

ANNEX V: TRANSPARENCY IN TAXATION



TRANSPARENCY IN TAXATION

Tax expenditure reporting is an important element of improved fiscal accountability. It increases fiscal transparency by providing a complete picture of revenue forgone in the tax system.

STRUCTURE OF THE REPORT

This report provides estimates of revenue forgone in 2007 with respect to provisions in the following taxes:

- Personal Income Tax
- Corporate Tax
- Sales and Commodity Tax
- Education Property Tax
- Employer Health Tax
- Estate Administration Tax
- Gross Revenue Charge.

A description of each tax provision was provided in the government's first Transparency in Taxation report, presented in Annex III of the *2005 Ontario Economic Outlook and Fiscal Review*. Descriptions of tax provisions that had been introduced or changed since 2005 were provided in Annex V of the *2006 Ontario Economic Outlook and Fiscal Review*. Please refer to the 2005 and 2006 reports for those descriptions.

Electronic copies of the *2005* and *2006 Ontario Economic Outlook and Fiscal Review* are available via the Internet at:

www.fin.gov.on.ca/english/budget/fallstatement/2005/05fs-paperc.html and
www.fin.gov.on.ca/english/budget/fallstatement/2006/06fs-papere.html.

This report includes descriptions only for tax provisions that are new or have been modified since the *2006 Ontario Economic Outlook and Fiscal Review*. The descriptions are intended to provide a basic understanding of the provisions and do not replace the relevant legislation or regulations.

The estimates do not reflect the impact of tax measures proposed in the *2007 Ontario Economic Outlook and Fiscal Review* (see Annex II: *Enhancing Ontario's Tax Competitiveness*).

SCOPE

Given the absence of a universally accepted definition of a “tax expenditure,” this report continues the broad approach adopted in previous reports of listing estimates of forgone revenue that could potentially be included under a broad-based tax system.

Personal and Corporate Income Tax expenditures identified in this report include tax expenditures shared with the federal government and Ontario-only tax expenditures.

Under a tax collection agreement between Ontario and Canada, the federal government determines the Personal Income Tax base. Ontario has limited policy control over the individual components of taxable income and the associated tax expenditures related to the federally defined tax base.

Ontario currently collects and administers its own Corporate Income Tax, Minimum Tax, Capital Tax and Special Additional Tax on life insurers. However, pursuant to a Memorandum of Agreement with the federal government dated October 6, 2006, Ontario enacted legislation to enable the federal government to collect and administer these taxes, effective for taxation years ending after 2008, once a tax collection agreement has been signed by both governments.

METHOD

The estimates in this report were developed using the latest available taxation or economic data, forecast to the 2007 calendar year. The data used to estimate the values of the tax provisions come from a variety of sources. Revisions to the underlying data, as well as improvements to the estimation method, may result in changes to the estimated value of a provision in future publications. As well, some tax provision estimates are particularly sensitive to economic conditions or other variables and those values could fluctuate significantly from year to year.

It is important to note that the estimates in this report are not intended to represent the potential revenue gain for the Province if the tax provisions were not in place. Each estimate has been determined separately and in isolation of other factors, such as the economic impact of any change, behavioural responses, the interaction among various tax provisions, or any modifications in policy that might reasonably accompany the change. As a result, the estimates cannot be added together to determine the total cost of a particular group of tax expenditures.

Tax expenditure estimates of less than \$1 million are denoted by the letter “s” (small). This report also includes tax provisions for which relevant data from the tax system are not currently available to the Ministry of Finance. Although estimates may not be available, these items are listed to ensure greater accountability and transparency.

Future annual reports will continue to refine Ontario’s tax expenditure estimates.

PERSONAL INCOME TAX

Table 1 provides estimates of tax provisions relating to the Ontario Personal Income Tax system. Business provisions listed here are for unincorporated businesses.

