

Budget 2022

Ontario

Making sense of what's next.



April 2022

On April 28, 2022 Finance Minister Peter Bethlenfalvy tabled Ontario's 2022-23 budget (ON Budget 2022). With the Ontario provincial elections slated for June 2, 2022, this budget may also be considered the Progressive Conservative's platform.

ON Budget 2022 projects a deficit of \$13.5 billion for the 2021-22 fiscal year, compared to a \$33.1 billion deficit projected for the same fiscal year in the previous budget.

Fiscal results for the next three years are projected as follows:

Year	Projected deficit
2022-23	(\$19.9 billion)
2023-24	(\$12.3 billion)
2024-25	(\$7.6 billion)



Personal measures

Personal income tax rates

No changes to the personal tax rates are proposed. The rates for 2022 are as follows:

Tax brackets	Marginal tax rates
\$46,226 or less	5.05%
\$46,227 - \$92,454	9.15%
\$92,455 - \$150,000	11.16%
\$150,001 - \$220,000	12.16%
\$220,001 and over	13.16%

The top combined federal and Ontario marginal tax rates for 2022 are as follows:

Type of income	Tax rate
Interest	53.53%
Capital gains	26.76%
Eligible dividends	39.34%
Regular dividends	47.74%

Enhancements to the Low-Income Workers Tax Credit

The Low-Income Workers Tax Credit, also known as the Low-Income Individuals and Families Tax Credit (LIFT) is a non-refundable tax credit presently allowing qualified individuals to receive a maximum credit of \$850 or 5.05 per cent of employment income, whichever is lower. The credit is reduced by 10 per cent of the greater of adjusted individual net income in excess of \$30,000 and adjusted family net income in excess of \$60,000. This effectively reduces the LIFT credit to zero when the employment income is over \$38,500 for individuals and \$68,500 for families.

ON Budget 2022 proposes the following enhancements to LIFT, effective January 1, 2022:

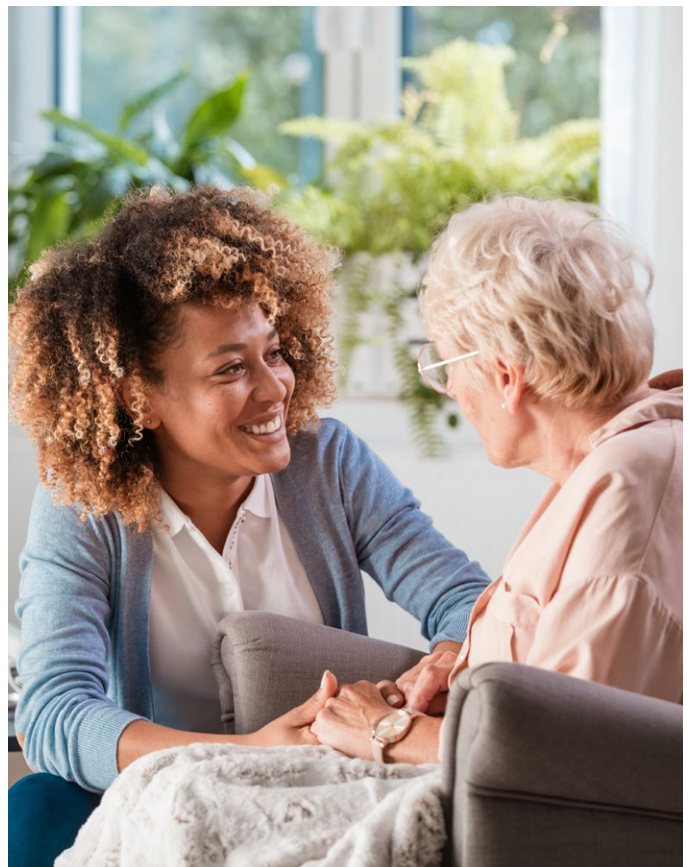
- increase the maximum benefit from \$850 to \$875
- reduce the phase-out rate from 10 per cent to 5 per cent
- increase the threshold over which LIFT credit is reduced - \$32,500 for individuals and \$65,000 for families

These proposed changes would effectively reduce the LIFT credit to zero when the employment income is over \$50,000 for individuals and \$82,500 for families.

Ontario Seniors Care at Home Tax Credit

ON Budget 2022 proposes a new refundable personal tax credit for qualifying seniors, effective January 1, 2022. This credit would be calculated as 25 per cent of eligible medical expenses up to \$6,000 (i.e., maximum credit of \$1,500) and would be based on the medical expenses claimed for the existing Ontario Medical Expense Credit (METC). The credit would be applicable to a taxpayer, their common-law partner or spouse upon turning 70 years of age or older during the year.

