

Canada  
Tax

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## Canadian Tax Alert

March 25, 2010

### 2010 Ontario budget highlights

Ontario's Minister of Finance, Dwight Duncan, presented the 2010 provincial budget on March 25, 2010. With several significant measures introduced in the 2009 budget, including the move to a single federally administered harmonized value-added tax effective July 1, 2010, this year's budget focuses mainly on the implementation of these previously introduced measures. There are few new measures announced in this budget.

#### Economic context

- The provincial deficit anticipated for fiscal 2009-2010 is \$21.3 billion, down from \$24.7 billion forecast in the *Fall 2009 Ontario Economic Outlook and Fiscal Review*. In addition, the province is projecting a deficit of \$19.7 billion in 2010-11, \$17.3 billion in 2011-12, \$15.9 billion in 2012-13, and a balanced budget by 2017-18.
- The Ministry of Finance is projecting real GDP growth of 2.7% in 2010, 3.2% in each of 2011 and 2012 and 3.0% in 2013. Growth is expected to strengthen due to improving global demand for Ontario exports, significant government actions to support jobs and the economy, and government policies to promote long-term competitiveness and growth.
- Previously announced tax measures and the enhanced Ontario Energy and Property Tax Credit will provide \$11.8 billion in tax relief for individuals over the next three years.
- Tax relief of \$4.6 billion for businesses will be provided over the next three years beginning July 1, 2010.

#### Measures concerning businesses

- To assist with the transition to the harmonized sales tax (HST), the government is proposing to extend compensation to retail sales tax (RST) vendors up to a maximum of \$375 for the shortened RST collection period of April 1, 2010 to June 30, 2010. Further, a technical amendment would be made to prescribe the 12-month period for calculating the \$2 million taxable sales threshold for purposes of the small business transition assistance.
- Since the tax on certain types of insurance will be continued under the Retail Sales Tax Act after June 30, 2010, the government is proposing that vendors of taxable insurance continue to be eligible for vendor compensation of up to \$1,500 annually. Further, an RST exemption is proposed in respect of the tax that will be retained on insurance to ensure that certain costs and fees would not be subject to both the HST and the RST.

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- In the 2010 federal budget, the government made a commitment to explore new rules for the taxation of corporate groups, such as consolidated reporting. Ontario raised concerns that it is necessary to ensure that tax losses are utilized by a corporation in the province where the losses were incurred so as not to disturb the principles of interprovincial income allocation.

## Measures concerning individuals

- The government is proposing to introduce legislation to convert the Ontario Property Tax Credit to the Ontario Energy and Property Tax Credit. Beginning in 2011, the credit would be paid quarterly, as in the case of the Ontario Sales Tax Credit.
- Recognizing higher energy costs in northern Ontario, the government is proposing a Northern Ontario Energy Credit to assist eligible low to middle income northern residents. Northern residents would be eligible for an annual credit of up to \$130 for a single person and up to \$200 for a family. The credit would be reduced for a single person with adjusted net income over \$35,000 and eliminated when income exceeds \$48,000. The credit would be reduced for families with adjusted family net income over \$45,000 and eliminated when income exceeds \$65,000.

## Sales tax measures

- The government is proposing the following amendments to the Retail Sales Tax Act to build on the measures implemented by the 2009 Ontario Tax Plan and further support consumers and businesses with implementation of the HST:
  - An amendment to permit vendors to provide refunds of RST to purchasers after October 31, 2010, other than for returned goods. Where goods are purchased before July 1, 2010 and returned to the vendor after October 31, 2010, purchasers would continue to be able to claim RST refunds directly from the Ministry of Revenue;
  - An amendment to provide for a rebate of the RST to a purchaser to relieve double taxation where the purchaser had paid both the RST and the HST on goods and services acquired on or after July 1, 2010;
  - An amendment to provide that multi-jurisdictional vehicles would no longer be subject to the RST (exit tax) when they cease to be registered on or after July 1, 2010; and
  - An amendment to confirm that the exemption for gifts of used vehicles between siblings would be available effective July 1, 2010.
- Tobacco retailers will no longer be able to obtain a vendor's permit under the Retail Sales Tax Act. Amendments to the Tobacco Tax Act are proposed to require retailers who do not hold a vendor's permit on June 30, 2010 to obtain a permit under that Act.
- Regulatory amendments will be proposed to exempt from land transfer tax certain transfers of land by registered charities, for transfers after March 25, 2010.

## Other measures

- A number of proposals announced in the 2010 federal budget will be automatically adopted, including: rollover of certain registered plan proceeds to a Registered Disability Savings Plan; taxation of the Universal Child Care Benefit; Medical Expense Tax Credit; scholarship exemption and Education

Tax Credit; treatment of employee stock options; deduction for U.S. Social Security benefits; disbursement quota for charities; and the capital cost allowance system.

- Technical amendments will be proposed to various statutes, including the Corporations Tax Act, Income Tax Act, Taxation Act, 2007, Employer Health Tax Act, Fuel Tax Act, Gasoline Tax Act, Land Transfer Tax Act, Mining Tax Act, Provincial Land Tax Act, 2006, Retail Sales Tax Act, and Tobacco Tax Act.

For further details, we refer you to the [Ministry of Finance](#) website, where you can access the official budget documents without charge.

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