Personal Income Tax ¹	Table 1
Tax Provisions	2007 Estimates ² (\$ Millions)
Ontario Non-Refundable Tax Credits	
Adoption Expense Credit	s
Age Credit	260
Amounts Transferred from Spouse or Common-law Partner	25
Basic Personal Credit	4,275
Canada Pension Plan (CPP)/Quebec Pension Plan (QPP) Contributions Credit	550
Caregiver Credit	15
Charitable Donations Credit ³	560
Disability Credit	80
Eligible Dependant Credit	90
Employment Insurance (EI) Premiums Credit	195
Infirm Dependant Credit	1
Medical Expense Credit	110
Ontario Overseas Employment Tax Credit	6
Pension Income Credit	115
Spouse or Common-law Partner Credit	175
Student Loan Interest Credit	9
Tuition Fee and Education Credits	290
Ontario Tax Reduction (OTR)	
OTR — Basic Reduction	185
OTR — Reduction for Dependent Children Under 19	190
OTR — Reduction for Disabled or Infirm Dependents	9
OTR — Total	315
Other Ontario Tax Credits	
Ontario Focused Flow-through Share Tax Credit	3
Ontario Political Contribution Tax Credit	10

Personal Income Tax¹**Table 1****Tax Provisions****2007 Estimates²
(\$ Millions)****Ontario Property and Sales Tax Credits (OPSTCs)**

OPSTCs — Non-seniors	435
OPSTCs — Seniors ⁴	545
OPSTCs — Total ⁴	980

Ontario Labour-Sponsored Investment Fund and Employee Ownership Tax Credits⁵

Employee Ownership (EO) Tax Credit	s
Labour-Sponsored Investment Fund (LSIF) Tax Credit	20
Research-oriented Investment Fund (ROIF) Tax Credit	s

Exemptions, Deductions, Deferrals and Other Measures Shared with the Federal Government**Business***Items for Which an Estimate is not Available*

Assistance for Artists and Deduction for Canadian Art Purchased by Unincorporated Businesses

Assistance for Prospectors and Grubstakers

Deduction of Accelerated Capital Cost Allowance

Deferral Through Use of Billed-basis Accounting by Professionals

Employment

Deduction for Clergy Residence	15
Deduction of Home Relocation Loans	s
Deduction for Military and Police Deployed to High-risk International Missions	4
Deduction of Other Employment Expenses	270
Deduction of Union and Professional Dues	140
Employee Stock Options	170
Moving Expense Deduction	15
Northern Residents' Deductions	1

Items for Which an Estimate is not Available

Deductions for Tradespersons' and Apprentice Vehicle Mechanics' Tools

Deductions for Artists and Musicians

Deduction for Tuition Assistance for Adult Basic Education

Deferral of Salary Through Leave of Absence/Sabbatical Plans

Employee Benefit Plans

Increased Deduction for Meal Expenses of Truck Drivers

Non-taxation of Business-paid Health and Dental Benefits

Non-taxation of Certain Non-monetary Employment Benefits

Special Tax Computations for Certain Retroactive Lump-sum Payments

Personal Income Tax¹**Table 1****Tax Provisions****2007 Estimates²
(\$ Millions)****Farming and Fishing***Items for Which an Estimate is not Available*

Cash-basis and Flexibility in Inventory Accounting

Deduction of Farm Losses for Part-time Farmers

Deferral of Income for Farmers

Net Income Stabilization Account for Farmers

Investment\$750,000 Lifetime Capital Gains Exemption for Farming or Fishing Property
and Small Business Shares³ 170

Deduction of Allowable Business Investment Losses 10

Deduction of Carrying Charges Incurred to Earn Income 255

Deduction of Resource-related Expenditures 100

Partial Inclusion of Capital Gains 1,140

*Items for Which an Estimate is not Available*Capital Gains Exemptions — \$1,000 on Personal-use Property
and \$200 on Foreign Exchange Transactions

Deduction of Limited Partnership Losses

Deferral of Capital Gains Through Five-year Reserve

Deferral of Capital Gains Through Rollovers

Deferral of Capital Gains Through 10-year Reserve for Farming
or Fishing Property and Small Business Shares

