



Focused on what
matters to you

Ontario

Budget 2023

March 23, 2023

Finance Minister Peter Bethlenfalvy tabled Ontario's 2023-24 budget (ON Budget 2023) on March 23, 2023.

ON Budget 2023 projects a deficit of \$2.2 billion for the 2022-23 fiscal year, compared to a \$19.9 billion deficit projected in the previous budget. Ontario anticipates balancing the budget by 2024-25.

Fiscal projections for the next three years are as follows:

Year	Projected surplus/(deficit)
2023-24	(\$1.3 billion)
2024-25	\$0.2 billion
2025-26	\$4.4 billion

Business tax measures

Corporate tax rates

ON Budget 2023 announces no changes to the corporate tax rates.

2023 combined federal and Ontario corporate tax rates

Corporate tax rates	ON only	Federal and ON combined
Small business tax rate (non-ZETM ¹)	3.2%	12.2%
Small business tax rate (ZETM)	3.2%	7.7%
General corporate tax rate	11.5%	26.5%
Manufacturing and processing tax rate (non-ZETM)	10.0%	25.0%
ZETM	10.0%	17.5%

¹ Zero-emission technology manufacturer

New Ontario Made Manufacturing Investment Tax Credit

ON Budget 2023 introduces the Ontario Made Manufacturing Investment Tax Credit to encourage growth in Ontario's manufacturing sector. This provides a 10% refundable corporate income tax credit to Canadian-controlled private corporations (CCPCs) with a permanent establishment in Ontario on qualifying investments in certain buildings (including construction and renovation expenditures), machinery, and equipment for use in manufacturing or processing.

The investment limit is up to \$20 million/year (shared among an associated group and prorated for short tax years), resulting in a refundable credit of up to \$2 million/year.

The credit will apply to qualifying investments that are available for use on or after March 23, 2023. Ontario will review the availability of the credit every three years.



Personal tax measures

Personal income tax rates

ON Budget 2023 doesn't change the personal rates. The personal tax brackets (\$) and the respective marginal tax rates (%) for 2023 are as follows:

Tax brackets and marginal tax rates

\$49,231 or less 5.05%	\$150,001 - \$220,000 12.16%
\$49,232 - \$98,463 9.15%	\$220,001 and over 13.16%
\$98,463 - \$150,000 11.16%	

The top combined federal and Ontario marginal tax rates for 2023 are as follows:

Type of income	Tax rate
Salary/interest	53.53%
Capital gains	26.76%
Eligible dividends	39.34%
Non-eligible dividends	47.74%

Sales and other tax measures

Harmonized Sales Tax

ON Budget 2023 announces no changes to the current 13% Harmonized Sales Tax (HST) rate, which is comprised of 5% federal and 8% provincial components.

ON Budget 2023 also calls on the federal government to provide HST relief through rebates, exemptions, zero-rating, or deferrals for new housing and rental development projects.

Wine Tax

ON Budget 2023 is setting one basic 12% tax rate on wine and wine coolers sold in retail locations (except at wineries) starting on July 1, 2023. This is a result of the settlement made between Canada and Australia through the World Trade Organization. This harmonized rate replaces the four existing rates that are currently in place, reducing the expected annual tax revenues by approximately \$4 million.





Other notable changes



HOUSING

Providing

\$202 million

in additional funding to the Homeless Prevention Program and Indigenous Supportive Housing Program, and committing to build 1.5 million new homes by 2031.



WORKFORCE

Investing

\$224 million

in a new capital stream for the Skills Development Fund, and an additional \$25 million over three years to the Ontario Immigrant Nominee Program, to attract more skilled workers.



INFRASTRUCTURE

Injecting more than

\$184 billion

over 10 years to planned infrastructure projects, including the expansion of highways, transformation of the GO Transit rail network, and construction of new hospitals and schools.



CRITICAL MINERAL STRATEGY

Investing

\$3 million

in 2023 and another \$3 million in 2024 through the Ontario Junior Exploration Program to attract more investment in the mining sector. Ontario has introduced legislation to amend the Mining Act to reduce burden and improve timelines for permits and secure the supply chain for critical minerals.

Previously announced measures

Guaranteed Annual Income System: Doubling the Guaranteed Annual Income System (GAINS) payments temporarily for one year starting in January 2023 to support low-income seniors, as previously announced in the [Ontario Economic and Fiscal Update 2022](#). Additionally, Ontario will expand the eligibility for GAINS starting in July 2024.

Gas and fuel taxes: Extending the temporary measure to reduce the gasoline and fuel taxes to December 31, 2023, as previously announced in the [Ontario Economic and Fiscal Update 2022](#). This extension will keep the cost at 9 cents/litre.

Small Business Deduction limit: Allowing more CCPCs to access the Small Business Deduction (SBD) by increasing the upper limit of the “phase-out” range of the SBD limit to \$50 million (from \$15 million). For more information, see our [tax alert](#) on the federal SBD changes.

Visit our [Budget 2023 hub](#) to learn more about all federal and provincial budgets.

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