

Budget 2020

# Ontario

## Making sense of what's next.



### November 2020

On November 5, 2020, Finance Minister Rod Phillips tabled Ontario's 2020-21 budget (Budget 2020). This is the second budget for the Progressive Conservative government of Ontario, introducing \$15 billion of new spending over three years in response to the COVID-19 pandemic. This is in addition to the \$30 billion of support previously announced earlier in the year.

There are three pillars to the Ontario government's budget, which lays out the province's action plan over a three-year period:

Pillar	New funding	Total funding
Protect	\$7.5 billion	\$15.2 billion
Support	\$2.4 billion	\$13.5 billion
Recover	\$4.8 billion	\$4.8 billion

The government also previously introduced cash flow supports for people and businesses totaling \$11.3 billion. These supports included measures such as interest and penalty-free deferrals on provincially administered taxes for six months and WSIB premium deferrals.



Over its three-year plan, the government is projecting deficits as follows:

Year	Projected (deficit)
2020-21	(\$38.5 billion)
2021-22	(\$33.1 billion)
2022-23	(\$28.2 billion)

Due to the additional spending this year and forecasted deficits in the next couple of years, Ontario's debt is projected to grow to almost \$480 billion by 2022-23.

## Personal measures

### Personal income tax rates

No changes to personal income tax rates are proposed. The top combined federal Ontario marginal tax rates for 2020 are as follows:

Taxable income	2020
Interest	53.53%
Capital gains	26.76%
Eligible dividends	39.34%
Regular dividends	47.74%

### Seniors' Home Safety Tax Credit

The government is introducing, for the 2021 tax year, a temporary refundable Seniors' Home Safety Tax Credit of 25 percent of eligible expenses, up to \$10,000 (i.e., maximum credit of \$2,500). Senior homeowners and renters, as well as relatives living with seniors, would be eligible to claim the refundable credit on home improvements to make their living space safer and more accessible.

Eligible expenses would include:<sup>1</sup>

- Renovations to permit a first-floor occupancy or secondary suite for a senior
- Grab bars and related reinforcements around the toilet, tub and shower

- Wheelchair ramps, stair/wheelchair lifts and elevators
- Non-slip flooring
- Additional light fixtures throughout the home and exterior entrances
- Automatic garage door openers
- Modular or removable versions of a permanent fixture, such as modular ramps and non-fixed bath lifts

### Support for Learners initiative expanded

The Support for Learners initiative was introduced in March 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.

Budget 2020 will provide a second payment to parents under this program for the same amounts and parameters as the first payment.

## 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 2020 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%

### Employer Health Tax

The Employer Health Tax (EHT) is a payroll tax on Ontario remuneration paid to employees and former employees. Previously, private sector employers with total annual Ontario remuneration of \$5 million or less were eligible for an EHT exemption on part of their payroll (\$490,000 in 2019).

<sup>1</sup> Ontario Ministry of Finance (2020). Ontario's Action Plan: Protect, Support, Recover - 2020 Ontario Budget. Retrieved from the Government of Ontario website: <https://budget.ontario.ca/2020/pdf/2020-ontario-budget-en.pdf>

In March 2020, the government temporarily increased the EHT exemption for 2020 from \$490,000 to \$1 million as part of their COVID-19 relief measures. The government is proposing to make this increased exemption permanent. The increased exemption results in a \$9,945 reduction in EHT premiums annually, for eligible employers.

Previously, employers with an Ontario payroll over \$600,000 had to make monthly EHT installment payments. Budget 2020 proposes that employers with an annual Ontario payroll of \$1.2 million or less do not need to make monthly EHT installment payments.

## Businesses impacted by Stage 2 (Control or Lockdown) public health restrictions

On October 9, the Ontario government announced that it will provide up to \$300 million in relief for eligible business in areas affected by the modified Stage 2 public health restrictions (e.g. Toronto, Ottawa, Peel and York Region). The funding would be available to help eligible businesses cover fixed costs such as property taxes and energy bills.

Budget 2020 confirms that the government is still committed to provide the \$300 million relief. More details will be released when available.

## Cultural Media Tax Credit

To support the cultural industries during the pandemic, the government is proposing to temporarily extend some deadlines and amend some requirements for the film and television, interactive digital media and book publishing tax credits. The following table<sup>2</sup> summarizes the proposed temporary changes.

