

TAX FLASH BULLETIN

2022 Ontario Budget Highlights

On April 28, 2022, Peter Bethlenfalvy, Minister of Finance and President of the Treasury Board, tabled the 2022 Ontario budget. The minister forecasts the 2021-2022 fiscal year will end with a deficit of \$13.5 billion in comparison to the \$33.1 billion deficit budgeted last year. The government projects deficits over future fiscal years of \$19.9 billion for 2022-2023, declining to \$12.3 billion for 2023-2024, and \$7.6 billion in 2024-2025. We have highlighted selected tax proposals from the budget that affect individuals and small businesses in Ontario.

INDIVIDUALS

Personal Tax Rates

The budget did not contain any changes to Ontario personal income tax rates or the surtax rates. The Ontario surtax is a tax calculated on the base amount of Ontario tax. Ontario indexes its provincial tax brackets to inflation.

Ontario Income Tax Brackets and Tax Rates

2021 Taxable Income	2022 Taxable Income	Tax Rate
\$0 to \$45,143	\$0 to \$46,226	5.05%
\$45,143 to \$90,287	\$46,226 to \$92,454	9.15%
\$90,287 to \$150,000	\$92,454 to \$150,000	11.16%
\$150,000 to \$220,000	\$150,000 to \$220,000	12.16%
Over \$220,000	Over \$220,000	13.16%

Ontario Surtaxes

2021 Ontario Tax	2021 Surtax Rate on Tax	2022 Ontario Tax	2022 Surtax Rate on Tax
\$0 to \$4,873	No surtax	\$0 to \$4,991	No surtax
\$4,873 to \$6,238	20% in excess of \$4,873	\$4,991 to \$6,387	20% in excess of \$4,991
Over \$6,238	36% in excess of \$6,238 + 20% of tax in excess of \$4,873	Over \$6,387	36% in excess of \$6,387 + 20% of tax in excess of \$4,991

Top Combined Ontario and Federal Rates

Income Type	2021	2022
Salary, interest, pension, foreign income	53.53%	53.53%
Eligible dividends	39.34%	39.34%
Non-eligible dividends	47.74%	47.74%
Capital gains	26.77%	26.77%

Top rates apply to taxable income over \$220,000 based on known federal and provincial rates as of April 28, 2022.

Enhancement to the LIFT Tax Credit

The budget proposes to enhance the non-refundable Low-income Individuals and Families Tax (LIFT) Credit starting with the 2022 tax year. The credit would be calculated as the lesser of \$875 or 5.05% of employment income.

LIFT Changes	Current	2022 Proposed
Maximum benefits	\$850	\$875
Phase-out rate	10%	5%
Individual income range over which benefit is reduced	\$30,000 to \$38,500	\$32,500 to \$50,000
Family income range over which benefit is reduced	\$60,000 to \$68,500	\$65,000 to \$82,500

Introduction of Ontario Seniors Care at Home Tax Credit

The budget proposes a new refundable tax credit to help seniors with eligible medical expenses, including expenses that support aging in place at home. The credit is worth up to 25% of claimable medical expenses up to \$6,000 for a maximum credit of \$1,500. A reduction applies to the credit by 5% of family income over \$35,000, which phases out fully at \$65,000. The government will base the credit on eligible medical expenses claimed for the existing Ontario Medical Expense Tax Credit (METC). Ontario resident taxpayers are eligible for the credit if they are age 70 or older in the year or have a spouse or common-law partner who is age 70 or older. This measure would be effective starting with the 2022 tax year.

OTHER TAXES

Temporary Tax Cut to Fuel Taxes

As previously announced, the government proposed to temporarily cut the gas tax by 5.7 cents per litre and cut the fuel tax by 5.3 cents per litre for six months beginning July 1, 2022. Effectively, both the fuel tax and gas tax would be 9 cents per litre until December 31, 2022.

Increases to Non-Resident Speculation Tax

Effective March 30, 2022, the Ontario government implemented amendments to the non-resident speculation tax (NRST) to expand the application of the tax to the entire province, rather than limiting it to the Greater Golden Horseshoe region. The amendments also included an increase to the non-resident speculation tax rate from 15% to 20% and eliminated two rebates specific to international students and foreign nationals working in Ontario. Rebates remain available for foreign nationals who become permanent residents of Canada within four years after the NRST became payable if they meet certain eligibility criteria. Exemptions also remain available for nominees under the Ontario Immigrant Nominee Program, protected persons (refugees), and spouses of individuals not subject to the NRST if they meet certain eligibility criteria.

BUSINESSES

The budget did not propose any changes to Ontario corporate tax rates or the \$500,000 small business income (SBD) threshold.

2022 Ontario Corporate Tax Rates

Income Type	Ontario Rate	Federal Rate	Calendar 2022 Combined Rates
General corporate income	11.50%	15.00%	26.50%
Small business income	3.20%	9.00%	12.20%
Small business income over the federal limit and under the Ontario limit	3.20%	15.00%	18.20%
CCPC* investment income	11.50%	38.67%	50.17%
Non-CCPC investment income	11.50%	15.00%	26.50%
Manufacturing & processing income	10.00%	15.00%	25.00%

*Canadian-controlled private corporation

Based on known federal and provincial rates as of April 28, 2022

Extend the Temporary Enhancement of the Regional Opportunities Investment Tax Credit

The Regional Opportunities Investment Tax Credit is a 10% refundable corporate income tax credit available to Canadian-controlled private corporations (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, for investments that become available for use on or after March 25, 2020.

The 2021 budget temporarily doubled the Regional Opportunities Investment Tax Credit rate to 20%. The enhanced credit is 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. The government proposes to extend the temporary period to January 1, 2024.

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.

A list of eligible geographic areas of the province is available here:

<https://www.ontario.ca/page/regional-opportunities-investment-tax-credit>

Modernization of Ontario's Cultural Media Tax Credits

The budget proposes to extend a number of cultural credits to reflect modern digital distribution models.

- Extend the eligibility for the Ontario Film and Television Credit to professional productions distributed exclusively online. The government plans to announce the effective date in the fall.
- Remove the requirement for books to be printed in hard copy to be eligible for the Ontario Book Publishing Tax Credit. E-books and audiobooks are eligible for the credit for the 2022 and subsequent taxation years.
- Examine ways to untether the Ontario Computer Animation and Special Effects Tax Credit from other film and television tax credits.
- Review the film and television tax credit bonuses for productions in various regions to ensure the credit provides appropriate incentives to support productions in all regions of Ontario.
- Review the inclusion of location fees for the Ontario Production Services Tax Credit.
- Confirm labour expenses for employees working remotely are eligible for the Ontario Computer Animation and Special Effects Tax Credit and the Ontario Interactive Digital Media Tax Credit.

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