Deferral of Capital Gains Through Transfers to a Spouse or Spousal Trust

Exemption for Capital Gains Arising from Certain Donations

Non-taxation of Capital Gains on Principal Residences

Taxation of Capital Gains Upon Realization

Non-taxable Income

Guaranteed Income Supplement and Allowance Benefits 25

Social Assistance Benefits 25

Workers' Compensation Benefits 160

Items for Which an Estimate is not Available

Certain Government Pensions and Allowances

Damages With Respect to Personal Injury or Death

Death Benefits of Up to \$10,000

Personal Income Tax¹
Table 1

Tax Provisions	2007 Estimates ² (\$ Millions)
Employer-paid CPP/QPP Contributions and EI Premiums	
Gifts and Bequests	
Income of Status Indians on Reserves	
Income from the Office of the Governor General and Allowances for Diplomats and other Government Employees Posted Abroad	
Investment Income on Life Insurance Policies	
Lottery and Gambling Winnings	
Strike Pay	
Special Circumstances	
Child Care Expense Deduction	160
Pension Income Splitting	170
Treatment of Alimony, Maintenance and Child Support Payments	35
<i>Items for Which an Estimate is not Available</i>	
Deduction Related to Vows of Perpetual Poverty	
Disability Supports Deduction	
Exemption of Scholarship, Fellowship and Bursary Income	
Tax-free Amount for Emergency Service Volunteers	
Tax-deferred Savings	
Registered Pension Plans (RPP) — Deduction for Contributions	660
Registered Retirement Savings Plans (RRSP) — Deduction for Contributions	1,940
<i>Items for Which an Estimate is not Available</i>	
Deferred Profit-sharing Plans	
Registered Education Savings Plans (RESP)	
RPP and RRSP — Non-taxation of Investment Income	

¹ Estimates do not include the impact of revenue forgone from Personal Income Tax provisions for trusts, which are taxed as individuals under the *Income Tax Act*.

² Estimates are based on 2004 tax-filer data forecast to represent the 2007 taxation year, unless otherwise noted.

³ Estimate is also based on federal estimates for provisions that have changed since 2006.

⁴ Estimate includes the enrichment of the income threshold for senior couples to \$23,820 proposed in the 2007 Ontario Budget.

⁵ Estimates are based on tax-sharing statements.

PERSONAL INCOME TAX — DESCRIPTION OF TAX PROVISIONS

The following Personal Income Tax provisions have been introduced or changed since 2006.

Ontario Non-Refundable Tax Credits

The non-refundable tax credits listed in the following table are based on amounts that are adjusted for inflation each year.

Amounts on Which Indexed Non-Refundable Tax Credits Are Based (\$)	Table 2
Non-Refundable Tax Credits	
Adoption Expense Credit, maximum claim	10,435
Age Credit, maximum claim	4,176
Reduced by 15 per cent of individual's net income in excess of	31,088
Basic Personal Credit	8,553
Caregiver Credit, maximum claim	4,031
Reduced by dependant's net income in excess of	13,792
Disability Credit	6,910
Eligible Dependant Credit, maximum claim	7,262
Reduced by dependant's net income in excess of	726
Dependant's net income less than	7,988
Infirm Dependant Credit, maximum claim	4,031
Reduced by dependant's net income in excess of	5,731
Medical Expense Credit	
Qualifying medical expenses in excess of the lesser of three per cent of net income and	1,936
Qualifying medical expenses of other dependant, maximum claim	10,435
Pension Income Credit, maximum claim	1,183
Spouse or Common-law Partner Credit, maximum claim	7,262
Not exceeding spouse's or common-law partner's net income deducted from	7,988
Tuition Fee and Education Credits	
Education Credit, full time (per month)	461
Education Credit, part time (per month)	138
Maximum transfer	5,914

Other Ontario Tax Credits

Ontario Property and Sales Tax Credits (OPSTCs) — The Property Tax Credit is the lesser of occupancy cost and a basic property tax credit amount plus 10 per cent of occupancy cost. Occupancy cost is property tax or 20 per cent of rent paid on an individual's principal residence plus \$25 if residing in a student's residence. The basic property tax credit amount is \$250 for non-senior individuals or couples and \$625 for senior individuals or couples. The Sales Tax Credit is \$100 for an individual plus \$100 for a spouse or common-law partner and \$50 for each dependent child aged 18 or under. The credits for non-seniors are jointly reduced by two per cent of adjusted family net income in excess of \$4,000; the credits for seniors are jointly reduced by four per cent of adjusted family net income in excess of \$22,000 for single seniors and \$23,090 for senior couples, which the 2007 Ontario Budget proposed to increase. The maximum OPSTCs are \$1,000 for non-seniors and \$1,125 for seniors. The estimate includes the proposed increase to the income threshold for senior couples, which is expected to be \$23,820 for 2007.

