



Welch LLP®

Insight into the

ONTARIO BUDGET

of April 28, 2022

Welch LLP
www.welchllp.com

Includes insight into measures that affect individuals, businesses, and more.

Welch LLP®
Audit • Tax • Accounting • Advisory

Insight into the Ontario Budget of April 28, 2022

On April 28, 2022, the Ontario government presented its 2022 Budget – *Ontario's Plan to Build*. While the Budget contains very little in terms of income tax proposals, it contains plans for significant spending on infrastructure for hospitals, transit and roads. The budgetary deficit for 2022-2023 is projected at \$19.9 billion, decreasing to \$12.3 billion in 2023-2024 and \$7.6 billion in 2024-2025. The government expects to return to a surplus position by 2027-2028.

Corporate and Business Tax Measures

CORPORATE TAX RATES

No changes to corporate tax rates were announced in the Budget, leaving corporate tax rates for 2022 as follows:

2022 Corporate Income Tax Rates				
	Active Business Income			
	General	Small Business (CCPC)	Business Limit	Investment Income (CCPC)
Ontario	11.5%	3.2%	\$500,000	11.5%
Combined Federal/Ontario	26.5%	12.2%	\$500,000	50.17%

EXTENSION OF ENHANCED REGIONAL OPPORTUNITIES INVESTMENT TAX CREDIT

The Regional Opportunities Tax Credit (ROTC) is a refundable corporate income tax credit available to Canadian-controlled private corporations (CCPC's) that make qualifying investments in certain prescribed geographic regions within Ontario. The tax credit is available for eligible expenditures in excess of \$50,000 and up to \$500,000. Originally announced in the 2020 Ontario Budget as a 10% refundable credit, the 2021 Ontario Budget temporarily increased the OITC to a 20% refundable credit for qualifying investments made before January 1, 2023 and that become available for use in the corporation's tax year. The 2022 Budget proposes to extend the availability of the enhanced 20% OITC to eligible investments made before January 1, 2024.

Qualifying investments are eligible expenditures for capital property included in Class 1 and Class 6 for 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.

EXTENDING FILM AND TELEVISION TAX CREDITS TO ONLINE PRODUCTIONS

The Budget proposes to amend the Ontario Film and Television Tax Credit and the Ontario Production Services Tax Credit to extend eligibility to professional film and television productions distributed exclusively online.

Additional eligibility requirements for the Ontario Film and Television Tax Credit will be introduced, including requirements that the production:

- meet a minimum budget threshold of \$250,000;
- have an agreement in writing with an eligible exhibitor service for consideration at fair market value to have the production shown on the internet in Ontario within two years of completion; and
- not include certain content (e.g., opinion, advice or how-to instructions).

The Budget also proposes that productions distributed exclusively online that become eligible for the Ontario Film and Television Tax Credit or the Ontario Production Services Tax Credit may also be eligible for the Ontario Computer Animation and Special Effects Tax Credit if they meet all of the other eligibility requirements.

ONTARIO BOOK PUBLISHING TAX CREDIT

To qualify for the Ontario Book Publishing Tax Credit, a literary work must be published in an edition of at least 500 copies of a bound book. This requirement was temporarily waived for the 2020 and 2021 taxation years.

In recognition of the importance and growth of e-books and audiobooks, the Budget proposes to permanently remove this requirement beginning with 2022 and subsequent taxation years.

SIMPLIFYING THE ONTARIO COMPUTER ANIMATION AND SPECIAL EFFECTS TAX CREDIT

Currently, in order to qualify for the Ontario Computer Animation and Special Effects Tax Credit, a film or television production must also receive either the Ontario Film and Television Tax Credit or the Ontario Production Services Tax Credit. This requirement helps target tax credit support to productions with significant cultural or economic impact. However, this tethering can result in complexities and challenges with claiming and processing the tax credits since the three tax credits are claimed over different time frames and are not always claimed by the same company.

In order to simplify this tax credit, the Budget announced that the government will examine ways to untie the Ontario Computer Animation and Special Effects Tax Credit from the other film and television tax credits, while ensuring that the credit targets professional productions with significant cultural or economic impact.

WORK-FROM-HOME LABOUR FOR INTERACTIVE DIGITAL MEDIA AND COMPUTER ANIMATION AND SPECIAL EFFECTS TAX CREDITS

In response to the increase in remote work arrangements in the interactive digital media, computer animation and special effects industries, the Budget announced that the government intends to clarify that work performed remotely by employees may qualify for the Ontario Computer Animation and Special Effects Tax Credit and the Ontario Interactive Digital Media Tax Credit. To be eligible, the work must be performed in Ontario by an Ontario resident who reports to and is under the direction of an eligible tax credit applicant with a permanent establishment in Ontario.

