

Insight into the Ontario Budget of March 24, 2021

Ontario Budget Deficit

On March 24, 2021, the Ontario government presented its 2021 Budget after a year of dealing with the COVID-19 pandemic, and four and a half months since its previous Budget. The budgetary deficit for 2021-2022 is projected at \$33.1 billion, down from \$38.5 billion for the previous year, with deficits of \$27.7 billion and \$20.2 billion projected for 2022-23 and 2023-24. Using its most realistic scenario, the government does not expect a return to a balanced budget until 2029. It was said by the Minister of Finance *“And while this is neither sustainable nor desirable forever, I am absolutely, unequivocally convinced it is necessary to get through the pandemic and to recover stronger.”*

The government plans to spend \$186.1 billion this year, down from \$190.3 billion last year, with net overall provincial debt expected to hit \$440 billion this year, and with the debt to GDP ratio (a common measure in respect of the state of the economy) predicted to exceed 50 per cent by 2023-24.

The Budget clearly concentrates on increased spending due to the COVID-19 pandemic and its impact on people and businesses. The government notes that \$16.3 billion is devoted to “protecting people’s health” and \$23.3 billion as investments in the economy. As noted by the Minister of Finance:

“As the pandemic has continued to unfold, people have been very clear that they expect us to focus on two vital priorities:

- 1. First and foremost, they expect us to protect people’s health.*
- 2. And second, they expect us to protect our economy.*

That is exactly what this Budget does.”

Corporate and Business Tax Measures

Corporate Tax Rates

No changes to corporate tax rates were announced in the Budget, leaving corporate tax rates for 2021 as follows:

2021 Corporate Income Tax Rates				
	Active Business Income			Investment Income (CCPC)
	General	Small Business (CCPC)	Business Limit	
Ontario	11.5%	3.2%	\$500,000	11.5%
Combined Fed/ON	26.5%	12.2%	\$500,000	50.17%

Ontario Small Business Support Grant

The Ontario Small Business Support Grant (OSBSG) was originally launched in January 2021 for businesses that were required to close or significantly restrict activities due to the province-wide shut-down that came into effect on December 26, 2020. Businesses that had a revenue decline of at least 20 percent, employed fewer than 100 employees and were operating an eligible business were entitled to a maximum grant of \$20,000.

The Budget announces that businesses which had previously qualified for the grant will automatically be entitled to a second payment equivalent to the first payment they received, without having to reapply.

It should be noted that while applications for the OSBSG are due by March 31, 2021, the Budget makes no mention of an extension to this deadline.

Enhancing Regional Opportunities Investment Tax Credit

The Regional Opportunities Investment Tax (ROIT) Credit is a 10 per cent refundable corporate income tax credit available to Canadian-controlled private corporations (CCPC's) that make qualifying investments in certain prescribed geographic areas of Ontario. The tax credit is available for eligible expenditures in excess of \$50,000 and up to \$500,000 in a year, for investments that become available for use on or after March 25, 2020.

The Budget proposes to temporarily double the ROIT Credit rate, allowing CCPC's a 20 per cent refundable credit for eligible investments. The enhanced credit will be available for eligible expenditures in excess of \$50,000 and up to \$500,000 for property that become available for use in the corporation's taxation year, and in the period beginning on March 24, 2021 and ending before January 1, 2023.

Qualifying investments are eligible expenditures for capital property included in Class 1 and Class 6 for the purposes of calculating capital cost allowance. Qualifying investments include expenditures for the construction, renovation or acquisition of eligible commercial and industrial buildings and other assets in certain prescribed regions of Ontario.

Ontario Tourism and Hospitality Small Business Support Grant

The Budget announces a new Ontario Tourism and Hospitality Small Business Support Grant, which will provide an estimated \$100 million in one-time payments of between \$10,000 to \$20,000 to eligible small businesses (businesses in this sector, such as hotels, motels, travel agencies, amusement and water parks, and recreation camps).

To qualify for the grant, businesses must have experienced a minimum 20 per cent revenue decline and have fewer than 100 employees. Note that any business that received the Ontario Small Business Support Grant will not be eligible for this new grant.

Additional Support for Tourism Industry

Additional support to the tourism and hospitality sectors will be provided in the form of a tax credit to Ontario residents which will cover up to 20 per cent of eligible Ontario tourism expenses in order to encourage Ontario residents to explore Ontario when public health experts advise that it is safe to travel. Specific details are to be announced at a future date.

Personal Tax Measures

Personal Tax Rates

No changes to personal tax rates were announced in the Budget. As a result, personal tax rates and brackets for 2021 are as follows:

Top Combined Ontario and Federal Personal Income Tax Rates		
2021 Taxable Income	2021 ON Tax Rates	Combined Fed/ON Rates
First \$45,142	5.05%	20.05%
Over \$45,142 up to \$90,287	9.15%	33.89%
Over \$92,287 up to \$150,000	11.16%	43.41%
Over \$150,000 up to \$220,000	12.16%	51.97%
Over \$220,000	13.16%	53.53%

Ontario Jobs Training Tax Credit

The Budget proposes a new temporary Ontario Jobs Training Tax Credit for 2021. This will be a refundable credit calculated as 50% of eligible expenses, to a maximum credit of \$2,000.

In order to qualify for the credit, individuals must:

- be resident in Ontario on December 31, 2021; and
- have a Canada Training Credit limit for 2021 that is greater than zero.

The Canada Training Credit is a refundable credit that was announced in the 2019 Federal Budget. An individual's Canada Training Credit limit for 2021 can be verified from their 2020 Notice of Assessment and is limited to individuals who are at least 26 years old and not older than 65 at the end of 2021.

Eligible expenses for purposes of the Ontario Jobs Training Tax Credit are the same as those that qualify for the Canada Training Credit, including tuition and other fees paid to eligible educational institutions in Canada for courses taken in 2021 and fees paid to certain bodies for occupational, trade or professional examinations taken in 2021.

Childcare Access and Relief from Expenses (CARE) Tax Credit

As a temporary measure for 2021, the Budget announces that the Childcare Access and Relief from Expenses (CARE) tax credit will be enhanced for 2021. There will be a one-time top-up of 20% of a taxpayer's 2021 CARE credit entitlements.

The CARE tax credit was first introduced in 2019 and is based on the same expenses that also qualify for the childcare deduction. The CARE credit rate is dependent on the level of family income and is available to families whose household income does not exceed \$150,000.

Other Measures

Ontario COVID-19 Child Benefit

The Budget announces a third round of payments to parents through the Ontario COVID-19 Child Benefit. This benefit will be provided automatically to parents who previously received Support for Learners payments. Eligible parents will receive \$400 for each child in Grade 12 or younger, and \$500 for children and youth 21 years old or younger with special needs. Parents who had not applied for the benefit previously may submit an application for this third payment round.

Modernization of Anti-Avoidance Rules

The Budget reiterates Ontario's support of the federal government's plan to consult on the modernization of Canada's anti-avoidance rules, including the general anti-avoidance rule (GAAR). In particular, Ontario encourages the federal government to target strategies that put provincial tax revenue at risk.