Exemptions, Deductions, Deferrals and Other Measures Shared with the Federal Government

Employment

Item for Which an Estimate is not Available

Increased Deduction for Meal Expenses of Truck Drivers — In general, employees may deduct only 50 per cent of otherwise allowable business-related meal expenses. Effective March 19, 2007, long-haul truck drivers may deduct 60 per cent of meal expenses incurred during eligible periods of travel. The deductible portion will increase each year, rising to 80 per cent after 2010. The increased deduction for meal expenses of truck drivers parallels the 2007 federal budget initiative.

Investment

\$750,000 Lifetime Capital Gains Exemption for Farming or Fishing Property and Small Business Shares — A \$500,000 lifetime capital gains exemption is available for gains from the disposition of qualified farming or fishing property and small business shares. The cumulative exemption increases to \$750,000 for capital gains realized by an individual on dispositions of qualified property on or after March 19, 2007. This increase parallels the 2007 federal budget initiative.

Item for Which an Estimate is not Available

Exemption for Capital Gains Arising from Certain Donations — Capital gains on gifts of publicly listed securities and ecologically sensitive land donated to public charities are exempt from tax. In addition, capital gains on certain objects certified as being of cultural importance to Canada are exempt from tax if donated to a designated museum or art gallery. Effective March 19, 2007, capital gains arising from gifts of publicly listed securities to private foundations are exempt from tax. In addition, when an arm's-length employee acquires a publicly listed security under an option granted by the employer and donates it to a private foundation within 30 days, the associated employment benefit is exempt from tax. Previously, capital gains and income on such donations were subject to the normal 50 per cent inclusion rate for capital gains. These changes parallel the 2007 federal budget initiative.

Special Circumstances

Pension Income Splitting — Starting in the 2007 taxation year, individuals can allocate up to half of their qualifying pension income to their spouse or common-law partner and can claim a deduction from income for the allocated amount. The person to whom the amount is allocated must include the allocated amount in income, and can claim the pension income credit to the extent that the allocated amount is eligible, based on the transferee's age, not the age of the pensioner.

Allocating pension income to a lower-income spouse or common-law partner may increase tax expenditures for measures claimed by those individuals, such as the age credit or pension income credit. At the same time, pension income splitting may reduce tax expenditures for other measures provided by the tax system to recognize that an individual's income can support other family members. Such measures include the spouse or common-law partner credit and the transfer of unused amounts from a spouse or common-law partner (e.g., age credit, pension income credit, disability credit, tuition fee and education credits). This happens because increasing the income reported by a lower-income spouse or common-law partner reduces the amounts that can be claimed by the higher-income spouse or common-law partner in respect of these measures.

CORPORATE TAX

Estimates of tax provisions relating to the Ontario Corporate Income Tax, Capital Tax and Mining Tax systems are presented in Table 3.

Corporate Tax		Table 3
Tax Provisions	2007 Estimates¹ (\$ Millions)	
Corporate Income Tax		
Ontario Refundable Tax Credits		
Apprenticeship Training Tax Credit ²		70
Co-operative Education Tax Credit ²		9
Ontario Book Publishing Tax Credit		2
Ontario Business Research Institute Tax Credit		4
Ontario Computer Animation and Special Effects Tax Credit		14
Ontario Film and Television Tax Credit		120
Ontario Innovation Tax Credit		200
Ontario Interactive Digital Media Tax Credit		8
Ontario Production Services Tax Credit		37
Ontario Sound Recording Tax Credit		1
Ontario Deductions and Exemptions		
Additional Deduction for Credit Unions		6
Assets Used to Generate Clean Energy		s
Manufacturing and Processing (M&P) and Resource Sector Credit		285
Non-taxation of the Federal Investment Tax Credit ^{3,4,5}		220
Ontario Current Cost Adjustment ⁴		7
Ontario Depletion Allowance ⁴		s
Ontario New Technology Tax Incentive ⁴		s
Ontario Political Contributions ⁴		s
Ontario Resource Allowance ^{4,6,7}		100
Small Business Deduction ⁸		1,090

Corporate Tax**Table 3****Tax Provisions****2007 Estimates¹
(\$ Millions)****Exemptions, Deductions, Deferrals and Other Measures Shared with the Federal Government**

Allowable Business Investment Losses ^{9,10}	3
Deductibility of Charitable Donations ⁹	140
Deductibility of Gifts to the Crown ⁹	s
Deductibility of Gifts of Cultural Property and Ecologically Sensitive Land ⁹	s
Deferral of Income for Farmers ⁸	s
Holdback on Progress Payments to Contractors ⁹	16
Non-taxation of Non-profit Organizations ⁹	130
Partial Inclusion of Capital Gains ⁹	1,300