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 2022 are as follows:

Top Combined Ontario and Federal Personal Income Tax Rates		
2022 Taxable Income	2022 Ontario Tax Rates	Combined Federal/Ontario Rates
First \$47,226	5.05%	20.05%
Over \$47,226 up to \$92,454	9.15%	33.89%
Over \$92,454 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 SENIORS CARE AT HOME TAX CREDIT

The Budget proposes a new refundable personal tax credit to assist seniors with the cost of eligible medical expenses. Beginning with the 2022 tax year, eligible seniors may claim the new Ontario Seniors Care at Home Tax Credit at a rate of 25% of their eligible medical expenses up to \$6,000, for a maximum tax credit of \$1,500. Eligible medical expenses would be those claimed for the existing Ontario medical expense tax credit, with the credit being in addition to the medical expense tax credit available for those same expenditures.

To be eligible for this proposed credit, the individual must:

- have turned 70 years of age or older in the year, or have a spouse or common-law partner who turned 70 years of age or older in the year; and
- be resident in Ontario at the end of the tax year.

This credit will be reduced by 5% of family net income in excess of \$35,000 and will be fully phased out where the family net income is \$65,000 or higher. These thresholds will apply equally to individuals and couples.

LOW-INCOME INDIVIDUALS AND FAMILIES TAX CREDIT

The Low-Income Individuals and Families Tax Credit (LIFT) was introduced in 2019 as a non-refundable tax credit intended to reduce personal tax for low-income earners with employment income. The LIFT currently provides a non-refundable credit of up to \$850.

The Budget proposes an enhancement to the LIFT credit. Beginning with the 2022 tax year, the LIFT Credit would be calculated as the lesser of:

- \$875 (up from the current \$850); and
- 5.05 per cent of employment income.

The credit will be reduced by 5% (down from the current 10%) of the greater of:

- adjusted individual net income in excess of \$32,500 (up from the current threshold of \$30,000); and
- adjusted family net income in excess of \$65,000 (up from the current threshold of \$60,000).

Further, the LIFT credit will be phased out for individuals with adjusted net income of \$50,000 or more (up from the current threshold of \$38,500) or couples with adjusted family net income of \$82,500 or more (up from the current threshold of \$68,500).

Other Measures

NON-RESIDENT SPECULATION TAX

Prior to March 30, 2022, the Non-resident Speculation Tax (NRST) rate was a 15% tax applicable to purchases of residential real estate within the Greater Golden Horseshoe Region by foreign nationals. Effective March 30, 2022, the *Land Transfer Tax Act* was amended to expand the application of the NRST and to increase the applicable rate.

Effective March 30, 2022 the NRST rate is increased to 20%, applies provincewide and eliminates rebates specific to international students and foreign nationals working in Ontario. While these changes will apply to agreements of purchase and sale entered into on or after March 30, 2022, transitional relief is available in respect of binding agreements of purchase and sale entered into before March 30, 2022.

Foreign nationals who become permanent residents of Canada within four years after the tax became payable may be eligible for rebates. Exemptions from the NRST for nominees under the Ontario Immigrant Nominee Program, protected persons (refugees), and spouses of individuals not subject to the NRST will remain available.

Welch LLP

123 Slater Street, 3rd floor, Ottawa, ON K1P 5H2 | 613 236 9191 | welchllp.com

An Independent Member of BKR International

GAS AND FUEL TAXES

On April 4, 2022, the government proposed legislation amending the *Gasoline Tax Act* and *Fuel Tax Act* to temporarily reduce the gasoline tax by 5.7 cents per litre and the fuel tax by 5.3 cents per litre for the period July 1, 2022 – December 31, 2022. The current gasoline tax rate is 14.7 cents per litre and the current fuel tax rate is 14.3 cents per litre, such that both of these rates would be reduced to 9 cents per litre from July 1, 2022 until December 31, 2022.

The government will establish a one-time tax adjustment process to credit importers, wholesalers and retailers with inventories of gasoline or fuel for which tax has been collected at the higher rates.

Importers, wholesalers and retailers holding inventory purchased at the higher rate will be required to take inventory at 12:01 a.m. on July 1, 2022. Suppliers higher in the supply chain will issue tax adjustments in the form of credits to accounts based on inventory reported.