

Budget 2019

Ontario

Making sense of what's next.



April 2019

On April 11, 2019, Finance Minister Vic Fedeli tabled Ontario's 2019-20 budget. This is the first budget for the newly-elected Progressive Conservative government of Ontario.

The Ontario government is projecting deficits until the 2023-24 fiscal year, when a small surplus is projected.

Year	Projected surplus/(deficit)
2018-19	(\$11.7 billion)
2019-20	(\$10.3 billion)
2020-21	(\$6.8 billion)
2021-22	(\$5.6 billion)
2022-23	(\$3.5 billion)
2023-24	\$0.3 billion surplus

Although the 2.2% real GDP growth for 2018 projected in this budget is improved over the 2% growth projected in the 2018 Ontario Fall Economic Statement, the outlook for 2019, 2020 and 2021 is slightly lower, at 1.4%, 1.6% and 1.5%, respectively.



The government plans to implement a strategy to reduce Ontario's debt, which is projected at \$343 billion for 2018-19. By directing fiscal surpluses and reserve or contingency funds to pay down the debt, the government plans to reduce the net debt-to-GDP from 40.8% in 2018-19 to 38.6% by 2023-24.

Business measures

Corporate tax rates

No further changes to the corporate tax rates or the \$500,000 small business limit are proposed. Ontario's corporate tax rates for 2019 are summarized in the following table:

Ontario corporate tax rates

	Ontario	Combined federal and Ontario
Small business tax rate	3.50%	12.50%
General corporate tax rate	11.50%	26.50%
Manufacturing and processing tax rate	10.00%	25.00%

Ontario job creation investment incentive

In November 2018, the federal government released its [Fall Economic Statement](#), which included new rules that provide an accelerated write-off of capital expenditures acquired after November 20, 2018. The following month, the Finance Minister released a statement that Ontario would parallel these federal measures. The Ontario budget provides an official name for this measure, the Ontario Job Creation Investment Incentive, estimated at \$3.8 billion over six years, as well as benefits estimated at:

- 50,000 to 93,000 net new jobs, and
- \$7 billion to \$10 billion in net new business investment.

Business support programs

In an effort to modernize the province's business support programs, the Ontario government will introduce its "Open for Jobs Blueprint", which will be based on four key principles of being: (1) accessible, (2) fiscally responsible, (3) coordinated and scalable and (4) effective.

Business support programs will focus on four economic priorities:

- Talent
- Research and commercialization
- Entrepreneurship and growth
- Investment attraction

The Ontario government is reviewing the support currently provided for research and development (R&D). This will include a review of the Ontario Innovation Tax Credit and other R&D tax incentives to determine if the appropriate level of R&D tax support is being provided to businesses.

On a somewhat related note, the government will also be putting together a plan to allocate a portion of the provincial ministries' R&D funding to Ontario entrepreneurs. The aim is to help innovative Ontario companies compete in the procurement of government contracts.

Northern Ontario Internship Program

The province will be changing its Northern Ontario Internship Program, which originally only applied to recent college and university graduates, by expanding the eligibility of applicants to include new entrants to the workforce, job-seekers changing careers, the unemployed and the underemployed.

There will be two separate funding streams:

- The Northern Ontario Indigenous Internship; and
- The Northern Ontario Skilled Labour Internship.

Change to Ontario interactive digital media tax credit

The Ontario interactive digital media tax credit is a refundable tax credit available to qualifying corporations for expenditures on digital media products. A company that qualifies as a specialized digital game corporation can apply for the credit annually, rather than applying separately for each product completed, thereby reducing the paperwork and increasing the speed in which they receive their credit. Currently, to qualify as a specialized digital game corporation, the company must spend at least \$1 million on Ontario labour expenditures for eligible digital games for the taxation year. The Ontario budget proposes to reduce this minimum threshold to \$500,000 for taxation years beginning after April 11, 2019, to streamline the process.

Cultural media tax credit certification

Ontario currently offers five refundable cultural media tax credits:

- Ontario film and television tax credit
- Ontario production services tax credit
- Ontario computer animation and special effects tax credit
- Ontario interactive digital media tax credit
- Ontario book publishing tax credit

Due to rapid industry growth, long wait times exist for the certification of these tax credits. Budget 2019 states that the government will review the certification process to improve the speed at which these tax credits are received.