Items for Which an Estimate is not Available

Accelerated Write-off of Capital Assets and Resource-related Expenditures Temporary Incentive for Manufacturing and Processing (M&P) Machinery & Equipment ¹¹	
Cash-basis Accounting and Flexibility in Inventory Accounting	
Deductibility of Countervailing and Anti-dumping Duties	
Deferral Through Capital Gains Rollovers	
Deferral Through Use of Billed-basis Accounting by Professionals	
Donation of Medicines for the Developing World	
Exemption for Capital Gains Arising from Certain Donations	
Expensing of Advertising Costs	
Non-taxation of Provincial, Municipal and Federal Crown Corporations	
Non-taxation of Registered Charities	
Tax Exemption on Income of Foreign Affiliates of Canadian Corporations	
Taxation of Capital Gains upon Realization	

Capital Tax¹²

Capital Tax Deduction	435
Deferred Mining Exploration and Development Expenses ¹³	4
Deferred Ontario New Technology Tax Incentive and Scientific Research and Experimental Development Costs ¹³	s
Exemption for Assets Used to Generate Clean Energy	s
Exemption for Family Farm Corporations, Family Fishing Corporations, Credit Unions and Other Specified Entities	s
Small Business Investment Tax Credit for Financial Institutions	20
<i>Item for Which an Estimate is not Available</i>	
Renounced Mining Expenses	

Corporate Tax
Table 3

Tax Provisions	2007 Estimates ¹ (\$ Millions)
Mining Tax¹⁴	
Mining Tax Exemption	1
Mining Tax Holiday for Mines (other than remote mines)	s
Mining Tax Holiday for New Remote Mines	s
Mining Tax Rate for Remote Mines	s
Processing Allowance	55
<i>Item for Which an Estimate is not Available</i>	
Fast Write-off of Exploration Costs	

¹ Estimates are forecast to the 2007 calendar year based on preliminary 2005 and 2006 Ontario tax administration data, unless otherwise noted. Estimates do not include the revenue impact of corporate income tax expenditures provided to mutual fund corporations.

² Estimates include the impact of both the corporate and personal income tax provisions.

³ Relating to qualifying Ontario Research and Development expenses.

⁴ The proposed Ontario Corporate Income Tax collection agreement with the federal government would require Ontario to fully harmonize with the federal definition of corporate taxable income. As a result, these Ontario differences from the federal definition of taxable income will expire for taxation years ending after 2008.

⁵ For taxation years ending after 2008, a new 4.5 per cent non-refundable tax credit has been enacted to replace this tax provision.

⁶ The resource allowance applies to the mining and oil and gas sectors. The estimate is not net of mining taxes and Crown royalties paid.

⁷ For taxation years ending after 2008, a tax credit/debit mechanism has been enacted to replace this provision.

⁸ Includes the impact of the Ontario surtax on Canadian-controlled private corporations.

⁹ Estimates based on assessed 2005 and 2006 federal tax administration data and forecast to 2007.

¹⁰ Estimate could overstate true value as it does not reflect the future reduction in tax revenues that would occur if those losses were instead deducted from future capital gains.

¹¹ The 2007 Ontario cash-flow impact provided by the federal Department of Finance and adjusted to a calendar-year basis is \$60 million. The cumulative impact to Ontario of this tax provision over 2007–08 to 2009–10 is estimated at over \$400 million.

¹² Ontario has legislated a plan to eliminate the Capital Tax by July 1, 2010.

¹³ Does not apply for taxation years ending after 2008 as a result of the proposed Corporate Income Tax collection agreement with the federal government.

¹⁴ Estimates are forecast to the 2007 calendar year based on preliminary 2004 Ontario mining tax administration data.

CORPORATE TAX — DESCRIPTION OF TAX PROVISIONS

The following Corporate Income Tax provisions have changed since 2006.

