

Tax highlights from the 2011 Ontario budget

Finance Minister Dwight Duncan tabled the 2011 Ontario provincial budget on March 29, 2011. The minister confirmed that the estimated deficit for the nearly completed 2010-2011 fiscal year is \$16.7 billion, fully \$3 billion less than anticipated at this time last year. The budget projects a deficit of \$16.3 billion for the 2011-2012 fiscal year, with deficits continuing until the 2017-2018 fiscal year. Although this is a pre-election budget – Ontarians go to the polls in October – it does not contain the usual array of goodies and giveaways commonly seen in budgets preceding elections. Instead, it focuses on four key areas: improvement in the economy and job growth; protecting progress made in education; protecting progress in health care; and renewing a focus on eliminating the deficit while protecting key public services and economic growth.

On the tax side, the budget does not include any significant changes to personal or corporate tax measures, with no increases or decreases to tax rates.

The following pages are a summary of the changes announced in the budget. Please note that these changes are still proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates

There are no changes to personal income tax rates for 2011, which are shown in the table below, although the tax brackets have been indexed by 1.8% to reflect the effect of inflation.

Taxable income range	2011 tax rates
\$9,105 - \$37,774	5.05%
\$37,775 - \$75,550	9.15%
\$75,551 and greater	11.16%

Ontario also imposes a surtax equal to 20% of Ontario income tax in excess of \$4,078, plus an additional 36% of Ontario income tax in excess of \$5,219.

Ontario trillium benefit

The budget proposes to combine three existing refundable tax credits – the Ontario sales tax credit, the Ontario energy and property tax credit, and the northern Ontario energy credit – into a single new tax benefit, effective July 2012. In order to better align the timing of this assistance for low and middle-income earners with their household expenditures, the benefit will be paid monthly rather than quarterly.

Ontario child care supplement for working families

The budget proposes to consolidate payments of the Ontario Child Care Supplement for Working Families (OCCS) with payments of the Ontario Child Benefit (OCB), on a per-child basis. If a family's OCCS entitlement with respect to a child is greater than its OCB payment for that child, the family would receive the extra OCCS benefit.

CORPORATE TAX MATTERS

Corporate income tax rates

There were no changes proposed to any corporate tax rates, including previously scheduled reductions to the general rate. Rates are pro-rated for taxation years which include July 1 of any particular year. The corporate tax rates and future reductions are shown in the following table.

Date	General income	M&P income	Small business income
Current	12%	10%	4.5%
July 1, 2011	11.5%	10%	4.5%
July 1, 2012	11%	10%	4.5%
July 1, 2013	10%	10%	4.5%

Once these rate reductions are fully phased in, the combined federal-provincial tax rate will be 25% on general income and 15.5% on small business income qualifying for the \$500,000 small business limit.

Book publishing tax credit

The budget proposes a technical amendment, effective for expenditures incurred after March 29, 2011. This measure changes the 12-month period for qualifying marketing expenditures to a period that begins one year before, and ends one year after the publishing date.

Scientific research and experimental development

The budget indicates that Ontario will work with the federal government to improve the effectiveness of federal tax support for this sector by enhancing support for collaboration between the business and education sectors, strengthening administration, and focusing more attention on small businesses that perform research and development activity.

Taxation of corporate groups

The federal government, in its 2010 budget, indicated that it would explore the taxation rules as they apply to corporate groups. Particular issues to be reviewed include consolidated reporting and the use of tax losses within a corporate group. This budget reiterates Ontario's position that any changes should focus on increasing competitiveness and efficiency of the corporate tax system and should ensure that each province receives the revenue generated from business activity in that province.

Mining tax

The budget proposed technical amendments to the Mining Tax Act that affect the filing of tax returns under that act.

OTHER PROPOSALS

Estate administration tax

This tax, sometimes referred to as “probate tax,” is currently administered by the Ministry of the Attorney General. The budget proposes to boost compliance by integrating the administration of this tax with the audit and verification functions of the Ministry of Revenue, starting on January 1, 2013.

Sales tax measures

The budget proposes various amendments to the Retail Sales Tax Act and the Bulk Sales Act to enhance the effectiveness of these acts, so that the minister has the power to withhold clearance certificates until certain tax debts are paid or secured.

Pension matters

The budget notes that Ontario is undertaking major reforms to modernize its pension policy framework and is actively participating in federal-provincial discussions aimed at improving the retirement income system. Some of the measures mentioned include:

- working with the federal government to ensure that federal rule changes are enacted to allow certain of the new Ontario proposals
- making the Pension Benefits Guarantee Fund (PBGF) more sustainable
- allowing Nortel pensioners to opt out of the current pension plan wind-up process and transfer the lump sum value of their pensions to a life income fund (LIF)
- assisting the restructuring of the AbitibiBowater pension plan by providing funding relief as the company emerges from bankruptcy protection
- working with federal, provincial and territorial ministers of finance to implement a modest, phased-in, fully funded expansion of the Canada Pension Plan (CPP); and
- working closely with the federal government and the other provinces and territories to design implementation details for the introduction of the Pooled Registered Pension Plan (PRPP).

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