

April 11, 2019  
Wolters Kluwer Canada Editorial

Wolters Kluwer Canada

# Ontario 2019 Budget Dispatch

Protecting What Matters Most

**Wolters Kluwer Canada**

Date: April 11, 2019

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# 1 Ontario Budget 2019 – “Protecting What Matters Most”

“We are taking a balanced approach to government. We are putting money back in people’s pockets, making Ontario open for business and open for jobs and at the same time, reducing the deficit. We are mapping out a reasonable and responsible path to balance. We are proud to say that we will achieve a balanced budget by 2023–24, while protecting what matters most to Ontario individuals, families and businesses.”

— Victor Fedeli, Ontario Finance Minister

On April 11, 2019, Ontario Finance Minister, The Honourable Victor Fedeli, tabled the 2019 Ontario Budget. Tax measures announced included the following:

## 1.1 Childcare Access and Relief from Expenses (CARE) Tax Credit

Budget 2019 proposes a new refundable Ontario Childcare Access and Relief from Expenses (“CARE”), which is effective as of 2019. The credit is computed by multiplying a taxpayer’s eligible child care expenses (for the purposes of the child care expense deduction) by a credit rate. The credit rate is subject to a graduated phase-out based on the family’s income. The computation of the credit rate based on income is illustrated in the chart below:

Family Income	Credit Rate
\$20,000	75%
Greater than \$20,000 and up to \$40,000	75% minus 2% for every \$2,500 of income above \$20,000
Greater than \$40,000 and up to \$60,000	59% minus 2% for each \$5,000 of income above \$40,000
Greater than \$60,000 and up to \$150,000	51% minus 2% for each \$3,600 above \$60,000
Greater than \$150,000	0%

Taxpayers claiming the CARE credit will continue to have access to the child care expense deduction. However, eligible care child expenses for the purposes of the CARE credit are not merely the actual costs incurred, but the amount that the taxpayer can claim under the federal deduction rules. For example, for a child under the age of 7, the \$8,000 limit under the federal rules is eligible child care costs for the purposes of the CARE credit, even if the taxpayer incurs more than that amount. (See Chart A.1 in the budget documents for a detailed example that illustrates this concept.)

For 2019 and 2020, the CARE credit will be claimed on the tax return. However, for 2021 and later years, the budget proposes to allow taxpayers to apply for regular advance payments of the refundable credit throughout the year.

## 1.2 Low-Income Individuals and Families (LIFT) Credit

As previously announced in the 2018 Ontario Economic Statement, the non-refundable LIFT credit is effective for 2019 and later years. The amount of the credit is equal to the lesser of \$850 and 5.05% of employment income. The credit is phased-out by 10% of the taxpayer's:

- (a) adjusted individual income greater than \$30,000; and
- (b) adjusted family income greater than \$60,000.

Where adjusted individual income exceeds \$38,500, or adjusted family income exceeds \$68,500, the credit is completely phased-out. Also, the taxpayer must be resident in Canada at the end of the year to be eligible for the credit.

## 1.3 Ontario Job Creation Investment Incentive

As previously announced in the *2018 Ontario Economic Outlook and Fiscal Review*, the Ontario Job Creation Investment Incentive will parallel the immediate write-off measures and the Accelerated Investment Incentive announced in the federal government's *Fall Economic Statement 2018*.

## 1.4 Estate Administration ("Probate") Tax and Related Filing Requirements

Estate administration tax is levied on the value of a deceased's estate when an estate certificate ("letters probate") is applied for. Currently, there is no estate administration tax payable when the value of the estate is \$1,000 or less. For all other estates, the tax is applied at the following rates:

- \$5 for every \$1,000, or part thereof, of the first \$50,000 of the value of the estate; and
- \$15 for every \$1,000, or part thereof, of the value of the estate exceeding \$50,000.

The Ontario government is proposing eliminating estate administration tax on the first \$50,000 of the value of an estate. Estate Administration Tax would continue to apply to the value of an estate exceeding \$50,000 at the current 1.5% rate.

This proposal is effective for estate certificates requested on or after January 1, 2020.

The government also announced that it is planning on extending the deadlines for filing estate administration tax information returns from 90 days to 180 days after an estate certificate is issued.

Where an amended information return is required (such as where it becomes apparent that earlier valuations provided on an information return were not correct), the deadline for filing an amended information return will be extended from 30 days to 60 days.

The government proposes that these changes will also take effect January 1, 2020.

## 1.5 Property Tax

Ontario is developing an action plan to further improve the accuracy, transparency, and stability of property assessments. The province will be seeking input from stakeholders on this matter.

## 1.6 Reviewing the Gas Tax Program

The Province announced that it will not be moving forward with the previous Liberal government's proposed changes to the municipal share of gas tax funding. The Province will continue to support municipalities through the existing Gas Tax program and ensure it continues to meet the needs of the people of Ontario in alignment with provincial priorities.

Over the next few months, the government will consult with municipalities to review the program parameters and identify opportunities for improvement.

## 1.7 Wine Tax

The government announced that it will be introducing legislation to cancel the previous government's announced changes to the Wine Tax, which was scheduled to increase on April 1.

## 1.8 Tobacco Tax

Amendments to the raw leaf tobacco provisions in the *Tobacco Tax Act* that would establish penalty and offence provisions related to: the use of new track and trace bale markers issued by the Ministry of Finance; and for failing to notify the Ministry of the destruction of raw leaf tobacco. Amendments would also remove "baling and packaging" from the definition of "producing" tobacco and require any raw leaf tobacco certificate to permit "baling and packaging". Additional amendments would clarify provisions related to permits.

## 1.9 Review of Cultural Media Tax Credit Certification

Due to the backlog of tax credit applications for the various refundable cultural media tax credits, the government announced that it will review the certification process to streamline administration and reduce the tax credit application backlog.

## 1.10 Video Game Developers

Effective for taxation years commencing after April 11, 2019, the Ontario Government is proposing to reduce the minimum Ontario labour expenditure requirement from \$1 million to \$500,000 in order for a corporation to qualify as a specialized digital game corporation.

## 1.11 Encouraging Consolidation in the Electricity Sector

Due to the modest number of proposed mergers among publicly owned utilities in Ontario despite the province's recent efforts to encourage consolidation through tax incentives, the Ontario government will continue to review sector activity and will consider additional ways to promote efficiency and modernization of the electricity distribution sector in consultation with consumers and other stakeholders.

## 1.12 Tax Evasion and Avoidance

The Ontario government announced that it has created a specialized unit of tax experts who will work with federal and provincial tax officials to find and address perceived tax loopholes and abuses.

## 1.13 Electronic Payments and Document Filing

The government announced that it is planning to streamline individuals' and businesses' interactions with government by enabling electronic payments and document filing for tax and non-tax programs.

***This Dispatch Letter and other official Budget 2019-2020 documents will be included on Intelliconnect and with the next DVD.***

