

Ontario Fall Economic Statement

On November 14, 2017, Ontario Finance Minister, Charles Sousa delivered the Fall Economic Statement.

Corporate tax changes

Small business tax rate

Ontario's small business corporate income tax rate on the first \$500,000 of qualifying active business income of a Canadian-controlled private corporation will be reduced to 3.5% effective January 1, 2018. The tax rate reduction will be prorated for taxation years straddling January 1, 2018. As a result, the combined Federal and Ontario corporate income tax rates will be as follows:

Combined Federal and Ontario Corporate Income Tax Rates			
	Currently	2018	2019
General	26.5%	26.5%	26.5%
M&P	25%	25%	25%
Small business ¹	15.0%	13.5%	12.5%
¹ On the first \$500,000 of qualifying active business income			

Apprentice grants

The Ontario update introduces a new Graduated Apprenticeship Grant for Employers to replace the existing Apprenticeship Training Tax Credit. This enhanced program provides grants to employers where their apprentices complete specified training programs.

The program also provides a bonus to each grant level when the apprentice belongs to one of the following groups:

- Women
- Indigenous peoples
- Francophones
- People with disabilities
- Newcomers
- Visible minorities

Expanded eligible service sector trades now include:

- Hairstylists
- Cooks
- Horticultural/Landscape Technicians

- Bakers/Patissiers
- Appliance Service Technicians

Employers with eligible apprentices who have registered their apprenticeship program with the Ontario College of Trades after November 14, 2017 will be eligible for the new program. Employers with apprentices already registered in an eligible apprenticeship program on or before November 14, 2017 will continue to be eligible to receive the Apprenticeship Training Tax Credit for up to 36 months.

Small businesses hiring young workers

The Ontario update announces a new \$1,000 incentive for small employers with fewer than 100 employees for hiring a young worker from 15 to 29 years old. The employer will receive an additional \$1,000 for retaining that worker for six months. Further, for workers hired through Ontario's Youth Job Connection program, employers will receive retention payments of \$1,000 after three months, with a further \$1,000 payable after six months for each worker.

Land transfer tax

The Ontario update proposes to relax the current requirement to pay land transfer tax within 30 days of the date of an unregistered disposition of land, such as allowing taxpayers to file returns quarterly without incurring liability for interest. Ontario notes that it will provide further details on this measure at a later date, and that it is still reviewing other issues with respect to the land transfer tax rules.

Provincial Land Tax

As part of Ontario's efforts to reform the Provincial Land Tax, the update also announced that Ontario plans to implement a single PLT rate of \$250 per \$100,000 of assessed value for all residential properties, both inside and outside school boards. Businesses in unincorporated areas will continue to make a proportionate contribution to the PLT changes. These changes will be fully phased in by 2021.

Further, Ontario announced changes affecting property taxes for certain farms. Specifically, the update provides that the first \$50,000 of assessed value of qualifying value-added and commercial activities on farms will be taxed at a municipal rate that is 75% lower than the commercial or industrial tax rate. To qualify, on-farm processing and commercial facilities must be assessed below \$1 million.

Personal tax changes

Non-eligible dividend tax credit

As a result of the decrease to the small business tax rate discussed above, the Ontario update increases the tax on non-eligible dividends will be as follows:

Non-eligible dividends			
	2017	2018	2019
Federal	26.30%	26.64%	27.57%
Ontario	19.00%	20.20%	20.21%
Total	45.30%	46.84%	47.78%

Contact Us

Please contact your Lipton adviser in order to determine how these changes may affect you.

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