The credit would be reduced by 5 per cent of family net income over \$35,000 and be fully phased out by \$65,000, regardless of marital status. Expenses could be combined with those of the claimant's spouse, common-law partner or dependants. Seniors or senior families claiming this credit would be expected to retain receipts and other documentation.



Business measures

Corporate tax rates

No further changes to the Ontario corporate tax rates and \$500,000 small business limit are proposed. Ontario's corporate tax rates for 2022 are summarized below:

Ontario corporate tax rates

	Ontario	Combined federal and Ontario
Small business tax rate	3.20%	12.20% ¹
General corporate tax rate	11.50%	26.50% ²
Manufacturing and processing tax rate	10.00%	25.00%

¹ On April 7, 2022, the federal government proposed to extend the upper limit of taxable capital at which the small business deduction is fully ground down from the existing \$15 million to \$50 million. ON Budget 2022 proposes no changes to the small business limit, and it remains unclear whether Ontario will follow the taxable capital threshold change proposed by the federal government. Please see our [2022 federal budget summary](#) for more details on the proposed federal tax measures.

² The federal government also proposed to increase the federal general corporate tax rate for members of bank and life insurer groups by 1.5%, applicable to taxation years that end after April 7, 2022 (prorated for 2022).

Changes to Ontario's cultural media tax credits

ON Budget 2022 proposes changes to the following cultural media tax credits:

Tax credit	Current rules	Proposed changes
Ontario Film and Television Tax Credit (OFTTC)	<ul style="list-style-type: none"> 35% refundable tax credit available to eligible Ontario-based Canadian corporations on qualified Ontario labour expenditures for eligible film and television productions 10% regional bonus on expenditures for productions primarily filmed or produced outside of the Greater Toronto Area (GTA) 	<ul style="list-style-type: none"> extending eligibility to include film and television productions that are distributed exclusively online and meet the following requirements: <ol style="list-style-type: none"> have a budget of at least \$250,000 have a written agreement with an eligible exhibitor service for consideration at fair market value for the production to be shown online in Ontario within two years of completion; and not contain certain content (e.g., opinion, advice or how-to instructions). <p>Further details, including the effective date of the proposed changes, would be announced in the fall.</p>
Ontario Production Services Tax Credit (OPSTC)	<ul style="list-style-type: none"> 21.5% refundable tax credit to eligible Ontario-based Canadian and foreign-controlled corporations on qualified Ontario production expenditures for eligible film and television productions that meet minimum budget thresholds location rental fees for on-location filming are generally not eligible 	<ul style="list-style-type: none"> reviewing the effectiveness of the regional bonus for the OFTTC reviewing the eligibility of locations fees for the OPSTC

<p>Ontario Computer Animation and Special Effects Tax Credits (OCASE)</p>	<ul style="list-style-type: none"> 18% refundable tax credit to eligible Canadian corporations on qualifying Ontario labour expenditures for digital animation and digital visual effects created in Ontario for film and television productions 	<ul style="list-style-type: none"> examining ways to simplify the OCASE to “untether” it from OFTTC and OPSTC film and television productions distributed exclusively online may also be eligible for OCASE if the other requirements are met confirming eligible labour expenditures for employees working remotely can qualify for OCASE, provided the work is performed in Ontario by an Ontario resident who reports to and is under the direction of an eligible OCASE applicant with a permanent establishment in Ontario
<p>Ontario Book Publishing Tax Credit (OBPTC)</p>	<ul style="list-style-type: none"> 30% refundable tax credit for eligible Ontario expenditures incurred by a qualifying corporation for eligible book publishing activities, up to a maximum tax credit of \$30,000 per book title OBPTC is only available to books with at least 500 hard copies published (this requirement was temporarily removed for 2020 and 2021 taxation years) 	<ul style="list-style-type: none"> permanently removing the requirement for a book to be published in an edition of at least 500 copies for 2022 and later taxation years books that are only published electronically may be eligible for the OBPTC for 2022 and later taxation years
<p>Ontario Interactive Digital Media Tax Credit (OIDMTC)</p>	<ul style="list-style-type: none"> 35% or 40% refundable tax credit available to qualifying corporations for eligible Ontario labour expenditures and eligible marketing and distribution expenses relating to the development of eligible interactive digital media products 	<ul style="list-style-type: none"> confirming eligible labour expenditures for employees working remotely can qualify for OIDMTC, provided the work is undertaken in Ontario by an Ontario resident who reports to and is under the direction of an eligible OIDMTC applicant with a permanent establishment in Ontario



