



TaxNewsFlash Canada

Highlights of the 2019 Ontario Budget

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Ontario's Finance Minister Vic Fedeli delivered the province's 2019 budget on April 11, 2019. The budget anticipates deficits of \$11.7 billion for 2018-19 and \$10.3 billion for 2019-20. Although the budget does not include any new changes to the corporate or personal tax rates, it introduces a new refundable Ontario Childcare Access and Relief from Expenses (CARE) personal tax credit and eliminates the Estate Administration Tax on the first \$50,000 of an estate's value.

Corporate tax changes

Corporate income tax rates

The budget does not include changes to the province's corporate tax rates. As a result, Ontario's corporate income tax rates remain as follows:

| Corporate Income Tax Rates — As of January 1, 2019 | | |
|----------------------------------------------------|---------|------------------------------|
| | Ontario | Combined Federal and Ontario |
| General | 11.50% | 26.50% |
| M&P | 10.00% | 25.00% |
| Small business ¹ | 3.50% | 12.50% |

¹ On first \$500,000 of active business income.

Ontario interactive digital media tax credit

The budget reduces the minimum Ontario labour expenditure required to qualify as a specialized digital game corporation to \$500,000 (from \$1 million). Currently, to qualify as a

specialized digital game corporation for purposes of the Ontario Interactive Digital Media tax credit, a company must spend at least \$1 million in its taxation year on Ontario labour expenditures for eligible digital games.

This change is effective for taxation years beginning after April 11, 2019.

Ontario research and development incentives

The budget says that Ontario will review the Ontario Innovation Tax Credit, as well as other research and development incentives, to consider the appropriate level of support for business, and will consult with businesses to develop a plan in the coming months.

Cultural media tax credit certification

The budget says that Ontario will review the cultural media tax credit certification process to streamline administration, reduce the tax credit application backlog and help companies receive their tax credits faster.

Personal tax changes

Personal income tax rates

The budget does not announce changes to personal tax rates. As a result, Ontario's personal income tax rates effective January 1, 2019 are as follows:

| Personal Combined Federal/Provincial Top Marginal Rates | |
|----------------------------------------------------------------|-------------|
| | 2019 |
| Interest and regular income | 53.53% |
| Capital gains | 26.76% |
| Eligible dividends | 39.34% |
| Non-eligible dividends | 47.4% |

Ontario Childcare Access and Relief from Expenses (CARE) tax credit

The budget introduces a new refundable Ontario Access and Relief from Expenses (CARE) personal income tax credit, beginning with the 2019 tax year.

The new tax credit will be based on the taxpayer's family income and eligible child care expenses used for purposes of determining the taxpayer's child care expense deduction. The tax credit could provide up to \$6,000 per child under the age of seven, up to \$3,750 per child between the ages of seven and 16, and up to \$8,250 per child with a severe disability. The new credit will be calculated as the amount of the taxpayer's eligible child care expenses multiplied by the credit rate shown below, which decreases as family income increases and is eliminated when family income is greater than \$150,000.

| Ontario CARE tax credit rate calculation | |
|------------------------------------------|----------------------------------------------------------------|
| Family income | Percentage of eligible child care expenses |
| Up to \$20,000 | 75% |
| \$20,000 – \$40,000 | 75% minus 2% for each \$2,500 (or part thereof) above \$20,000 |
| \$40,000 – \$60,000 | 59% minus 2% for each \$5,000 (or part thereof) above \$40,000 |
| \$60,000 – \$150,000 | 51% minus 2% for each \$3,600 (or part thereof) above \$60,000 |
| Greater than \$150,000 | 0% |

The budget says that, for the 2019 and 2020 tax years, taxpayers may claim the new tax credit on their tax returns. Starting with the 2021 tax year, Ontario intends to allow families to choose to either apply for regular advance payments throughout the year or receive a single payment when filing their tax returns. The province says it will work with the Canada Revenue Agency and provide further details about advance payment delivery in time for the 2021 implementation.

Estate administration tax

The budget eliminates the Estate Administration Tax on the first \$50,000 of an estate's value. The Estate Administration Tax will continue to apply at the current rate of \$15 for every \$1,000, or part thereof, of the value of the estate exceeding \$50,000.

The budget also extends the filing deadline of the Estate Administration Tax Information Return with the Ministry of Finance to 180 days (from 90 days) after the receipt of an estate certificate, and extends the deadline for filing amended information returns to 60 days (from 30 days).

These changes take effect January 1, 2020.

The budget also says that Ontario will explore options to provide further Estate Administration Tax relief, including additional tax relief in respect of charitable donations. However, the budget does not provide additional details.

Other measures

Addressing tax loopholes and tax integrity

The budget also says the province has created a specialized unit of tax experts to work with federal and provincial tax officials to find and address tax loopholes and abuse.

Review of property tax assessment system

The budget also says the province will review the property tax assessment system to explore opportunities to enhance the accuracy and stability of property tax assessments, support a competitive business environment and provide relief to residents, among other

things. The government says it will seek input on these issues through consultation with residents, businesses, municipalities and other stakeholders.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Ontario budget on your personal finances or business affairs, and point out ways to take advantage of their benefits or ease their impact. We can also keep you abreast of the progress of these proposals as they make their way into law.

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