forecasted until 2023-2024 when a surplus of \$0.3 billion is projected. The 2018-2019 forecasted net debt-to-GDP rate of 40.2% is budgeted to increase to 40.7% for 2019-2020.

Overall, the economy is expected to grow at a steady pace, with nominal GDP growth of 3.4% in both 2019 and 2020 and real GDP growth of 1.4% in 2019 and 1.6% in 2020. Employment growth is expected to increase by 1.3% in 2019 and by an annual average of 1.0% from 2020 to 2024, with the annual unemployment rate forecasted to remain steady at 5.5% from 2019 to 2024.

Personal tax measures

The budget does not include any tax rate changes for individuals. The top marginal rates for 2019 are noted in the table below.

Combined federal and Ontario personal top marginal rates - 2019	
	Rate
Interest and regular income	51.97 / 53.53%
Capital gains	25.98 / 26.76%
Eligible dividends	37.19 / 39.34%
Ineligible dividends	45.60 / 47.40%

Note: The lower rate applies on income in excess of \$210,371 up to \$220,000; the higher rate applies on income in excess of \$220,000.

Ontario childcare access and relief from expenses tax credit

Effective for 2019, the government proposes to introduce a new refundable Ontario childcare access and relief from expenses (CARE) tax credit. This new personal income tax credit will be based on a taxpayer's family income and eligible childcare expenses as determined under the child care expense deduction. The CARE tax credit will be the taxpayer's eligible childcare expenses multiplied by the credit rate. For family income up to \$20,000, the credit rate is 75%. The rate gradually declines as family income increases over \$20,000 and is eliminated when family income is greater than \$150,000.

Estate administration tax

The government is proposing to eliminate the estate administration tax on the first \$50,000 of the value of the estate. The estate administration tax will continue to apply at a rate of \$15 for every \$1,000, or part thereof, of the value of the estate exceeding \$50,000. This proposal will be effective on January 1, 2020.

Business tax measures

The budget does not include any tax rate changes for businesses. However, the government intends to reduce the small business corporate income tax rate by 8.7% in the future. As previously announced, the government is introducing the Ontario job creation investment incentive to provide faster writeoffs of capital investments and is not paralleling the federal government in phasing out the benefit of the lower small business tax rate for companies earning over \$50,000 of passive investment income in a tax year.

The corporate tax rates for 2019 are noted in the table below.

Corporate tax rates for Ontario companies – 2019 calendar year		
	Ontario	Combined rates (federal and Ontario)
General tax rate and investment	11.5%	26.5%
Manufacturing and processing	10.0%	25.0%
Small business (threshold \$500,000)	3.5%	12.5%

Cultural media tax credits

For the five refundable cultural media tax credits, the Ontario government will review the certification process to streamline administration and reduce the application backlog to help companies get tax credits sooner. The cultural media tax credits include the Ontario film and television tax credit, the Ontario production services tax credit, the Ontario computer animation and special effects tax credit, the Ontario interactive digital media tax credit, and the Ontario book publishing tax credit.

For the Ontario interactive digital media tax credit, the government proposes to reduce the minimum Ontario labour expenditure requirement from \$1 million to \$500,000 for specialized digital game corporations to apply for the tax credit certification annually, rather than having to apply separately for each product they complete. This change will be effective for taxation years commencing after April 11, 2019.

Other measures

Based on the review of all business support programs, the government is introducing the Open for Jobs Blueprint to modernize and improve the effectiveness of Ontario's business support programs. Details on the first business support program developed under this plan will be announced later in fall 2019.

The government is proposing to expand the scope of the Francophone Community Grants program to include a focus on economic development.

For further details, we refer you to the [Ministry of Finance website](#).

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