



Ontario Economic Outlook & Fiscal Update 2022

November 15, 2022

On November 14, 2022, Finance Minister Peter Bethlenfalvy delivered the 2022 Ontario Economic Outlook and Fiscal Review (the “Fiscal Review”). More commonly known as the Fall Economic Statement, the Fiscal Review serves as a precursor to the provincial government’s 2023 budget. Short-term uncertainty was a key theme in the Fiscal Review, as the province continues to navigate global headwinds like inflation and high interest rates.

The Fiscal Review includes a progress update on the government’s plan to build Ontario and introduces several measures to help businesses and families keep costs down. Ontario’s deficit for fiscal year 2022-23 has been revised downward since the release of the province’s April budget from \$19.9 billion to \$12.9 billion. Furthermore, the Fiscal Review is projecting a slower growth in real GDP from the previous year, 2.6% for 2022 and 0.5% for 2023.

Estimated deficits

	2022-23	2023-24	2024-25
Original estimate (Budget 2022)	(\$19.9B)	(\$12.3B)	(\$7.6B)
Revised estimate (Fiscal Review 2022)	(\$12.9B)	(\$8.1B)	(\$0.7B)

Measures for businesses

Immediate expensing rules

Ontario is providing immediate expensing to allow Canadian Controlled Private Corporations (CCPCs) to write-off up to \$1.5 million of certain eligible capital property purchased on or after April 19, 2021 that becomes available for use before January 1, 2024. This tax incentive is also available to Canadian resident sole proprietors (other than trusts) and certain partnerships where all the partners are CCPCs or Canadian resident individuals (other than trusts), but only for eligible property acquired on or after January 1, 2022, and that will become available for use before January 1, 2025.

The \$1.5 million annual limit must be shared by members of an associated group. Eligible properties are capital property subject to the [capital cost allowance rules](#) other than property included in [Classes 1 to 6, 14.1, 17, 47, 49 and 51](#), which are generally long-life assets such as buildings, and unlimited life intangibles such as goodwill. Eligible properties include office furniture in [Class 8](#), passenger vehicles and tractors in [Classes 10 and 10.1](#), freight trucks and rental cars in [Class 16](#), data network infrastructure equipment and systems software in [Class 46](#), as well as computers in [Class 50](#).

This measure parallels the [federal immediate expensing rule](#) enacted on June 23, 2022.

Small Business Deduction (SBD)

Currently, Ontario provides a small business corporate income tax rate of 3.2% for CCPCs on their first \$500,000 of active business income. This small business rate is reduced gradually for CCPCs and associated CCPCs when the taxable capital employed in Canada reaches \$10 million in the previous year, and eliminated at \$15 million.

Ontario's announcement mirrors the federal government's proposals to increase the upper limit of taxable capital at which the SBD is fully ground down to \$50 million, up from \$15 million. The \$10 million threshold remains intact. This measure would apply to taxation years beginning on or after April 7, 2022.

As of the date of this tax alert, a bill containing the proposed federal rules has **not** received Royal Assent. Please see our [recent tax alert](#) on the proposed federal SBD changes to learn more.

At the date of issue, in addition to Ontario, BC is the only other province to confirm their intention to follow the federal proposal.

Measures for individuals

Ontario Disability Support Program (ODSP)

The Ontario Disability Support Program (ODSP) provides income support to people with disabilities. ODSP recipients are subject to a clawback based on their income levels. Currently, ODSP recipients can earn up to \$200 net income per month without a reduction in benefits. Each additional dollar earned reduces the ODSP payment by 50 cents.

The Fiscal Review proposes to increase the monthly ODSP earnings exemption from \$200 to \$1,000 per month. The ODSP recipient would keep 25 cents of income support for each dollar earned above the \$1,000 monthly exemption. The proposed measures include plans to annually adjust allowances for inflation under the ODSP and the maximum monthly amount for the Assistance for Children with Severe Disabilities program, beginning in July 2023.

Guaranteed annual income system payments

The Fiscal Review proposes to double the Guaranteed Annual Income System (GAINS) payment for low-income seniors for 12 months starting in January 2023. This would increase the maximum monthly payment to \$166 from \$83 for single seniors, and \$332 from \$166 for couples.

Minimum Wage

The Fiscal Review includes the government's recent announcement to increase the general minimum wage to \$15.50/hour as of October 1, 2022. The other special minimum wage categories have also been proportionally increased. The next minimum wage increase will be announced in April 2023.

