

## 2017 ONTARIO BUDGET SUMMARY

On April 27, 2017, Finance Minister Charles Sousa tabled the Liberal government's 2017 provincial Budget.

The deficit for the 2016-17 fiscal year is projected to be \$1.5 billion, with a balanced budget projected for 2017-18, 2018-19 and 2019-20.

### PERSONAL INCOME TAX MEASURES

#### Personal Income Tax Rates

This Budget does not propose any changes to personal income tax rates; the top marginal rates are as follows:

<i>Type of Income</i>	<i>2017</i>
<i>Salary and other income</i>	53.53%
<i>Capital gains</i>	26.76%
<i>Eligible dividends</i>	39.34%
<i>Non-eligible dividends</i>	45.30%

#### Ontario Seniors' Public Transit Tax Credit

A new refundable Ontario Seniors' Public Transit Tax Credit is being introduced effective for July 1, 2017. The credit will be 15 per cent of eligible expenditures, which have yet to be defined.

#### Ontario Caregiver Tax Credit

A new Ontario Caregiver Tax Credit is being introduced to replace the existing provincial caregiver and infirm dependant tax credits. This change parallels the changes recently introduced in the federal budget. The Ontario Caregiver Tax Credit will include the following features:

- Non-refundable at a rate of 5.05 per cent to a maximum of \$4,794, which is phased out for dependent's income over \$16,401
- Eligible relatives are infirm dependents, including adult children and spouses
- There will be an increase in the amounts for dependents not living with the caregiver
- Not available for non-infirm senior parents or grandparents living with children or grandchildren

#### Medical Tax Credit for Fertility-Related Expenses

Ontario will make changes to the credit to mirror the changes proposed in the 2017 federal budget, once approved. The proposed changes extend the application of the medical expense tax credit for fertility-related expenses to those who require medical intervention to conceive a child, even when the treatment is not on account of medical infertility.

## Multijurisdictional Tax Filers

Effective January 1, 2017 there will be new technical rules to deal with the provincial surtax and the Ontario Tax Reduction for taxpayers who pay income taxes to another province and non-residents who pay income taxes to Ontario.

## Ontario Student Assistance Program (OSAP)

As previously announced, the new OSAP will start this fall and replace many existing programs with a single up-front grant, increased weekly aid limits and be annually indexed to inflation. Savings from Registered Education Savings Plans will not reduce OSAP assistance.

Students will not have to start repaying the provincial portion of their OSAP loan until they earn a salary of \$35,000 per annum, rather than \$25,000.

## BUSINESSES INCOME TAX MEASURES

### Corporate Income Tax Rates

The Budget proposes no changes to corporate income tax rates, which are as follows for 2017:

<i>Income</i>	<i>Ontario</i>	<i>Federal</i>	<i>Combined</i>
<i>Small Business income</i>	4.5%	10.5%	15.0%
<i>CCPC<sup>1</sup> Investment income</i>	11.5%	38.67%	50.17%
<i>Manufacturing and Processing income</i>	10.0%	15.0%	25.0%
<i>General income</i>	11.5%	15.0%	26.5%

### Employer Health Tax Avoidance

Ontario will undertake a review to ensure that structures are not used to multiply the Employer Health Tax (EHT) relief that is intended for employers with an Ontario payroll of less than \$450,000 per annum. As part of the process, the EHT exemption is eliminated for employers that are designated members of a partnership, as defined in the *Income Tax Act*. The change will be effective no earlier than January 1, 2018.

### Tax Planning Using Private Corporations

Ontario will work closely with the federal government to review tax planning strategies involving private corporations as announced in the 2017 federal budget. These include:

- Income splitting
- Conversion of investment income into business income or capital gains
- Other perceived loopholes and sophisticated tax planning

<sup>1</sup> Canadian-Controlled Private Corporation

## **OTHER TAX MEASURES**

### **Hotel Tax**

Municipalities will be granted the authority to levy a tax on transient accommodation by amending the *City of Toronto Act, 2006* and the *Municipal Act, 2001*.

### **Tobacco Tax**

Effective 12:01 a.m. April 28, 2017, the tobacco tax is being increased from 15.475 cents to 16.475 cents per cigarette and gram of tobacco products other than cigars.

### **Enhancements to the Canada Pension Plan**

Increases to CPP contributions due to the changes to CPP that became effective March 2017, will be phased in over seven years, beginning January 1, 2019.

### **Income Tax Avoidance**

The Budget indicates that the government is continuing to work with the Canada Revenue Agency to address the underground economy, and legislative and administrative reviews to promote greater effectiveness and efficiency of the tax system.

*Prior to implementing any strategies, individuals and corporations should consult a qualified tax advisor.*

*If you would like to further discuss your personal situation, contact us.*

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