

2024 Issue No. 20
26 March 2024

Tax Alert – Canada

Ontario budget 2024-25

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“Like the rest of the world, Ontario continues to face economic uncertainty due to high interest rates and global instability.”

“Faced with these challenges, other governments might choose to raise taxes, reduce investments in services or download costs on municipalities. Our government is taking a different approach.”

“Our plan is rebuilding Ontario’s economy. We are keeping costs down by holding the line on new taxes as we build the infrastructure our growing province needs.”

*Ontario Finance Minister Peter Bethlenfalvy
2024-25 budget, Minister’s Foreword*

On 26 March 2024, Ontario Finance Minister Peter Bethlenfalvy tabled the province’s fiscal 2024-25 budget. The budget contains some tax measures but contains no new taxes and no tax increases.

The minister anticipates a deficit of \$9.8 billion for 2024-25 and projects a deficit of \$4.6 billion for 2025-26 before returning to a surplus position in 2026-27.

Following is a brief summary of the key tax measures.

Business tax measures

Corporate income tax rates

No changes are proposed to the corporate tax rates or the \$500,000 small-business limit.

Ontario’s 2024 corporate income tax rates are summarized in Table A.

Table A - 2024 Ontario corporate income tax rates¹

	ON	Federal and ON combined
Small-business tax rate ²	3.20%	12.20%
General manufacturing and processing tax rate ²	10.00%	25.00%
General corporate tax rate ^{2, 3}	11.50%	26.50%

¹ The rates represent calendar-year-end rates unless otherwise indicated.

² The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and Ontario rates above.

³ An additional federal tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

Other business tax measures

The minister proposed the following business tax measures:

- ▶ **Ontario computer animation and special effects tax credit (OCASE)** - The budget is proposing to change the eligibility requirements for this 18% refundable corporate income tax credit. Currently, in addition to undertaking computer animation and special effects activities, a film or television production in Ontario must also be certified for either the Ontario film and television tax credit (OFTTC) or the Ontario production services tax credit (OPSTC) to be eligible for the OCASE credit.

Effective for productions for which computer animation and/or special effects work begins on or after 26 March 2024, a qualifying corporation will no longer be required to also qualify for either the OFTTC or the OPSTC. Instead, it will be required to incur a minimum of \$25,000 in Ontario labour expenditures for each film or television production for which the OCASE credit is claimed. The minimum labour expenditure threshold will be required to be incurred either in the taxation year of the claim or cumulatively between the taxation year of the claim and the previous taxation year. Once a qualifying corporation incurs the minimum labour expenditure threshold within up to two taxation years for a specific production, expenditures related to that production in those taxation years and any subsequent taxation years would be eligible.

Certain types of productions will be excluded from eligibility, including, for example, instructional, music and gaming videos.

- ▶ **Ontario film and television tax credit** - The government also confirmed, in keeping with its 2022 budget commitment, that it will review the OFTTC regional bonus to ensure it effectively supports film and television production across the province.

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2024 Ontario personal income tax rates are summarized in Table B.

Table B - 2024 Ontario personal income tax rates^{1,2}

First bracket rate ³	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$51,446	\$51,447 to \$102,894	\$102,895 to \$150,000	\$150,001 to \$220,000	Above \$220,000
5.05%	9.15%	11.16%	12.16%	13.16%

¹ In addition, for 2024, a 20% surtax applies to basic Ontario tax in excess of \$5,554, and an additional 36% surtax applies to basic Ontario tax in excess of \$7,108.

² Individuals resident in Ontario on 31 December 2024 with a combined taxable and split income in excess of \$20,000 must pay the Ontario Health Premium. The premium ranges from \$nil to \$900 depending on the individual's taxable income, with the top premium being payable by individuals with a combined taxable and split income in excess of \$200,599.

³ Individuals resident in Ontario on 31 December 2024 with taxable income up to \$18,062 pay no provincial income tax as a result of a low-income tax reduction. The low-income tax reduction (\$286 of Ontario tax) is clawed back for income in excess of \$18,062 until the reduction is eliminated, resulting in an additional 5.05% of provincial tax on income between \$18,063 and \$23,726.

