



# 2022 ONTARIO BUDGET HIGHLIGHTS

On April 28, 2022, the Liberal Ontario government tabled its final budget before the upcoming provincial election on June 2, 2022. Entitled Ontario's Plan to Build, the budget offers "a plan for better jobs, building highways and hospitals and keeping costs down for Ontario families while maintaining a strong, open economy.

## Personal tax measures

### Personal income tax rates

The budget does not change Ontario's personal income tax rates. Top combined federal/Ontario personal income tax rates are shown below. These rates apply to individuals with taxable income above \$221,708 in 2022.

Top tax rates	2022
Ordinary income/interest	53.53%
Capital gains	26.76%
Canadian dividends	39.34% – eligible 47.74% – non-eligible

### Ontario seniors care at home tax credit (SCHTC)

Beginning in the 2022 tax year, seniors or spouses who turned 70 or older may claim a new refundable tax credit providing up to 25% of eligible medical expenses up to \$6,000. This credit will be reduced by 5% when net family income exceeds \$35,000 and completely phased out when income exceeds \$65,000.

### Low-income individuals and families tax (LIFT) credit

The budget proposes to enhance the non-refundable LIFT credit for low-income workers. This credit will be the lesser of:

- \$875 (up from \$850), and
- 05% of employment income

This would be reduced by 5% (down from 10%) of the greater of:

- Adjusted individual net income exceeding \$32, 500 (up from \$30,000),
- Adjusted family net income exceeding \$65, 000 (up from \$60,000)

Taxpayers with individual net income up to \$50,000 (or family net income up to \$82,500) can benefit from the proposed changes to the LIFT credit.

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## Other measures

### Ontario non-resident speculation tax (ONRST)

As previously announced, effective March 30, 2022, changes to the ONRST:

- Increase the rate to 20% (from 15%)
- Expand the tax to apply provincewide (instead of only in the Greater Golden Horseshoe region)
- Restrict eligibility for exemptions from the tax, by eliminating two of the previous rebates for certain:
  - International students
  - Foreign nationals working in Ontario

Transitional provisions apply for agreements of purchase and sale entered into before March 30, 2022.

### Electricity transfer tax

The budget proposes to extend, to December 31, 2024 (previously extended to December 31, 2022), tax relief provided to municipal electricity utilities (MEUs) that:

- Reduces the transfer tax rate, which applies to sales of electricity assets, from 33% to 22% (or, for MEUs with fewer than 30,000 customers, to 0%)
- Exempts capital gains arising under the payments in lieu of taxes (PILs) deemed disposition rules from PILs

### Gasoline and fuel tax

The budget provides a reminder that, for the six-month period July 1 to December 31, 2022, the following taxes are temporarily reduced:

- Gasoline tax, by 5.7¢ per litre
- Fuel tax, by 5.3¢ per litre

## Business income tax measures

### Corporate income tax rates

There is no change in either the corporate income tax or the \$500,000 small business limit.

Combined rates	2022
General income	26.5%
CCPCs – active business income to \$500,000	12.2%
CCPCs – investment income	50.17%

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## **Regional opportunities investment tax credit (ROITC)**

The budget proposes to extend the temporary increase in the ROITC rate (from 10% to 20%) to qualifying investments that become available for use after March 23, 2021 and before January 1, 2024 (currently available before January 1, 2023). The ROITC is a refundable corporate income tax credit that is available for CCPCs that make qualifying investments in eligible geographic areas of Ontario. The maximum credit is \$90,000 per taxation year during this temporary enhancement period.

## **Cultural media tax credits**

### **Film and television tax credits**

The budget proposes to make regulatory amendments to the Ontario film and television tax credit (OFTTC) and the Ontario production services tax credit (OPSTC) to extend eligibility to professional film and television productions distributed exclusively online. Additional eligibility requirements will apply for these productions when applying for the OFTTC.

Specifics, including the effective date of these proposed amendments, will be provided later this year. In addition, productions that become eligible for the OFTTC or the OPSTC under these amendments may also become eligible for the Ontario computer animation and special effects tax credit, if they meet all of the other eligibility requirements.

The government also intends to review:

- the OFTTC's regional bonus to ensure that the credit is "providing effective and appropriate incentives and support for film and television production in all regions of Ontario"
- the eligibility of location fees for the OPSTC "to better understand the importance and contribution of on-location film production to Ontario's film and television industry" (currently, location fees are generally not eligible expenditures for this tax credit)

### **Ontario computer animation and special effects tax credit (OCASETC)**

To be eligible for the OCASETC, a film or television production must receive either the OFTTC or the OPSTC, "tethering" the tax credits together. To help simplify the tax credit, the government will examine ways to untether the OCASETC from the other film and television tax credits, while "continuing to ensure support remains targeted to professional productions with significant cultural or economic impact."

### **Work-from-home labour for interactive digital media tax credit (IDMTC) and OCASETC**

To provide clarity and certainty, the government confirms that eligible labour expenditures for employees working remotely can be claimed under the IDMTC and the OCASETC, provided the work is undertaken 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.

### **Ontario book publishing tax credit**

To be eligible 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 had been temporarily removed for the 2020 and 2021 taxation years. Due to the growth of e-books and audiobooks, the budget proposes to permanently remove this requirement, effective starting the 2022 taxation year.

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## Getting Advice

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