



HIGHLIGHTS FROM THE ONTARIO BUDGET

Minister of Finance Peter Bethlenfalvy tabled the 2021-2022 Ontario provincial budget on March 24, 2021.

In response to the economic impacts of the global pandemic, governments have provided unprecedented support, including in Ontario with support totaling \$51 billion over four years. Ontario's deficit is projected to increase from \$8.7 billion in 2019-20 to \$38.5 billion in 2020-21 and real gross domestic product (GDP) is estimated to have declined by 5.7 per cent in 2020. As the economy recovers, Ontario's real GDP and employment are both forecast to surpass their pre-pandemic levels in early 2022.

Over the medium term, the government is projecting steadily declining deficits of \$33.1 billion in 2021-22, \$27.7 billion in 2022-23 and \$20.2 billion in 2023-24. The province is not projected to return to a pre-COVID-19 deficit until 2027-28 under its planning projection. As per Budget 2021, uncertainty still remains about future economic growth, which may impact these projections further.

On the income tax side, there were no proposed increases or decreases to personal or corporate income tax rates for 2021. A new temporary Ontario Jobs Training Tax Credit was announced, as well as an enhanced Regional Opportunities Investment Tax Credit.

The following pages are a summary of measures announced in the budget. Please note that these announcements are proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

There were no changes to personal income tax rates announced in the budget. Tax brackets and other amounts have been indexed by 0.9% to recognize the impact of inflation, except for the \$150,000 and \$220,000 bracket amounts, which are not indexed for inflation. The table below shows Ontario tax rates and brackets for 2021.

TAXABLE INCOME RANGE	2021 TAX RATES
First \$45,142	5.05%
\$45,143 – \$90,287	9.15%
\$90,288 – \$150,000	11.16%
\$150,001 – \$220,000	12.16%
Over \$220,000	13.16%

Below are the 2021 combined federal and provincial highest marginal tax rates for various types of income.

TYPE OF INCOME	2021 COMBINED TAX RATES
Regular income	53.53%
Capital gains	26.76%
Eligible dividends	39.34%
Non-eligible dividends	47.74%

Ontario also imposes a surtax equal to 20% of Ontario income tax in excess of \$4,874, plus an additional 36% of Ontario income tax in excess of \$6,237 in 2021.

New Temporary Ontario Jobs Training Tax Credit

Budget 2021 proposes a new temporary Ontario Jobs Training Tax Credit for 2021. This Personal Income Tax credit would be refundable and provide support to eligible individuals whether or not they owe income tax for 2021. It would be calculated as 50 per cent of eligible expenses for 2021. The maximum credit would be \$2,000.

Individuals would be able to claim the Ontario Jobs Training Tax Credit on their 2021 Personal Income Tax returns if they meet the following conditions:

- They are resident in Ontario on December 31, 2021
- They have a Canada training credit limit for 2021 greater than zero

An individual can find their Canada training credit limit for 2021 on their latest notice of assessment or reassessment for 2020, which is provided by the Canada Revenue Agency (CRA). To have a positive Canada training credit limit for 2021, an individual must have met age and income conditions, among other requirements set out in the federal *Income Tax Act*, for 2019 or 2020. Eligible claimants for the credit would be at least 26 and not older than 65 at the end of 2021.

Eligible expenses would be the same as those that can be claimed for the Canada training credit. These include tuition and other fees paid to an eligible educational institution in Canada for courses taken in 2021, or fees paid to certain bodies in respect of an occupational, trade or professional examination taken in 2021.

Enhanced CARE Tax Credit for 2021

The government is proposing a temporary increase in the support provided by the Childcare Access and Relief from Expenses (CARE) tax credit for 2021.

This increase would provide a one-time top-up for CARE tax credit recipients equal to 20% of their 2021 credit entitlements. This would increase 2021 support from the CARE tax credit for over 300,000 recipients from about \$1,250 to about \$1,500, on average.

