

TAX TALK

2016 ONTARIO BUDGET HIGHLIGHTS

On February 25 2016, Finance Minister Charles Sousa delivered Ontario's 2016 Budget. The budget does not include any changes to Ontario's personal and corporate tax rates but certain personal and corporate tax credits are being eliminated.

PERSONAL TAX MEASURES

Personal Income Tax Rates

The budget does not propose any changes to personal income tax rates, federal personal rates were changed effective January 1, 2016. The resulting top marginal rates where income is over \$220,000 are as follows:

Type of Income	Over \$220,000
Eligible dividends	39.34%
Non-eligible dividends	45.30%
Capital gains	26.76%
Salary and other income	53.53%

Tuition and Education Tax Credits

The budget proposes a radical restructuring of post-secondary education funding. The changes are intended to target increased support for students from lower income families.

Ontario Tuition and Education Credits (TEC) are being eliminated effective fall 2017. Tuition for studies after September 4, 2017 will not be eligible for the credit. In addition, months of study after August 2017 will not be eligible. Where the student is resident in Ontario at December 31, 2017, any carry forward TEC will continue to carry forward and can be claimed in the future. If the student becomes an Ontario resident after 2017, any tuition and education

amounts carry forward from another province cannot be claimed.

The TEC, as well as the 30% Off Tuition Grant, Ontario Access Grants and other grants, will be replaced by the Ontario Student Grant (OSG) starting with the 2017-18 school year. Where family income is \$50,000 or less the OSG should exceed average tuition. No student will receive less than that to which they are currently entitled.

Children's Activity Tax Credit

The Children's Activity Credit (CATC) is a refundable credit designed to assist parents with the cost of enrolling children in various extracurricular activities. The CATC is to be eliminated effective January 1, 2017, as it largely benefits higher income families.

Healthy Homes Renovation Tax Credit

The Healthy Homes Renovation Tax Credit (HHRTC) is intended to assist with home renovations that improve safety and/or accessibility of the home for seniors. The HHRTC is 15% of up to \$10,000 of eligible expenditures. Since there has been little "take up" on the HHRTC, it is to be eliminated January 1, 2017.

Tax on Split Income

The budget proposes that, effective January 1, 2016, Ontario will parallel the federal taxation of income split with related minors, commonly referred to as "Kiddie Tax". Split income will be taxed at Ontario's top marginal rate, with no surtax applying.

BUSINESS TAX MEASURES

Corporate Income Tax Rates

The budget proposes no changes to corporate income tax rates which remain as follows for 2016:

Income	Ontario	Federal	Combined
Small Business	4.5%	10.5%	15.0%
CCPC*	11.5%	38.67%	50.17%
Investment Income			
M&P	10.0%	15.0%	25.0%
General	11.5%	15.0%	26.5%

*Canadian-Controlled Private Corporation

Research and Development Tax Credits

The budget proposes reductions to research and development tax credits.

The Ontario Research and Development Tax Credit (ORDTC) is a 4.5% non-refundable credit. The ORDTC rate is to be reduced to 3.5% of eligible expenditures effective June 1, 2016.

The Ontario Innovation Tax Credit (OITC) is a 10% refundable credit for small to medium companies. The rate is to be reduced to 8% of eligible expenditures effective June 1, 2016.

Where the taxation year straddles June 1, 2016 the rate will be pro-rated for both the ORDTC and the OITC.

Apprenticeship Training Tax Credit

As announced in the 2015 Budget, the Apprenticeship Training Tax Credit (“ATTC”) is being reviewed to ensure that it meets its objectives. Budget 2016 confirms that the ATTC review is continuing along with other reviews of initiatives in support of apprenticeships.

Workplace Safety Insurance Premiums

As a consequence of steps taken in respect of cost reductions and improving the financial condition of the Workplace Safety and Insurance Board (“WSIB”), the budget projects a significant reduction in WSIB premiums, starting in 2017.

Ontario Retirement Pension Plan

Legislation to implement the Ontario Retirement Pension Plan (ORPP) will be introduced in spring 2016. The employer verification and enrolment process will start in 2017, with employer and employee contributions beginning in 2018.

A memorandum of this nature cannot be all-encompassing and is not intended to replace professional advice. Its purpose is to highlight tax planning possibilities and identify areas of possible concern. Anyone wishing to discuss the contents or to make any comments or suggestions about this *TaxTalk* is invited to contact one of our offices.

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