Personal measures

Personal income tax rates

No changes to personal income tax rates are proposed. The top combined federal Ontario marginal tax rates for 2019 are as follows:

Taxable income	2019
Interest	53.53%
Capital gains	26.76%
Eligible dividends	39.34%
Regular dividends	47.40%

Childcare Access and Relief from Expenses (CARE) tax credit

Budget 2019 introduces the CARE tax credit: a refundable tax credit of up to 75% of eligible childcare costs, which varies depending on the age of the child and whether or not the child has a severe disability. The percentage applied to determine the credit will also vary, depending on the level of household income. The credit will be available starting in 2019 and can be claimed by taxpayers in addition to (rather than as a replacement to, as was speculated by some prior to the budget release) the deduction for childcare expenses, which is the current rule. The following table summarizes the applicable amounts.

Maximum annual refund	
Child under 6	\$6,000
Child aged 6 to 15	\$3,750
Child with severe disability	\$8,250
Maximum rebate, as percentage of eligible childcare costs	
Household income	Maximum percentage
Up to \$20,000	75%
Between \$20,000 and \$40,000	75% less 2% for each \$2,500 (or part thereof) above \$20,000
Between \$40,000 and \$60,000	59% less 2% for each \$5,000 (or part thereof) above \$40,000
Between \$60,000 and \$150,000	51% less 2% for each \$3,600 (or part thereof) above \$60,000
Greater than \$150,000	0%

Families will not be required to apply for the tax credit as it will be automatic with the filing of their tax returns. Receipts for the childcare expenses claimed will still be required. Regular advance payments will be available starting with the 2021 tax year.

The government projects the cost of the CARE tax credit to be \$390 million per year.

Estate administration tax

The Ontario budget proposes to reduce the estate administration tax for all taxable estates, effective January 1, 2020. The tax will be eliminated on the first \$50,000 of the value of the estate, which is currently calculated at \$5 for every \$1,000 of value.

Furthermore, Budget 2019 proposes to extend the filing deadlines for the estate administration tax information return from 90 days to 180 days, while also extending other related reporting requirements. The expected cost for these new measures is \$10 million annually.

Harmonized sales tax

Budget 2019 proposes no changes to the current 13% HST rate, which is composed of a federal component of 5% and a provincial component of 8%.

Previously-announced measures

Low-income individuals and families tax (LIFT) credit

As previously announced in the 2018 [Ontario Fall Economic Statement](#), effective January 1, 2019, the province will reduce the Ontario tax liability of employed individuals who are considered low-income individuals or are part of a low-income family. The non-refundable credit is equal to the lesser of 5.05% of the individual's employment income and \$850. The credit is reduced by 10% of the net income of the individual (or family), once the individual's income exceeds \$30,000 (or the family's income exceeds \$60,000). If an individual's income exceeds \$38,500 (or the family's income exceeds \$68,500), the credit is eliminated.

Small business deduction

As proposed in the 2018 Ontario Fall Economic Statement, all eligible Ontario small businesses will continue to receive the full Ontario small business deduction under the current rules. The budget confirms that Ontario will not parallel the federal measures around passive income, which phase out access to the small business tax rate.

Other notable changes

Transit projects

The Ontario government will be investing significant amounts into upgrading transit in various projects in Ontario, with specific focus on the Greater Toronto Area (GTA) and Ottawa.

Announced on April 10, 2019, the day before the Ontario budget was released, the Ontario government will be expanding transit in the GTA. The expansion includes four main projects (see table below) at an estimated cost of \$28.5 billion. The Ontario provincial government has committed to investing \$11.2 billion for these four projects, with the hope/expectation that the federal and municipal governments will contribute the difference.

An additional \$1.2 billion will be provided to the city of Ottawa to fund its Stage 2 light-rail transit (LRT) project, which was previously promised by the former Liberal government. The extension (see chart below) will add 24 stations to the LRT system and is expected to be completed by 2025.

City	Project	Estimated completion
Toronto	Ontario line	2029
Toronto	Yonge north extension	2029-30
Toronto	Scarborough extension	2029-30
Toronto	Eglinton crosstown extension	2030-31
Toronto	Sheppard subway extension	TBD (after Scarborough extension)
Ottawa	Confederation line east	2024
Ottawa	Confederation line west	2025
Ottawa	Trillium line south	2022
Hamilton	Light rail from McMaster University through downtown Hamilton to Eastgate Square	2024

Hydro

Effective May 1, 2019, increases to residential electricity bills will be held to the rate of inflation.