



APRIL 11, 2019

2019 ONTARIO BUDGET

Ontario's Finance Minister Victor Fedeli tabled the province's budget on April 11. As expected, the budget includes a range of cost-cutting measures to help move the province towards a balanced budget but also introduced key spending initiatives.

This year's budget focuses on:

- Deficit reduction
- Child-care support
- Education and healthcare
- Transit

Deficit reduction

This budget sets out a five-year path to a balanced budget. Currently, Ontario has a deficit of \$11.7 billion forecast for 2018-19. It is anticipated there will be a deficit of \$10.3 billion in 2019-20 followed by deficits of \$6.8 billion and \$5.6 billion in each of the following fiscal years, with a long-term plan to return to balance by 2023-24.

Child-care support

The government has proposed new child care support with the introduction of the Ontario Childcare Access and Relief from Expenses (CARE) tax credit. The CARE credit would target relief to eligible families with income up to \$150,000. In addition, the government will commit up to \$1 billion over the next five years to create up to 30,000 child care spaces in schools.

Education and healthcare

The budget highlighted a number of education and healthcare initiatives. The government will accelerate the development of 30,000 long-term care beds and deliver on mental health and addictions supports, as well as introduce a new publicly funded dental care program for low-income seniors. On the education front, the

HIGHLIGHTS

- ▶ Deficit of \$11.7 billion now forecast for 2018-19
- ▶ Balanced budget by 2023-24
- ▶ New CARE tax credit to reduce child care costs
- ▶ Estate Administration Tax relief

government developed a plan entitled “Education that Works for You” with various reforms, and a particular emphasis on math, science and financial literacy as well as skilled trades.

Transit

The government has committed \$11.2 billion, of a total estimated cost of \$28.5 billion, to support a public transit expansion plan for the Greater Toronto Area.

The following is a summary of the more important new items announced that are of interest to our clients.

PERSONAL TAX MEASURES

Ontario Childcare Access and Relief from Expenses Tax Credit Introduced

The government proposes a new refundable Ontario Childcare Access and Relief from Expenses (CARE) personal income tax credit, starting with the 2019 tax year. The new CARE tax credit would be based on an income tax filer’s:

- Family income, which is based on the income of the family members used in determining the tax filer’s Child Care Expense Deduction; and
- Eligible child care expenses, defined as the tax filer’s total entitlement under the Child Care Expense Deduction.

A tax filer’s CARE tax credit amount would be the tax filer’s eligible child care expenses multiplied by the credit rate that is determined as illustrated in the following table.

Ontario CARE Tax Credit Rate Calculation and Examples			
CARE Tax Credit Rate Calculation		Examples	
Family Income	Rate Calculation	Family Income	Ontario CARE Tax Credit Rate
Up to \$20,000	75%	\$10,000	75%
Greater than \$20,000 and up to \$40,000	75% minus 2% for each \$2,500 (or part thereof) above \$20,000	\$25,500	69%
Greater than \$40,000 and up to \$60,000	59% minus 2% for each \$5,000 (or part thereof) above \$40,000	\$45,500	55%
Greater than \$60,000 and up to \$150,000	51% minus 2% for each \$3,600 (or part thereof) above \$60,000	\$95,000	31%
Greater than \$150,000	0%	\$150,000	0%

CARE tax credit recipients may also get tax relief from the Child Care Expense Deduction. Beginning with the 2021 taxation year, the government intends to provide families with the choice to apply for regular advance payments throughout the year or receive a single payment when filing their tax returns after the year ends. Ontario will work with the Canada Revenue Agency and provide further details about the implementation in time for the 2021 taxation year.

Estate Administration Tax Relief

Estate Administration Tax is charged on the value of an estate when an estate certificate is issued. The budget proposes to provide tax relief by eliminating the tax on the first \$50,000 of the value of the estate, and reducing the tax by \$250 for larger taxable estates. The Estate Administration Tax would continue to apply to the value of the estate exceeding \$50,000 based on the current rate of \$15 for every \$1,000, or part thereof, of the value of the estate exceeding \$50,000. This change would apply if an estate certificate is requested after December 31, 2019.

In addition, the budget announced to extend the deadlines for filing information returns and other related reporting requirements. It is proposed that the deadline for filing Information Returns with the Ministry of Finance will be extended from 90 days to 180 days after an estate certificate is issued. In the case of amended Information Returns, the government intends to extend the deadline from 30 days to 60 days. These changes will take effect January 1, 2020.