For taxable income in excess of \$173,205, the 2024 combined federal-Ontario personal income tax rates are outlined in Table C.

Table C - Combined 2024 federal and Ontario personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$173,206 to \$220,000 ²	48.29%	32.11%	41.71%
\$220,001 to \$246,752 ²	49.85%	34.26%	43.50%
Above \$246,752	53.53%	39.34%	47.74%

¹ The rate on capital gains is one-half the ordinary income tax rate.

² The federal basic personal amount comprises two elements: the base amount (\$14,156 for 2024) and an additional amount (\$1,549 for 2024). The additional amount is reduced for individuals with net income in excess of \$173,205 and is fully eliminated for individuals with net income in excess of \$246,752. Consequently, the additional amount is clawed back on net income in excess of \$173,205 until the additional tax credit of \$232 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$173,206 and \$246,752.

Other tax measures

Gasoline and fuel tax

As previously announced, the budget extends the current reduced gasoline and fuel tax rates by an additional six months to 31 December 2024. Since 1 July 2022, Ontario has reduced the gasoline tax rate from 14.7¢ per litre to 9.0¢ per litre and the clear fuel (diesel) tax rate from 14.3¢ per litre to 9.0¢ per litre. The reduced gasoline and fuel tax rates were previously scheduled to end after 30 June 2024.

Non-resident speculation tax/municipal vacant home tax

Ontario will take steps to strengthen the non-resident speculation tax with amendments to support compliance and improve fairness. The provincial government is also taking steps to increase information sharing among all levels of government to promote a greater understanding of home vacancy, foreign purchasing and ownership patterns.

As well, Ontario will make more vacant homes available for housing by empowering more municipalities to impose municipal vacant home taxes. The province will provide a new provincial policy framework, available to all single- and upper-tier municipalities, setting out parameters for implementing a vacant home tax. The framework will encourage municipalities to set a higher tax rate for foreign-owned vacant homes.

Beer, wine and spirits tax

Effective 1 April 2024, Ontario is eliminating the basic tax applicable to purchases of Ontario wine or Ontario wine coolers from a winery retail store. Currently, the tax is 6.1% of the retail price of the wine or wine cooler.

Ontario will also review taxes and fees on beer, wine and spirits with the goal of promoting a more competitive marketplace for Ontario-based producers and consumers.

Property tax

To encourage the development of purpose-built rental properties, Ontario is allowing municipalities to offer reduced municipal property tax rates on new multi-residential rental properties, effective immediately.

As well, Ontario is reviewing the property assessment and taxation system with a focus on fairness, affordability, business competitiveness and modernized administration tools. Ontario will continue to defer the provincewide property reassessment until it completes this review.

Tobacco tax

Ontario is proposing to move the monthly filing deadline for tobacco tax registrants from the tenth to the twenty-eighth day of each month, providing registrants with more time to file and aligning with other tax filing deadlines. This measure will take effect in July 2024.

To address the issue of contraband tobacco, Ontario is proposing amendments to the *Tobacco Tax Act* that would strengthen fines and provide the Ministry of Finance with additional enforcement tools. As well, the Ministry of Finance and the Ministry of Health are engaging in an initiative to cross-designate inspectors to seize certain tobacco products in contravention of the *Tobacco Tax Act* and the *Smoke-Free Ontario Act, 2017*.

Other measures

Review of Ontario's tax system

Ontario is continuing its review of the province's tax system since first announcing its commitment to do so in the 2023-24 budget. The government consulted with tax experts, economists and business leaders, and based on those consultations, the tax review will focus on the support of greater productivity (including with respect to innovation and research), the promotion of fairness, greater simplicity and transparency, and modernized administration tools.

Other reviews

Ontario also announced that it will review the tax relief measures that were extended in 2022 for the electricity distribution sector, prior to their expiry on 31 December 2024.

Learn more

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