Introduced in 2019, the CARE tax credit provides families with flexible child care support of up to 75% of their eligible child care expenses. The CARE tax credit is provided in addition to the Child Care Expenses Deduction and focuses on lower- and moderate-income families.

The CARE tax credit is based on a tax filer's:

- Family income, based on the income used in determining the tax filer's Child Care Expenses Deduction
- Eligible child care expenses, defined as the tax filer's total entitlement under the Child Care Expenses Deduction

The top-up would be 20% of the calculated CARE tax credit entitlement for 2021 and delivered when families file their 2021 Personal Income Tax returns.

CORPORATE TAX MATTERS

Corporate income tax rates

There were no changes announced to corporate income tax rates in the budget. The table below shows Ontario tax rates and the small business limit for 2021.

CATEGORY	2021 TAX RATES
General rate	11.5%
Manufacturing and processing rate	10%
Investment income rate	11.5%
Small business rate	3.2%
Small business limit	\$500,000

Below are the combined federal and provincial corporate income tax rates for 2021 for various types of income earned by a Canadian-controlled private corporation (CCPC).

TYPE OF INCOME	2021 COMBINED TAX RATES
Small business income	12.2%
Active income over \$500,000	26.5%
Manufacturing and processing income	25%
Investment income	50.2%

Enhanced Regional Opportunities Investment Tax Credit

The Regional Opportunities Investment Tax Credit is a 10% refundable Corporate Income Tax credit available to CCPCs that make qualifying investments in eligible geographic areas of Ontario. The tax credit is available for eligible expenditures in excess of \$50,000 and up to \$500,000 in a year.

Ontario is proposing to temporarily double the Regional Opportunities Investment Tax Credit rate. The proposed enhancement would allow corporations to claim a 20% credit.

The enhanced credit would be available for eligible expenditures in excess of \$50,000 and up to \$500,000 for property that becomes available for use in the corporation's taxation year, and in the period beginning on March 24, 2021 and ending before January 1, 2023.

Qualifying investments are eligible expenditures for capital property included in Class 1 and Class 6 for the purposes of calculating capital cost allowance. Qualifying investments include expenditures for constructing, renovating or acquiring eligible commercial and industrial buildings and other assets.

OTHER INITIATIVES

Support for Families through the Ontario COVID-19 Child Benefit

Budget 2021 proposes another round, and a doubling, of direct payments to parents through the Ontario COVID-19 Child Benefit. The government is automatically providing a third round of payments to parents who received Support for Learners payments. Every eligible parent will receive \$400 for each child aged 0 to Grade 12, and \$500 for children and youth 21 years old or younger with special needs. Parents who had not applied for previous payments will be able to submit an application for this third round of payments.

Doubling of the Ontario Small Business Support Grant

To help small businesses that were required to close or significantly restrict services under the provincewide shutdown that occurred in December 2020, Ontario launched the Ontario Small Business Support Grant in January 2021, which provides a minimum of \$10,000 and a maximum of \$20,000 to help eligible small businesses.

While some restrictions have been lifted and certain businesses can now safely reopen, the severe economic impacts of COVID-19 persist for many small businesses.

Budget 2021 proposes an additional round of support through the Ontario Small Business Support Grant. Small businesses who have been determined as eligible recipients of the Ontario Small Business Support Grant will automatically be entitled to a second payment in an amount equal to the first payment they received. They will not need to apply again to receive this additional funding.

New Ontario Tourism and Hospitality Small Business Support Grant

The Ontario government is introducing a new Ontario Tourism and Hospitality Small Business Support Grant, which will provide one-time payments of \$10,000 to \$20,000 to eligible small businesses which will include:

- Hotels
- Motels
- Travel Agencies
- Amusement and Water Parks
- Hunting and Fishing Camps
- Recreational and Vacation Camps (e.g., children's overnight summer camps)

Eligible small businesses can apply for support. To qualify, businesses must demonstrate they have experienced a minimum 20% revenue decline and have less than 100 employees.