Corporate Income Tax

Ontario Refundable Tax Credits

Apprenticeship Training Tax Credit — A 25 per cent (30 per cent for small businesses) refundable corporate/personal income tax credit is available for corporations and unincorporated business hiring apprentices in industrial, construction, motive power and certain service trades. The 2007 Ontario Budget extended this incentive for four years for eligible apprentices who commence employment before January 1, 2012, and for salaries and wages paid prior to January 1, 2015. In addition, in 2007, the following trades have been added to the list of skilled trades that currently qualify for the tax credit:

- entertainment industry power technician
- process operator – power
- process operator – food manufacturing
- tractor trailer commercial driver
- exterior insulated finish systems mechanic
- information technology call centre inside sales agent
- information technology call centre customer care agent.

The Ministry of Revenue's Interpretation Bulletin 3020R2 regarding the Apprenticeship Training Tax Credit provides the complete listing of eligible trades and is available at: www.rev.gov.on.ca/english/bulletins/ct/3020.html

Ontario Production Services Tax Credit — An 18 per cent refundable tax credit is available for foreign-based and non-certified domestic film and television production activity in Ontario. In 2007, the 18 per cent rate was extended for one year, from March 31, 2007 to March 31, 2008. (Further enhancements to this tax credit are proposed in Annex II: *Enhancing Ontario's Tax Competitiveness*.)

Exemptions, Deductions, Deferrals and Other Measures Shared with the Federal Government

Items for Which an Estimate is not Available

Accelerated Write-off of Capital Assets and Resource-related Equipment

Temporary Incentive for Manufacturing and Processing (M&P) Machinery and

Equipment — An accelerated capital cost allowance (CCA) rate of 50 per cent on a straight-line basis is available for M&P machinery and equipment acquired on or after March 19, 2007, and before 2009. This measure parallels the 2007 federal budget initiative.

Donations of Medicines for the Developing World — Corporations that make donations of medicines from their inventory on or after March 19, 2007 may claim an additional charitable deduction equal to the lesser of 50 per cent of the difference between the value of the donated medicine and its cost, and the cost of the medicine. This measure parallels the 2007 federal budget initiative.

Exemption for Capital Gains Arising from Certain Donations — Capital gains on gifts of publicly listed securities and ecologically sensitive land donated to public charities are exempt from tax. In addition, capital gains on certain objects certified as being of cultural importance to Canada are exempt from tax if donated to a designated museum or art gallery. Effective March 19, 2007, capital gains arising from gifts of publicly listed securities to private foundations are exempt from tax. Previously, capital gains and income on such donations were subject to the normal 50 per cent inclusion rate for capital gains. These changes parallel the 2007 federal budget initiative.

SALES AND COMMODITY TAX

Estimates of tax provisions relating to sales and commodity taxes, including the Fuel Tax, Gasoline Tax, Land Transfer Tax, Retail Sales Tax and Tobacco Tax, are presented in Table 4.

Sales and Commodity Tax		Table 4
Tax Provisions	2007 Estimates¹	
(\$ Millions)		
Fuel Tax		
Exemptions/Reduced Rates		
Exemption for Biodiesel ²		s
Exemption for Coloured Fuel ³		410
Reduced Rate for Railway Diesel ⁴		55
Refunds		
Auxiliary Power Take-off Equipment ⁵		7
Gasoline Tax		
Exemptions/Reduced Rates		
Exemption for Methanol and Natural Gas		5
Reduced Rate for Aviation Aircraft ⁶		285
Reduced Rate for Propane ⁶		8
Refunds		
Auxiliary Power Take-off Equipment ⁵		s
Aviation Fuel ⁵		s
Tax-exempt Use in Unlicensed Equipment ⁵		7
Land Transfer Tax		
Exemptions		
Life Leases ⁷		s
Deferrals and Exemptions for Corporate Reorganizations ⁵		43
<i>Items for Which an Estimate is not Available</i>		
Hospital Restructuring		
Oil/Pipeline Easements and Mineral Lands		
Other Transfers and Dispositions		

Sales and Commodity Tax**Table 4****Tax Provisions****2007 Estimates¹****(\$ Millions)****Refunds**Refund for First-time Home Buyers⁵ 32**Retail Sales Tax****Exemptions**25¢ Coin Pay Phone Calls⁷ 3

Agricultural Goods 280

Audio Books Purchased by Persons Who Are Legally Blind⁷ 4Automobile Insurance Premiums^{7,8} 815