The government will also propose clarifying legislative amendments to the *Estate Administration Tax Act, 1998* related to refunds of overpayments of the Estate Administration Tax.

BUSINESS TAX MEASURES

Ontario Job Creation Investment Incentive Introduced

The budget proposes the Ontario Job Creation Investment Incentive to parallel the immediate write-off measures and the Accelerated Investment Incentive announced by the federal government in November 2018. The measures include:

- The immediate write-off of manufacturing and processing machinery and equipment and specified clean energy equipment, and
- The Accelerated Investment Incentive that applies to most other capital assets and provides a depreciation rate of up to three times the normal rate in the first year the asset is put into use.

These measures are in place for assets acquired after November 20, 2018, and will be phased out from 2024 to 2027.

Review of Cultural Media Tax Credit Certification

Ontario offers five refundable cultural media tax credits that serve to increase production and create more jobs in the cultural media industries, including: the Ontario Film and Television Tax Credit; the Ontario Production Services Tax Credit; the Ontario Computer Animation and Special Effects Tax Credit; the Ontario Interactive Digital Media Tax Credit; and the Ontario Book Publishing Tax Credit.

The government will review the cultural media tax credit certification process to streamline administration, reduce the tax credit application backlog and help companies receive their tax credits faster.

Cutting Red Tape for Video Game Developers

The Ontario Interactive Digital Media Tax credit is a refundable tax credit available to qualifying corporations for expenditures related to eligible interactive digital media products. The credit has four streams for different types of products and companies, one of which is the specialized digital game corporation stream. Currently, to qualify as a specialized digital game corporation, a company must spend at least \$1 million in its taxation year on Ontario labour expenditures for eligible digital games. The government is proposing to reduce this minimum Ontario labour expenditure from \$1 million to \$500,000. This proposal would be effective for taxation years commencing after April 11, 2019.

Addressing Tax Evasion and Avoidance

The government is taking action to level the playing field for businesses by fighting tax evasion and avoidance. The Ontario government has created a specialized unit of tax experts who are working with federal and provincial tax officials.

HOW ONTARIO COMPARES

The following chart compares top personal and corporate tax rates and sales taxes for all provinces and territories, as announced to April 11, 2019.

	Top 2019 Personal Rates %	2019 Corporate Rates			2019 Provincial Sales Tax %
		General %	M&P %	Small Business %	
B.C.	49.80	27.00	27.00	11.00	7.00
Alta.	48.00	27.00	27.00	11.00	-
Sask.	47.50	27.00	25.00	11.00	6.00
Man.	50.40	27.00	27.00	9.00	8.00 ⁽¹⁾
Ont.	53.53	26.50	25.00	12.50	8.00⁽²⁾
Qué.	53.31	26.60	26.60	15.00 ⁽³⁾	9.975 ⁽⁴⁾
N.B.	53.30	29.00	29.00	11.50	10.00 ⁽²⁾
N.S.	54.00	31.00	31.00	12.00	10.00 ⁽²⁾
P.E.I.	51.37	31.00	31.00	12.50	10.00 ⁽²⁾
N.L.	51.30	30.00	30.00	12.00	10.00 ⁽²⁾
Yukon	48.00	27.00	17.50	11.00 ⁽⁵⁾	-
N.W.T.	47.05	26.50	26.50	13.00	-
Nunavut	44.50	27.00	27.00	13.00	-

- (1) The Manitoba retail sales tax rate will decrease from 8% to 7% on July 1, 2019.
- (2) As part of the HST (combined rates are 15% in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland & Labrador and 13% in Ontario).
- (3) Québec's small business rate for small and medium-sized businesses (SMBs) is 6% in 2019. Québec provides a rate reduction from the small business rate for businesses in the manufacturing or primary (MOP) industries. Where certain conditions are met, an additional reduction of 2% is available, resulting in a combined rate of 13% for qualifying businesses. Note that a lesser reduction from the small business rate may be available to certain SMBs in the MOP sector where some, but not all conditions are met.
- (4) The QST system is harmonized with the GST, though two separate tax systems remain – the GST and the QST. The combined rate is 14.975%.
- (5) The tax rate for M&P profits eligible for the small business deduction is 10.5%.

FOR FURTHER INFORMATION, CONTACT YOUR BDO TAX ADVISOR OR ONE OF OUR BDO CANADA TAX LEADERS:

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