Small businesses that received the Ontario Small Business Support Grant will not be eligible for this new grant.

Postponement of the Property Tax Reassessment

As announced in the *March 2020 Economic and Fiscal Update*, the government postponed the property tax reassessment that was scheduled to be conducted in 2020 for the 2021 taxation year to maintain stability in the context of the emerging pandemic.

To provide continued stability and certainty for businesses and residents, Ontario is implementing a further postponement of the property tax reassessment. The delay will not have a financial impact on municipalities, as the Municipal Property Assessment Corporation will continue to maintain the assessment roll and ensure that it is updated to reflect changes such as new construction.

Through the Property Assessment and Taxation Review, the government will be seeking input from municipalities, taxpayers and interested stakeholders regarding the timing and valuation date for the next reassessment. The outcomes from the consultation will be communicated in fall 2021.

Reviewing the Pension Benefits Guarantee Fund

In the *2020 Budget*, Ontario announced that it would conduct a review of the Pension Benefits Guarantee Fund (PBGF) and report back in the *2021 Budget*.

The number of plans covered by the PBGF is decreasing as defined benefit plans continue to close. At the same time, conversions to the jointly sponsored pension plan model, while providing benefits such as shared governance and efficiencies, also decrease the number of covered plans. The declining number of plans paying into the PBGF further concentrates risk among fewer employers.

The review of the PBGF found that there is a need for data to better estimate the PBGF's exposure to future claims and the appropriate level of funding by employer sponsors. To address this, Ontario will amend Regulation 909 under the *Pension Benefits Act* to require pension plan administrators to calculate and report their plan's PBGF claim exposure. Ontario will use the improved data to support the protection of pension benefits into the future.

Modernizing Anti-Avoidance Rules

As noted in the federal *Fall Economic Statement 2020*, tax avoidance transactions have grown increasingly complex. Sophisticated arrangements that seek to avoid or evade tax can undermine the public's confidence in the tax system. Ontario is supportive of the federal government's plan to consult on the modernization of Canada's anti-avoidance rules, in particular the General Anti-Avoidance Rule (GAAR). As part of the consultation, Ontario encourages the federal government to consider ways to combat artificial income shifting, such as through the use of trusts or corporate continuances, that put provincial tax revenue at risk.

Expanding the Mandate of the Ontario Securities Commission

In response to the Capital Markets Modernization Taskforce report recommendations released in January 2021, the government is introducing legislative amendments to support:

- Expanding the mandate of the Ontario Securities Commission (OSC) to include fostering capital formation and competition in the markets to facilitate economic growth
- Ensuring a clear separation between the regulatory and policy functions of the OSC and its adjudicative function through the establishment of a Capital Markets Tribunal
- Moving forward with the separation of the Chair and Chief Executive Officer position into two distinct roles to support stronger corporate governance and effective management of the OSC

WE CAN HELP

Your financial advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact.

[For more information, we encourage you to speak to your advisor and visit us at ci.com](https://www.ci.com)

This communication is published by CI Global Asset Management ("CI GAM"). Any commentaries and information contained in this communication are provided as a general source of information and should not be considered personal investment advice. Facts and data provided by CI GAM and other sources are believed to be reliable as at the date of publication. Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI GAM has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document. Information in this communication is not intended to provide legal, accounting, investment or tax advice, and should not be relied upon in that regard. Professional advisors should be consulted prior to acting on the basis of the information contained in this communication. You may not modify, copy, reproduce, publish, upload, post, transmit, distribute, or commercially exploit in any way any content included in this communication. You may download this communication for your activities as a financial advisor provided you keep intact all copyright and other proprietary notices. Unauthorized downloading, re-transmission, storage in any medium, copying, redistribution, or republication for any purpose is strictly prohibited without the written permission of CI GAM. CI Global Asset Management is a registered business name of CI Investments Inc. ©CI Investments Inc. 2021. All rights reserved. Published March 25, 2021