Excise tax measures

Gas tax and fuel tax cuts

The government previously introduced cuts to the gas tax (5.7 cents/litre) and fuel (diesel) tax (5.3 cents/litre) for six months beginning July 1, 2022. The cuts brought both taxes to the current level of 9 cents/litre. These cuts have been extended for another 12 months, to December 31, 2023. The government estimates that the average Ontario household will save \$195 over the entire 18-month term of the tax reductions.

Review of the Tobacco Tax Act

The government expressed concerns regarding the impact of the trade in unregulated tobacco and is taking several steps to combat the situation, including:

- improving partnerships with First Nations by focusing on priorities such as economic development, business regulation, and community safety
- improved cooperation with federal authorities to heighten border protections against the illegal importation of unregulated tobacco
- working with wholesalers to improve guidance
- modernizing the oversight programs

As part of an overall strategy, the government is conducting a review of the existing Tobacco Tax Act, which could signal further changes ahead in the form of legislative amendments.

Other notable measures

The following notable announcements were made by the government in the Fiscal Review:

Initiatives to support the development of critical minerals, including in the significant 'Ring of Fire' region of Northern Ontario, include:

- a \$12 million investment to extend the Ontario Junior Exploration Program (OJEP) for an additional two years
- an investment of \$4 million per year over the next three years to create and support the Critical Minerals Stream
- spending commitments of \$1 billion for legacy infrastructure related to the Ring of Fire region and \$5 million over two years in a Critical Minerals Innovation Fund were reiterated from [ON Budget 2022](#)

Investments to support manufacturing sectors, include:

- \$16 billion in transformative automotive investments by global automakers and suppliers of Electric Vehicle batteries and battery materials over the last two years
- \$2.5 billion in support of low-carbon steel production

Investments to support innovation and new technologies, include:

- an investment of \$107 million in new critical technology initiatives and \$15 million over three years in a new Life Sciences Innovation Program to help entrepreneurs develop innovative technologies in the life sciences sector

Measures to support domestic supply chains, include:

- committing more than \$78 million through the Ontario Together Fund to support the supply of emergency medical supplies
- an investment of \$23.3 million to support 3M Canada’s manufacturing facility— to produce Ontario-made N95 respirators

Workforce and training measures, include:

- an additional investment of \$40 million in 2022-23, for a total investment of \$145 million this year, in the Skills Development Fund to support training projects that encourage careers in skilled trades and upskilling workers
- investing an additional \$4.8 million over two years beginning in 2023-24 to expand the Dual Credit Program, which allows secondary students to pursue trade programs that count towards their Ontario Secondary School Diploma

A full listing of Ontario’s Capital Plan is summarized in our [ON Budget 2022](#).

Previously announced measures

The following measures announced in [ON Budget 2022](#) have now received Royal Assent:

- enhancement to the non-refundable Low-income Individuals and Families Tax (LIFT) Credit beginning in the 2022 tax year
- introduction of the Ontario Seniors Care at Home Tax Credit beginning in the 2022 tax year
- extension of the period covered by the Regional Opportunities Investment Tax Credit to December 31, 2023
- updates to the criteria for claiming the Ontario Book Publishing Tax Credit to reduce the threshold for the minimum number of books published

The following updates were provided to measures previously introduced in [ON Budget 2022](#):

- The Fiscal Review proposes amendments to the definition of eligible tangible property expenditures for the purposes of the Ontario Production Services Tax Credit (OPSTC) to remove the “ordinarily engaged in” requirement for expenditures for leasing real property for on-location filming. Expenditures for leasing real property for on-location filming must be reasonable in the circumstances and paid to a party that deals at arm’s length from the qualifying applicant corporation. These expenditures would be limited to 5% of the production’s qualifying production expenditures. This proposal would be effective for expenditures incurred after November 14, 2022.
- The Fiscal Review proposes to make regulatory amendments to the Ontario Film and Television Tax Credit (OFTTC) and the OPSTC to require on-screen acknowledgement of the receipt of Ontario tax credit support by eligible film and television productions. This proposal would be effective for productions that begin principal photography after December 31, 2022.
- Proposed regulatory amendments to implement measures to expand Ontario’s film and television tax credits to professional film and television productions distributed exclusively online will be released in coming months.
- Under the Land Transfer Act, effective October 25, 2022, amendments were introduced to raise the Non-Resident Speculation Tax (NRST) rate from 20% to 25%. The NRST was previously increased from 15% to 20% for transactions from March 30, 2022 to October 24, 2022.

Additional details on these previously announced measures can be found in our [ON Budget 2022](#) tax alert.

Have questions? Let’s talk. [Contact your local advisor https://www.grantthornton.ca/location/](#) or reach out to us [here](#).

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