Tax credit	Would apply to:	Current requirement	Proposed amendment
Ontario Film and Television Tax Credit (OFTTC)	Productions for which eligible expenditures were incurred prior to March 15, 2020 and which were not completed, certified by Ontario Creates or deemed ineligible for the tax credit by Ontario Creates before March 15, 2020.	Must file an application for a certificate of completion within 24 months of the year end in which principal photography begins.	Extend deadline by an additional 24 months.
		Eligible expenditures can be claimed up to 24 months before principal photography begins.	Extend this claim period by an additional 24 months.
		Productions must have an agreement in writing to have the production shown in Ontario within two years of the production being complete and becoming commercially exploitable.	Extend this two-year period by an additional 24 months.
Ontario Production Services Tax Credit (OPSTC)	Productions for which eligible expenditures (or otherwise eligible expenditures) were incurred in Ontario in taxation years ending in 2020 and 2021.	Total expenditures included in the cost of the production during 24 months after principal photography begins must exceed minimum spending requirements.	Allow an additional 24 months to meet the minimum spending requirements.
		Productions cannot claim the OPSTC until the taxation year in which principal photography begins.	Allow certain companies to claim otherwise eligible expenditures incurred in the two taxation years prior to the year in which principal photography begins.

<sup>2</sup> Ontario Ministry of Finance [2020]. Ontario's Action Plan: Protect, Support, Recover - 2020 Ontario Budget. Retrieved from the Government of Ontario website: <https://budget.ontario.ca/2020/pdf/2020-ontario-budget-en.pdf>

Tax credit	Would apply to:	Current requirement	Proposed amendment
Ontario Interactive Digital Media Tax Credit (OIDMTC)	Products that were not completed before March 15, 2020 and for which eligible labour expenditures were incurred in the 2020 taxation year.	For specified and non-specified products, eligible labour expenditures must be incurred during the 37-month period prior to product completion.	Extend this expenditure window by an additional 24 months.
Ontario Book Publishing Tax Credit (OBPTC)	2020 and 2021 taxation years.	Literary works must be published in a bound edition of at least 500 copies.	Temporarily waive this requirement.

## Ontario Research and Development Tax Credit (ORDTC)

This budget proposes to extend the reporting period to claim an ORDTC as follows:

Corporate year-end (YE)	Original reporting deadline	Revised reporting deadline
September 13, 2018 to December 31, 2018	18 months after YE, i.e., March 13, 2020 to June 30, 2020	Extended to 24 months after YE
January 1, 2019 to June 29, 2019	18 months after YE, i.e., July 1, 2020 to December 29, 2020	December 31, 2020

This change will would be similar to the extension for federal scientific research and experimental development claims.

## Property taxes

### Business Education Tax (BET)

Business Education Tax is a property tax earmarked for public education. Budget 2020 proposes to reduce the BET rate to 0.88 percent for both commercial and industrial properties whose BET rate is higher than 0.88 percent, beginning in 2021. The government estimated 94 percent of Ontario businesses will see a lower rate. As the BET represents a large portion of a business's total property tax, this change may be significant for many, depending on their locations.

### Municipal property tax reductions

The provincial government plans to enable municipalities to reduce property taxes for eligible small business properties. Budget 2020 would allow municipalities to create a new property subclass specifically for small business properties, allowing them to provide targeted relief to small businesses. Budget 2020 also mentions that the provincial government will consider matching these municipal property tax reductions.

## Sales tax measures

### Beer tax and wine tax rates

Budget 2020 proposes to freeze beer tax rates until March 1, 2022.

Wine basic tax rates were scheduled to increase on June 1, 2020. During the state of emergency, the government had prevented the increase from being applied up to December 31, 2020. Budget 2020 proposes to retroactively cancel the increase.

### Harmonized sales tax

Budget 2020 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.

## Funding summary

### Healthcare

The additional \$7.5 billion in "Protect" funding is targeted towards healthcare, and will be allocated to:

- increase the average daily care per long-term care residents to four hours per day over a four-year period,
- invest \$4 billion in 2021-22 and \$2 billion in 2022-23 to battle the COVID-19 pandemic and
- open a new hospital in Vaughan.

## Families, workers, employers

The additional \$2.4 billion in “Support” funding is targeted towards families, workers and employers, and will include among other initiatives:

- The Support for Learners initiative and Seniors’ Home Safety Tax Credit (previously mentioned)
- \$60 million over three years for the Black Youth Action Plan to support Black youth to achieve social and economic success
- An additional \$1.8 billion in the Support for People and Jobs Fund over the next two years, which has thus far gone towards mental health and addiction programs, as well as loans for indigenous small and medium-sized businesses

## Recovery efforts

The new \$4.8 billion in “Recover” funding is targeted towards new supports to help with an economic recovery, including:

- \$180.5 million over three years for training, upgrading skills and apprenticeships
- \$680 million over four years for broadband infrastructure
- \$150 million set aside to provide Ontario residents with support of up to 20 percent of eligible Ontario tourism expenses
- Several changes mentioned above, including changes to electricity rates, BET rates and the EHT exemption



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