

Budget 2021

Ontario

Making sense of what's next.



March 2021

On March 24, 2021, Finance Minister Peter Bethlenfalvy tabled Ontario's 2021-22 budget (Budget 2021). The two main anchors for Budget 2021 are health and the economy. Significant funding is being provided to support Ontario's vaccine rollout, as well as to address shortcomings in the province's long-term care and hospital care. Furthermore, economic supports are being provided to both individuals and businesses to help protect and create jobs and to reignite the province's economic engine. Overall, Budget 2021 includes \$51 billion in total supports over the next four years, as follows:

Funding over four years	
Protecting people's health	\$16.3 billion
Protecting our economy	\$23.3 billion
Improving cash flow for people and businesses	\$11.3 billion
Total	\$51 billion

The Ontario government is expecting significant deficits over the next three fiscal years. Although the economy has improved since the beginning of the pandemic, employment is still below pre-pandemic levels. Nevertheless, the economic outlook remains positive over the next few years, and deficits are expected to decline.

Year	Projected deficit
2021-22	(\$33.1 billion)
2022-23	(\$27.7 billion)
2023-24	(\$20.2 billion)

Ontario's debt is expected to increase to over \$500 billion by 2023-24.



Personal measures

Personal income tax rates

Budget 2021 proposes no changes to the personal tax brackets and rates. The rates for 2021 are as follows:

Tax brackets	Marginal tax rates
\$45,142 or less	5.05%
\$45,143 - \$90,287	9.15%
\$90,288 - \$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 2021 are as follows:

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

Ontario COVID-19 Child Benefit

The Ontario COVID-19 Child Benefit was introduced in March 2020 as part of the Ontario government’s action plan in response to the pandemic. It provided parents with \$200 for each child up to 12 years old and \$250 for each child with special needs up to 21 years old. The government provided a second payment for the same amounts in Fall 2020. Budget 2021 proposes to provide a third round of payments to parents. This third round of payments will be doubled to \$400 per child and \$500 for those with special needs.

Childcare Access and Relief from Expenses tax credit (CARE)

Under the [current rules](#), Ontario families with incomes less than \$150,000 are eligible to receive a refundable personal income tax credit of up to 75 percent of their eligible [Child Care Expense Deduction](#). Families could receive up to:

- \$6,000 per child under the age of seven
- \$3,750 per child between the ages of seven and 16
- \$8,250 per child with a severe disability

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%

Budget 2021 proposes a one-time 20 percent enhancement of the CARE tax credit for 2021, which provides on average \$250 more support per child.



Temporary Ontario Jobs Training Tax Credit

The government is proposing a temporary refundable Ontario Jobs Training Tax Credit. The tax credit will provide up to \$2,000 per recipient for 50 percent of eligible expenses in 2021.

To be eligible, the recipient must be living in Ontario before December 31, 2021, be between the ages of 26 and 65 and have a positive Canada training credit limit in 2021. Expenses eligible for the Ontario Jobs Training Tax Credit would be the same as those eligible for the Canada training credit, which include:

- Personal support worker (PSW) training program;
- Graphic design programs
- Heavy machinery training programs
- Post-secondary courses that provide credits towards a degree, diploma or certificate

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 2021 are summarized in the table below:

Ontario corporate tax rates

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

Ontario Small Business Support Grant

Budget 2021 announces that the government will be providing a second round of Ontario Small Business Support Grant payments. To qualify for the grant, a small business must:

- Be required to close or significantly restrict services due to the province-wide shutdown effective at 12:01 am on December 26, 2020

- Have fewer than 100 employees across all affiliated businesses
- Have experienced a minimum 20 percent revenue decline comparing April 2020 to April 2019 revenues (new businesses established since April 2019 are also eligible, provided they meet the other eligibility criteria)

The application for the first round of the grant will be closed after March 31, 2021. Eligible small businesses that received the first payment will automatically qualify for the second round of support grant for a minimum of \$10,000 and up to \$20,000. The government will provide more details on the second grant application.

Ontario Tourism and Hospitality Small Business Support Grant

Budget 2021 introduces the new Ontario Tourism and Hospitality Small Business Support Grant, which provides a one-time payment of \$10,000 to \$20,000 to eligible small businesses that did not receive the general small business grant (e.g., were not required to close due to the province-wide shutdown). Eligible businesses include hotels and motels, travel agencies, amusement and water parks, hunting and fishing camps, and recreational and vacation camps (e.g., children's overnight summer camp). Eligible businesses must experience a minimum 20 percent revenue decline and have less than 100 employees. Additional details are expected soon.

Regional Opportunities Investment Tax Credit

The government previously introduced the Regional Opportunities Investment Tax Credit in March 2020 to encourage business investment in certain regions of the province that have lagged in employment growth. This measure provides a 10 percent refundable tax credit for eligible corporations that build, renovate or purchase eligible commercial or industrial buildings in a qualifying region of the province. Budget 2021 proposes to temporarily increase the tax credit rate from 10 percent to 20 percent for eligible investments between March 24, 2021 and January 1, 2023.

Sales tax measures

Harmonized sales tax

Budget 2021 proposes no changes to the current 13 percent HST rate, which is composed of a federal component of five percent and a provincial component of eight percent.

- \$10 million for wineries and \$1.2 million for small distillers, in the form of a one-time grant
- \$150 million towards a yet-to-be disclosed tax credit to provide support of up to 20 percent of eligible Ontario tourism expenses to encourage Ontario residents to travel within the province
- \$10 million for the province's art community to help cover the costs associated with shutting down activities and events, as well as other costs

Other notable items

Healthcare-related spending

Significant spending will include:

- Over \$1 billion to support the vaccine rollout
- \$50 million to support domestic production of personal protective equipment
- \$650 million for long-term care
- \$3 billion in hospital renovation projects
- An extended wage enhancement (\$3 extra per hour) from March to June 2021 for workers providing personal support services

Tourism, hospitality and culture industries

The government is investing \$400 million, in addition to the \$225 million in investments previously announced, over the next three years in new initiatives to support these sectors. In addition to the Ontario Tourism and Hospitality Small Business Support Grant, the most significant investments include:

- \$100 million for an Ontario Tourism Recovery program, providing funding for costs related to restructuring, safe reopening and certain marketing activities

Digital main street program

This program was introduced in June 2020 to help main street small businesses create and enhance their online presence. Budget 2021 is investing an additional \$10 million into this program to assist small businesses with their digital expansion.

Broadband connection

Budget 2021 proposes to invest \$2.8 billion, bringing the total investment to nearly \$4 billion, to ensure every region in the province has access to broadband services by 2025.

Invest Ontario

The government has created an agency called Invest Ontario, whose aim will be to promote business development and investment in the province. As part of this initiative, the government is committing \$400 million over four years to create the Invest Ontario Fund to encourage investment in the key sectors of advanced manufacturing, technology and life sciences.

Ontario Student Assistance Program (OSAP)

Budget 2021 is expanding OSAP to students in eligible programs at Indigenous institutes and in micro-credential programs.