

2009 Ontario Budget

Business

It is proposed that, starting July 1, 2010, Ontario RST will be combined with the federal GST to create a federally administered single sales tax with a combined tax rate of 13%. A small business transition credit of up to \$1,000 is proposed to assist small businesses in the transition. There are proposed exemptions for a limited number of items. For example, the proposed rebate for new primary residences under \$400,000 would be 75% of the 8% provincial portion of the tax.

The general rate of Ontario corporate tax is proposed to decline from 14% to 12% starting July 1, 2010 and further reduced over three years to 10% starting July 1, 2013. The M&P rate would decline from 12% to 10% starting July 1, 2010 under the Budget.

It is proposed that the Ontario small business corporate tax rate will decline from 5.5% to 4.5% and the Ontario small business deduction surtax will be eliminated effective July 1, 2010. This would extend the benefit of the small business deduction to all CCPCs on their first \$500,000 of taxable income regardless of size and profitability.

It is proposed that the CMT (corporate minimum tax) rate will decline from 4% to 2.7% and the threshold for determining which corporations are subject to CMT will increase to \$50 million in total assets or \$100 million in total revenue. This measure is effective for tax years ending after June 30, 2010.

The Budget proposes enhancements to the co-operative education tax credit (CETC) for expenditures incurred after March 26, 2009. The tax credit rates will increase from 10-15% to 25-30% and the maximum tax credit available per work placement will increase from \$1,000 to \$3,000.

The Budget proposes enhancements to the apprenticeship training tax credit (ATTC) for expenditures incurred after March 26, 2009. The tax credit rates will increase from 25-30% to 35-45%, the maximum tax credit available will increase from \$5,000 to \$10,000 and the credit will be extended to cover salaries paid during the first four years of the apprenticeship program.

The government proposes to introduce legislation to convert the tax deduction that was available for corporations making eligible Ontario political contributions into a non-refundable tax credit. The proposed tax credit, effective for taxation years ending after December 31, 2008, would maintain a similar level of support as that provided under the former tax deduction. Unused contributions, including those from pre-2009 taxation years, would be available to be carried forward and claimed for up to 20 years.

Personal

Lowest marginal rate of personal tax is proposed to decline from 6.05% to 5.05%. A corresponding proposal to reduce the thresholds at which the Ontario surtax applies will negate the value of the above reduction for higher rate taxpayers.

Single parents and couples will receive three payments totaling \$1,000 made in June and December 2010 and June 2011 to ease in the transition to a harmonized sales tax. Single individuals qualify to receive three payments totaling \$300. The payments begin to phase-out for single parents and couples earning in excess of \$160,000 and single individuals earning in excess of \$80,000. A 2009 and 2010 tax return needs to be filed to qualify for the benefits.

Ontario proposes to reduce the dividend tax credit rates to reflect the reduction in the general corporate tax rates.