Regional Opportunities Investment Tax Credit (ROITC)

The ROITC was first introduced in 2020 to provide a 10 per cent refundable tax credit to Canadian-controlled private corporations (CCPCs) that invest to construct, renovate or acquire eligible commercial and industrial buildings in [eligible geographic areas](#) of Ontario. The ROITC is available for eligible expenditures in excess of \$50,000 and up to \$500,000 per year for eligible property that becomes available for use on or after March 25, 2020. Budget 2021 temporarily doubled the credit to 20 per cent for eligible property that becomes available for use on or after March 24, 2021 and before January 1, 2023. The maximum credit available under the enhanced credit would be \$90,000 per year. Budget 2022 proposes to extend the temporary enhancement period until January 1, 2024.

Sales tax measures

Harmonized Sales Tax (HST)

ON Budget 2022 proposes no changes to the current 13 per cent HST rate, which is composed of a 5 per cent federal and an 8 per cent provincial component.

Gas and fuel taxes

A proposed temporary measure to reduce the gasoline and fuel taxes for six months starting July 1, 2022 would bring the combined rate from 29 cents per litre down to 18 cents per litre.

This relief measure would require an inventory count be conducted on July 1, 2022 by importers, wholesalers and retailers in order to qualify for credits to their accounts to be made by suppliers.



Non-Resident Speculation Tax (NRST)

Under the Land Transfer Act, effective March 30, 2022, amendments were introduced to raise the NRST rate from 15 per cent to 20 per cent.

The NRST now applies to the entire province (it originally applied only to the Greater Golden Horseshoe Region).

Rebates that were previously available to international students and foreign nationals working in Ontario are no longer available.

Rebates that remain in place include:

- foreign nationals becoming permanent residents within four years of the tax becoming payable (subject to eligibility)
- nominees under the Ontario Immigrant Nominee Program
- refugees
- spouses of individuals for which the NRST does not apply (subject to eligibility)

These amendments intend to cool the Ontario real estate market, which has seemingly stalled recently due to various factors.

Other notable items

Infrastructure spending – Significant spending would include:

- investing \$25.1 billion over 10 years to support the planning and construction of highways
- investing \$61.6 billion over 10 years in public transit
- investing more than \$40 billion over 10 years in hospital infrastructure
- investing \$6 billion over 10 years in the post-secondary education sector
- investing 21 billion over 10 years to support schools and child care projects
- continuing to invest nearly \$4 billion between 2019 and 2025 to provide high-speed internet across Ontario

Venture Ontario – Increasing the venture capital fund from \$100 to \$300 million. The additional funding would be invested in businesses in sectors including life sciences, clean technology, information technology and artificial intelligence.

Critical Mineral Strategy – Investing up to \$1 billion for legacy infrastructure in northern Ontario and investing \$5 million over two years in a new Critical Minerals Innovation Fund.

Workforce training – Investing \$1 billion annually in employment and training programs and an additional \$114.4 million over three years in the Skilled Trades Strategy.

Selected measures announced prior to ON Budget 2022

Ontario license plate renewal fees and stickers – The license plate renewal fees and the requirement to have a license plate sticker for passenger vehicles, light-duty trucks, motorcycles and mopeds was eliminated effective March 13, 2022 and eligible individual owners were refunded any fees paid since March 2020. Eliminating this measure is anticipated to cost Ontario \$1.8 billion in 2021-2022, and an average of \$1.1 billion in lost revenue annually going forward.

Job retention incentive for nurses – Qualifying nurses would receive a retention incentive of up to \$5,000 per person in two installments.

Minimum wage – The provincial government has proposed to increase the general minimum wage from \$15 to \$15.50 an hour, effective October 1, 2022.

Ontario child care deal – The federal and provincial governments have agreed to a new Canada-wide Early Learning and Child Care System. This is expected to reduce the average cost of child care to \$10-a-day by September 2025.

Real estate developers – The provincial government has proposed numerous measures to discourage unethical behaviour by condominium developers and home builders by increasing fines and penalties.

Changes to blind bidding – The province has proposed legislation that would allow home sellers the option to disclose details of competing bids on their properties. In the present system buyers submit their offers without knowing the contents of bids submitted by other buyers. These rules would be expected to take effect April 1, 2023.

University tuition freeze extended – The provincial government has extended the current tuition freeze for universities and colleges by an additional year, to include the 2022-2023 academic year.

For more information about Ontario's budget measures and their potential impact on your business, contact your Grant Thornton advisor.

Visit our [Budget 2022 hub](#) to learn more about all federal and provincial budgets.