

2008 Ontario Budget Summary

Businesses

Capital Tax Elimination for Manufacturing and Resource Activities

The 2007 Economic Outlook and Fiscal Review proposed to eliminate the Capital Tax effective January 1, 2008, for Ontario companies primarily engaged in manufacturing and resource activities.

In this Budget, the government proposes to retroactively eliminate the Capital Tax one year earlier, effective January 1, 2007, for Ontario companies primarily engaged in manufacturing and resource activities.

The government would provide this tax relief either by issuing a refund cheque or offsetting other corporate taxes owing. Further details will be made available shortly on how this process will work.

Accelerated Capital Cost Allowance for Manufacturing & Processing Machinery and Equipment

The 2007 federal budget proposed a temporary tax incentive in the form of a 50 per cent straight-line CCA rate for M&P machinery and equipment acquired on or after March 19, 2007, and before 2009. Ontario announced that it would parallel this incentive.

The 2008 federal budget proposed to extend this incentive by allowing eligible assets acquired in 2009 to be depreciated on a 50 per cent straight-line basis and those acquired in 2010 and 2011 on a declining balance basis.

Subject to enactment of the applicable federal regulations, the Budget proposes to extend this tax incentive for manufacturers in line with the proposed federal rates and effective dates.

Personal

Tax-Free Savings Account

The 2008 federal budget proposed a new savings vehicle, a Tax-Free Savings Account (TFSA), which would allow Ontarians to earn tax-free investment income.

Beginning in 2009, Ontarians would be able to contribute up to \$5,000 annually to a TFSA. Contributions would not be tax deductible but capital gains and investment income earned within the TFSA and withdrawals from the TFSA would be tax-free. Withdrawals and unused room would be carried over for future contributions. A TFSA would be able to hold the same qualified investments as a Registered Retirement Savings Plan, such as bonds, stocks, mutual funds and Guaranteed Investment Certificates.

This new savings incentive would automatically be adopted for Ontario personal income tax purposes when the federal legislation receives Royal Assent.

Senior Homeowners' Property Tax Grant

The Ontario Budget announced the government's commitment to helping low- and moderate-income senior homeowners offset their property taxes. In addition to the current property tax credit, the government proposes to provide a new property tax grant to seniors with low and moderate incomes who own their own homes. This new grant would be available in early 2009 to help seniors pay their 2009 municipal and education property taxes. Grants would be provided in each year thereafter.

In 2009, eligible senior homeowners would be able to obtain a new grant of up to \$250. The maximum grant would be increased to \$500 for 2010 and subsequent years. Senior homeowners would apply for the grant when filing their 2008 and subsequent income tax returns.

Eligible single seniors with \$500 or more in property taxes and income of up to \$35,000 a year would receive the maximum grant. Eligible single seniors with income between \$35,000 and \$50,000 would receive a proportionately smaller grant. Eligible senior couples with \$500 or more in property taxes and income of up to \$45,000 a year would receive the maximum grant. Eligible senior couples with income between \$45,000 and \$60,000 would receive a proportionately smaller grant.