FAZZARI + PARTNERS LLP
CHARTERED ACCOUNTANTS

Ontario Budget Commentary

May 2, 2013

Introduction

Finance Minister Charles Sousa delivered Ontario's 2013 Budget, his first as Finance Minister, on May 2, 2013. The Budget is projecting a deficit of $9.8 billion for 2012-13, $5 billion lower than projected a year ago, and increasing to $11.7 billion for 2013-14. The 2010 Budget put forward a plan to cut the deficit in half within five years and to eliminate it in eight years. The government remains on track to meet the fiscal targets outlined in the 2010 Budget beyond 2013-14. This includes steadily declining deficits and a return to balanced budget by 2017-18.

There are very few tax related measures included in the Budget. Those that were introduced are summarized below.

Personal Taxes

Tax Rates

The Budget proposes no changes to personal income tax rates. The top marginal rates for 2013 are as follows:

The top marginal rates for 2013 are as follows for taxpayers with taxable income of over $509,000:

Type of Income	Federal	Ontario	Total
Eligible Dividends	19.3%	14.6%	33.9%
Non-eligible Dividends	19.6%	16.9%	36.5%
Capital Gains	14.5%	10.3%	24.8%
Ordinary Income	29.0%	20.5%	49.5%

Ontario Trillium Benefit (OTB)

The Budget proposes to give taxpayers the option of receiving the OTB on an annual rather than monthly basis, effective July 2014. The Budget proposes no changes to the OTB calculation.

Business Taxes

Corporate Tax Rates

The Budget confirms the temporary freeze of the rate at 11.5% until such time as the budget is balanced (projected to be in 2017-18). Accordingly, Ontario corporate income tax rates are as follows:

General	M&P	Small Business
11.5%	10.0%	4.5 %

Employer Health Tax (EHT)

The exemption is to be raised to $450,000 from $400,000 of Ontario payroll, effective January 1, 2014. It will be inflation-adjusted every five years. It is projected to rise to $500,000 in 2019.

Beginning January 1, 2014, the exemption will be eliminated for private-sector employers, or associated groups of employers, with Ontario payroll in excess of $5,000,000. Registered charities will be exempt from this measure.

Manufacturing and Processing Equipment Capital Cost Allowance (CCA)

A temporary accelerated CCA rate of 50% is available for manufacturing and processing equipment. This enhanced rate was to expire on December 31, 2013. The federal budget of March 21, 2013 extended the availability of this rate to purchases made up to and including December 31, 2015. Ontario will parallel this measure, subject to federal implementation.

Corporate Tax “Loopholes”

The Budget indicates the government is committed to closing corporate tax “loopholes”. The Ontario and federal governments have negotiated a new agreement for enhanced compliance activities focusing on aggressive international tax planning. In addition, provincial legislation is to be introduced that will provide for new disclosure rules for aggressive tax avoidance transactions. The legislation is to be similar to that introduced at the federal level. It will require taxpayers (and presumably their advisors) to report aggressive tax avoidance transactions that attempt to avoid Ontario tax.

FAZZARI + PARTNERS LLP, CHARTERED ACCOUNTANTS
3300 HIGHWAY 7, SUITE 901
VAUGHAN, ONTARIO L4K 4M3
PHONE: 905 738 5758