Basic Groceries 1,675

Bicycles and Bicycle Helmets⁷ 1

Books, Newspapers and Magazines Sold by Subscription 395

Children's Car Seats and Booster Seats⁷ 4

Children's Clothing 130

Commercial Aircraft, Vessels Greater than 1,400 Cubic Metres and Commercial Vessels
Less than 1,400 Cubic Metres 120Custom Software⁹ 80Donations to Schools, Colleges and Universities⁷ 7Educational CD-ROMs and DVDs⁷ 3

Energy 4,575

Feminine Hygiene Products⁷ 20

Footwear Sold for \$30 or Less 30

Goods Purchased for Use by Fishers and Fur-trappers s

Individual Life and Health Insurance Premiums¹⁰ 460

Mobile Homes s

Municipal Fire-fighting Equipment 1

Nicotine Replacement Therapies¹¹ 2Prepared Foods Sold for \$4 or Less⁷ 255

Prescription Drugs and Medical Supplies 945

Production Machinery and Equipment 735

Religious Equipment 12

Repairs and Replacements Performed Under Warranty⁸ 155

Seedlings s

Services 10,195

Temporary Exemption for Destination Marketing Fees⁷ 2

Temporary Exemption for Energy Star® Household Products 23

Sales and Commodity Tax
Table 4

Tax Provisions	2007 Estimates ¹ (\$ Millions)
Toll-free Telephone Services ⁷	47
Transient Accommodation ¹²	90
University Research Equipment	7
<i>Items for Which an Estimate is not Available</i>	
Admissions ¹³	
Municipal, Hospital Restructuring	
Museums and Art Galleries	
Used Adult Clothing or Footwear Sold for \$50 or Less by Religious, Charitable and Benevolent Organizations	
Credits/Rebates	
Rebate for Alternative Fuel Vehicles ⁵	5
Rebate for Building Materials for Religious, Charitable and Benevolent Organizations ⁵	25
Tax Credit for Fuel Conservation ⁷	6
Temporary Rebate for Building Materials Incorporated into Electricity Generating, Qualifying Nuclear and Deep Lake-water Cooling Facilities ⁵	12
Temporary Rebate for Solar Energy, Wind Energy, Micro Hydro-electric and Geothermal Energy Systems ⁵	s
Vendor Compensation ¹⁴	105
Tobacco Tax	
Compensation for Tax Collectors ¹⁴	s

¹ Estimates are forecast to the 2007 calendar year based on preliminary 2003 provincial Input-Output tables from Statistics Canada, unless otherwise noted.

² Based on estimated amount of biodiesel sold in Ontario.

³ Based on returns filed by registered dyers.

⁴ Forgone revenue estimated as difference from the regular fuel tax rate.

⁵ Based on refunds filed or rebates/deferrals claimed.

⁶ Forgone revenue estimated as difference from the regular gasoline tax rate.

⁷ Based on the best information currently available from a variety of sources, such as industry data and Statistics Canada surveys, projected to 2007.

⁸ Estimates assume items would be taxed at eight per cent general RST rate.

⁹ Based on Statistics Canada Computer Software and Related Services Industry Revenue Profile.

¹⁰ Based on insurance premiums data provided by the Canadian Life and Health Insurance Association Inc.

¹¹ Based on Statistics Canada CANSIM Table 105-0055: Smoking Cessation Aids.

¹² The RST rate on accommodations is five per cent. Forgone revenue estimated as difference from the regular RST rate of eight per cent.

¹³ Includes the exemption for admissions to live theatres with 3,200 seats or less, enacted through Order in Council, which is estimated to cost \$15 million to \$20 million per year. There are currently no data for the cost of other admissions exemptions of general application.

¹⁴ Based on returns filed by registered tax collectors.

SALES AND COMMODITY TAX — DESCRIPTION OF TAX PROVISIONS

The following Sales and Commodity Tax provisions have changed since 2006.

Gasoline Tax

Exemption for Methanol and Natural Gas — In previous reports, this exemption also applied to ethanol. Effective January 1, 2007, ethanol became subject to the same tax treatment as gasoline. This change coincided with the implementation of the Renewable Fuels Standard under the *Environmental Protection Act*.

Retail Sales Tax (RST)

Exemptions

Bicycles and Bicycle Helmets — Bicycles costing \$1,000 or less, bicycle helmets, and other bicycle safety equipment are exempt from RST if purchased on or after December 1, 2007 and on or before November 30, 2008.

Nicotine Replacement Therapies — Nicotine replacement therapies registered with a Health Canada Drug Identification Number are exempt from RST if purchased on or after August 13, 2007 and on or before August 12, 2008.

