

STRENGTHENING ONTARIO'S ECONOMY BY INVESTING IN BUSINESS AND INDUSTRY

March 25, 2008

Ontario's competitive strengths attract business investment and create jobs. The McGuinty government is investing in key sectors and making the tax system more competitive to promote investment and encourage economic growth.

NEW INVESTMENTS IN KEY ONTARIO SECTORS

Manufacturing

The government is proposing \$750 million in business tax relief over four years, starting in 2007-08. This relief would primarily benefit the manufacturing and resource sectors and includes:

- Eliminating the Capital Tax retroactive to January 1, 2007 for businesses primarily engaged in manufacturing and resource activities, which would entitle them to \$190 million in rebates
- Extending an accelerated Capital Cost Allowance (CCA) rate for manufacturing and processing machinery and equipment investments made before 2012, and paralleling other CCA measures announced in the 2008 federal budget
- Accelerating Business Education Tax (BET) rate cuts for northern businesses, resulting in total savings of more than \$70 million over the next three years.

The government is also providing significant investments in workplace training with new funding in 2007-08:

- \$25 million for employer-based training in the manufacturing sector through the Yves Landry Foundation
- \$22.1 million to Toyota Motor Manufacturing Canada in Cambridge
- \$5.6 million to Chrysler Canada in Brampton, Etobicoke and Windsor.

Financial and Business Services

Ontario is building on its existing strengths to help ensure the financial sector continues to grow and attract the best and brightest people and financial firms from around the world. The government will:

- Propose changes to further expand harmonized approaches across jurisdictions for regulating securities dealers and advisers, and investment fund managers
- Launch a review of Ontario's *Securities Act*.

Entertainment and Creative Cluster

To help Ontario's entertainment and creative cluster, a cornerstone of the province's new innovative economy, the government is:

- Proposing enhancements to the Ontario Interactive Digital Media Tax Credit
- Providing \$7 million over the next four years for the Interactive Digital Media Fund
- Proposing to make permanent the Retail Sales Tax exemption for admissions to live theatres of not more than 3,200 seats
- Providing \$4 million over four years to support international marketing initiatives and increase the profile of Ontario's artists and cultural industries.

Tourism

The government is supporting tourism in Ontario with new investments and a proposed tax measure totalling \$92 million over five years starting in 2007-08, which include:

- \$8 million over the next two years to conduct research on new tourism markets and determine the steps necessary to increase visits to Ontario
- \$50 million over four years in the Festival and Events Attraction and Support Program
- A proposal to extend the Retail Sales Tax exemption for Destination Marketing Fees until June 30, 2010.

Forest Sector

The government is building on more than \$1 billion in assistance since 2005 to stimulate new investments in value-added manufacturing and co-generation to help the forest sector reposition itself in the global marketplace, including:

- Proposing to reduce the stumpage rate for poplar hardwood by \$2.76 per cubic metre to match the white birch rate, effective April 1, 2008. This initiative has an estimated value of \$6 million in 2008-09
- \$25 million towards a centre for research and innovation in the bio-economy, to be located in Thunder Bay, which will undertake frontier research in the next generation of higher-value forestry products
- \$15 million over four years for a centre for invasive species management in Sault Ste. Marie
- Implementing forest bio-fibre pricing that will spur the development of new technologies while ensuring the renewal and protection of Ontario's forests.

Agriculture

In this Budget, the government is helping farmers stay competitive in a rapidly changing global marketplace and move towards a more sustainable future by:

- Proposing to expand the Land Transfer Tax exemption for transfers of the family farm to include transfers from family farm corporations to individual family members
- \$56 million over four years for the Pick Ontario Freshness strategy and the Ontario Farmers' Markets Initiative
- \$56 million in 2007-08 to the University of Guelph to support research, animal health and the Ontario Veterinary College
- \$12.5 million in 2007-08 to support the Vineland Research and Innovation Centre.

STRENGTHENING THE ENVIRONMENT FOR INNOVATION

Innovation is a catalyst for growth across all sectors of the economy. This Budget supports a culture of innovation through nearly \$300 million in new investments and proposed tax incentives that support the startup and growth of innovative firms, including:

- A proposed 10-year Ontario income tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes
- Proposed enhancements to the Ontario Innovation Tax Credit, which provides a 10 per cent refundable tax credit to small and medium-sized corporations performing eligible Scientific Research and Experimental Development in Ontario
- \$250 million over the next five years to the Ontario Research Fund for investment in research infrastructure at Ontario institutions
- \$42.5 million in strategic investments to boost innovation in Ontario's economy, including:
 - \$10 million in 2007-08 to the University of Waterloo at Stratford and \$9 million in 2007-08 to the Ontario College of Art and Design
 - \$7.5 million in 2007-08 to the University of Western Ontario to support interdisciplinary research into chemicals and fuels made from agricultural resources.

The McGuinty government is also moving forward on the Next Generation of Jobs Fund, a five-year, \$1.15 billion strategy to help innovative companies keep pace with changes in the global economy and secure new knowledge-based jobs and investments in Ontario.

MODERNIZING REGULATION

Ontario's goal is to lead all Canadian jurisdictions in efforts to measure and reduce the regulatory burden. Ontario's regulatory modernization will start with an aggressive cap-and-trade initiative for government regulations, so that when new regulations are enacted, others must be eliminated.

INVESTMENT ONTARIO INC.

To respond to intensifying global competition for new business investments and jobs, the government will establish Investment Ontario Inc., an independent agency that will provide businesses with fast and effective access to economic development services and assistance. This will help the government become more strategic in targeting markets and sectors on which to focus its investment and trade activities, improving Ontario's international recognition.

ACHIEVEMENTS

In its 2007 Economic Outlook and Fiscal Review, the government proposed new tax measures that support manufacturers and other sectors in Ontario challenged by recent economic conditions. These proposed measures, totalling \$1.1 billion in tax reductions over three years, include:

- Eliminating Capital Tax on January 1, 2008 for corporations primarily engaged in manufacturing and resource activities
- Providing a 21 per cent Capital Tax rate cut for all businesses retroactive to January 1, 2007, on the way to full elimination in 2010
- Increasing the small business deduction threshold to \$500,000 from \$400,000, retroactive to January 1, 2007
- Increasing the film tax credit rates, effective January 1, 2008.

In the 2007 Budget, the government announced its plan to reduce high Business Education Tax rates by \$540 million over seven years, benefiting more than 500,000 businesses in 321 municipalities across the province.

Other key sector achievements include:

- Ontario's strategic auto-sector investments, including the \$500 million Ontario Automotive Investment Strategy, have helped leverage more than \$7 billion in new auto-sector investments by North American and Asian automakers, anchoring thousands of high-skill, high-paying jobs
- The Advanced Manufacturing Investment Strategy has made commitments to support innovative projects that will generate \$850 million in new investments and support the creation or retention of about 3,800 jobs over a five-year period
- More than \$1 billion in forest-sector support has been made available by Ontario since 2005, including \$350 million in loan guarantees to stimulate new investments in value-added manufacturing, energy conservation and energy co-generation, and \$150 million in Forest Sector Prosperity Fund grants to leverage new capital investments in various areas
- \$30 million, announced in the 2007 Economic Outlook and Fiscal Review, to expand the Ministry of Tourism's promotion and marketing campaign in Canadian and international markets, consisting of \$20 million for tourism marketing initiatives and \$10 million for festivals and special events.

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Media Inquiries
Steve Erwin, Minister's Office, 416 325-3645
Scott Blodgett, Ministry of Finance, 416 325-0324
Public Inquiries
1-800-337-7222

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