



Canadian tax alert

2017-2018 Ontario budget highlights

April 27, 2017

Minister of Finance Charles Sousa presented the 2017-2018 Ontario budget in the Legislative Assembly this afternoon. This year's budget is projected to be balanced and is focused on investments in health care and education. The following is a summary of the tax highlights contained in the budget. Note that there were no changes to the personal and business income tax rates.

Fiscal/economic outlook

- The 2016-2017 deficit is estimated to be \$1.5 billion, \$2.8 billion lower than originally forecasted.
- A balanced budget is projected for 2017-2018 and the following two fiscal years.
- Employment growth is expected to increase by 1.3% in 2017 and by an average of 1.1% per year for 2018-2020, with the unemployment rate declining to 6.2% in 2020.
- Real GDP growth is predicted to decline from 2.3% in 2017 to 1.7% by 2020.

Personal tax measures

- The Ontario medical tax credit will parallel the proposed changes to the federal medical tax credit to clarify the treatment of fertility-related expenses.
- Following the proposed simplification of tax credits for caregivers in the 2017 federal budget, the Ontario budget proposes to replace the provincial caregiver and infirm dependant tax credits with a new non-refundable Ontario caregiver tax credit (OCTC) at a rate of 5.05%, beginning in the 2017 taxation year. The OCTC will not be available in respect of non-infirm seniors who reside with their adult children.
- The budget proposes to introduce a new Ontario seniors' public transit tax credit for seniors aged 65 or older, for eligible public transit costs as of July 1, 2017. The refundable tax credit will be 15% of eligible public transit costs, providing an average annual benefit of \$130.

Business tax measures

- The Ontario government proposes to eliminate the Employer Health Tax (EHT) exemption for any employer that is a designated member of a partnership, as defined in the Income Tax Act, effective on a prescribed date no earlier than January 1, 2018. Ontario will further review other methods and structures used by some employers to avoid paying EHT, to ensure EHT relief is available for smaller employers.
- An amendment is proposed to parallel changes made to the federal small business deduction that would reduce a company's Ontario business limit by the same amount that the federal business limit is reduced.

Other measures

- Ontario will conduct a policy, legislative and administrative review of all taxes, including those shared with the federal government, to strengthen the integrity of the tax system and ensure that everyone pays their fair share of taxes. Ontario will also dedicate additional resources to identify and address tax loopholes and sophisticated tax planning schemes.
- Technical amendments are proposed to change the way provincial surtax and the Ontario tax reduction are calculated for Ontario residents who pay tax to another province, and non-residents of Ontario who pay tax to Ontario. Changes will be effective for taxation years ending after December 31, 2016.
- As previously announced, a non-resident speculation tax of 15% is proposed on the price of homes in the Greater Golden Horseshoe purchased by individuals who are not citizens or permanent residents of Canada or by foreign corporations. This measure will be effective as of April 21, 2017.
- The budget proposes to grant municipalities the authority to levy a hotel tax.
- The Ontario government proposes to allow biodiesel to be more widely available as part of Ontario's tax-exempt coloured fuel program.

- Ontario's tobacco tax rates are proposed to increase from 15.475 cents to 16.475 cents per cigarette or gram of tobacco products other than cigars, effective 12:01 a.m., April 28, 2017. In 2018 and 2019, tobacco taxes will increase by an additional 2 cents per cigarette or gram of tobacco each year.
- Additional legislative amendments are proposed to various statutes, including: Financial Administration Act, Fuel Tax Act, Ministry of Revenue Act, Taxation Act, 2007, and Land Transfer Tax Act.

For further details, we refer you to the [Ministry of Finance](#) website.

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