Temporary Exemption for Destination Marketing Fees — Destination marketing fees charged on transient accommodation are temporarily exempt from RST. The 2007 Ontario Budget extended the exemption to include fees billed on or before June 30, 2008.

Temporary Exemption for Energy Star® Household Products — Energy Star® qualified non-commercial refrigerators, dishwashers, clothes washers (including inseparable washer–dryer combinations), freezers, dehumidifiers, room air conditioners, light bulbs and decorative light strings are exempt from RST if purchased on or after July 20, 2007 and on or before July 19, 2008.

Credits/Rebates

Temporary Rebate for Solar Energy, Wind Energy, Micro Hydro-electric and Geothermal Energy Systems — A rebate is available for RST paid on the purchase of a new solar energy, wind energy, micro hydro-electric or geothermal energy system installed into a residential premises, including a multi-residential building, or on any expansion or upgrade to an existing system. The 2007 Ontario Budget extended the rebate to include purchases made on or before December 31, 2009.

EDUCATION PROPERTY TAX

Table 5 provides estimates of tax provisions relating to the Education Property Tax system.

Education Property Tax ¹	Table 5
Tax Provisions	2007 Estimates ² (\$ Millions)
Brownfields Financial Tax Incentive Program ³	s
Charity Rebate	7
Conservation Land Property Tax Exemption Program	2
Eligible Convention Centres Exemption	1
Farm Property Class Tax Rate Reduction	65
Farmlands Awaiting Development Sub-class Tax Rate Reduction	s
Heritage Property Tax Rebate	s
Live Performance Theatres Exemption and Professional Sports Facility Tax Rate Reduction ⁴	10
Managed Forest Tax Incentive Program	3
Seniors and Persons with Disabilities Property Tax Relief ⁵	s
Tax Exemptions Under Private Statutes	6
Vacant Commercial and Industrial Unit Rebate	30
Vacant Land and Excess Land Sub-class Tax Rate Reduction	50
<i>Items for Which an Estimate is not Available</i>	
Other Tax Exemptions Under Public Statutes	
Discretionary exemptions granted by municipalities to special purpose properties (e.g., legions, navy leagues, public-private capital facilities)	
Mandatory exemptions granted to special purpose/institutional properties (e.g., places of worship, cemeteries, Boy Scouts Association of Canada and Canadian Girl Guides Association, charitable institutions including Canadian Red Cross, St. John Ambulance and charitable, non-profit philanthropic corporations organized for the relief of the poor)	
Relief from Property Taxes That are Unduly Burdensome for Residential, Farm or Managed Forest Properties	

¹ Expenditures related to provincial land taxes or payments made in lieu of taxes have not been included.

² Estimates based on 2007 education tax rates, 2007 Assessment Roll, 2006 Municipal Financial Information Returns and municipal tax policies.

³ Effective October 1, 2004, municipalities may pass bylaws cancelling municipal property taxes on eligible brownfields properties. The Province may match the municipal reduction with an education property tax reduction.

⁴ In 2007, improved information allowed a much more precise estimate of the exemptions given to live performance theatres.

⁵ Estimate does not include expenditures due to the exemption from taxation on 10 per cent of the assessment of improvements to accommodate seniors and persons with disabilities in newly built homes or the expenditure on such improvements in existing homes.

EMPLOYER HEALTH TAX

Table 6 provides an estimate of the tax exemption under the Employer Health Tax system.

Employer Health Tax (EHT)		Table 6
Tax Provision		2007 Estimate (\$ Millions)
\$400,000 Exemption for Private-Sector Employers ¹		780

¹ Estimate is based on 2005 remuneration data forecast to represent the 2007 taxation year.

ESTATE ADMINISTRATION TAX

Table 7 provides an estimate of the exemption under the Estate Administration Tax system.

Estate Administration Tax		Table 7
Tax Provision		2007 Estimate (\$ Millions)
Exemption Where the Value of the Estate Does Not Exceed \$1,000		s

GROSS REVENUE CHARGE

Table 8 provides an estimate of the tax provision under the Gross Revenue Charge.

Gross Revenue Charge (GRC)¹		Table 8
Tax Provision		2007 Estimate (\$ Millions)
Gross Revenue Charge 10-Year Holiday		s

¹ Expenditure does not include the provincial water rental portion of the GRC.