

CHAPTER III

**TAX SUPPORT FOR FAMILIES
AND BUSINESS**

Overview

Ontario's tax system plays an important part in the government's comprehensive plan to promote economic and social prosperity. The initiatives in this Budget build on this plan by:

- investing in people and communities
- supporting an innovative economy
- lowering costs for business
- promoting a healthy lifestyle and environment for Ontarians.

Tax measures announced in this Budget would provide an additional benefit of almost \$1.5 billion to individuals and businesses over four years.

Investing in People and Communities

Senior Homeowners' Property Tax Grant

The government is committed to helping low- and moderate-income senior homeowners offset their property taxes. In addition to the current property tax credit, the Province proposes to provide a new property tax grant to seniors with low and moderate incomes who own their own homes. This new grant would be available in early 2009 to help seniors pay their 2009 municipal and education property taxes. Grants would be provided in each year thereafter.

In 2009, about 550,000 senior homeowners would be able to obtain a new grant of up to \$250. The maximum grant would be increased to \$500 for 2010 and subsequent years. Senior homeowners would apply for the grant when filing their 2008 and subsequent income tax returns.

Eligible single seniors with \$500 or more in property taxes and income of up to \$35,000 a year would receive the maximum grant. Eligible single seniors with income between \$35,000 and \$50,000 would receive a proportionately smaller grant. Eligible senior couples with \$500 or more in property taxes and income of up to \$45,000 a year would receive the maximum grant. Eligible senior couples with income between \$45,000 and \$60,000 would receive a proportionately smaller grant.

The Province would be providing about \$1 billion over five years in property tax relief to seniors through the new grant program.

**Proposed Senior Homeowners' Property Tax Grant
Typical Grant Amounts and Existing Property Tax Credits (\$)**

Table 1

Single Seniors Paying \$2,000 in Property Taxes

Income	2009			2010 and Subsequent Years		
	New Seniors' Property Tax Grant	Existing Property Tax Credit ¹	Total Tax Relief	New Seniors' Property Tax Grant	Existing Property Tax Credit ¹	Total Tax Relief
\$20,000	250	825	1,075	500	825	1,325
\$25,000	250	718	968	500	718	1,218
\$30,000	250	540	790	500	540	1,040
\$35,000	250	361	611	500	361	861
\$40,000	167	183	350	334	183	517
\$45,000	84	4	88	167	4	171
\$50,000	0	0	0	0	0	0

Senior Couples Paying \$2,000 in Property Taxes

Income	2009			2010 and Subsequent Years		
	New Seniors' Property Tax Grant	Existing Property Tax Credit ¹	Total Tax Relief	New Seniors' Property Tax Grant	Existing Property Tax Credit ¹	Total Tax Relief
\$25,000	250	803	1,053	500	803	1,303
\$30,000	250	642	892	500	642	1,142
\$35,000	250	481	731	500	481	981
\$40,000	250	320	570	500	320	820
\$45,000	250	159	409	500	159	659
\$50,000	167	0	167	334	0	334
\$55,000	84	0	84	167	0	167
\$60,000	0	0	0	0	0	0

¹ Calculated as a share of property and sales tax credits proportionate to eligible property tax, using an estimate of the proposed increase to the 2008 senior couples' income threshold.

Ontario Property and Sales Tax Credits for Seniors

Ontario Property and Sales Tax Credits for seniors provide property and sales tax assistance to seniors with modest incomes. Since 2003, the government has made several improvements to these credits to ensure that they better reflect the circumstances facing seniors.

In 2004, the government enriched the credits by increasing the underlying property tax credit amount by 25 per cent, from \$500 to \$625. The government also increased the income threshold at which senior couples' benefits begin to be reduced to \$22,250 for 2005, \$23,090 for 2006 and \$23,820 for 2007.

The Government of Ontario wants seniors who receive the minimum level of income guaranteed by the government from Old Age Security (OAS), Guaranteed Income Supplement (GIS) and Ontario Guaranteed Annual Income System (GAINS) to get the full benefit of the Ontario Property and Sales Tax Credits.

Because this level of income is rising, the Province proposes to increase the senior couples' income threshold

for these credits beginning in 2008. The new threshold would be determined when the federal government finalizes OAS and GIS amounts for 2008. Nearly 735,000 senior recipients would benefit this year from an estimated \$107 million in enhancements to these credits since 2003, including this proposal.

Tax-Free Savings Account (TFSA)

The 2008 federal budget proposed a new savings vehicle, a TFSA, that would allow Ontarians to earn tax-free investment income.

Beginning in 2009, Ontarians would be able to contribute up to \$5,000 annually to a TFSA. Contributions would not be tax deductible but capital gains and investment income earned within the TFSA and withdrawals from the TFSA would be tax-free. Withdrawals and unused room would be carried over for future contributions. A TFSA would be able to hold the same qualified investments as a Registered Retirement Savings Plan, such as bonds, stocks, mutual funds and Guaranteed Investment Certificates.

This new savings incentive would automatically be adopted for Ontario Personal Income Tax purposes when the federal legislation receives Royal Assent.

Transfers from Family Farm Corporations

Farming and farm-related businesses make an important contribution to Ontario's economy. Currently, transfers of farmland between family members and transfers into a family farm corporation are exempt from Land Transfer Tax. To provide relief for all farmers, regulatory amendments will be proposed to expand the exemption to include transfers of farmland from family farm corporations to individual family members. This will help continue the tradition of passing on ownership of the family farm.

The proposed measure would apply to qualifying transfers after March 25, 2008.

Retail Sales Tax (RST) Exemption for Newspapers

As announced in December 2007, Ontario is expanding the definition of "newspaper" to enable publications with smaller circulation or less frequent publishing schedules, such as community and ethnic newspapers, to qualify for the RST exemption for newspapers.

A draft regulation was posted on the Ministry of Finance website in December 2007 for consultation. The regulation is expected to be finalized in the spring. The expanded definition will be retroactive to January 1, 2000, and will be more responsive by using a listing of physical characteristics typical of newspapers, with points allocated for each characteristic.

RST Exemption for Destination Marketing Fees

To provide continued support for marketing fund initiatives within Ontario's tourism and hotel industries, the government proposes to extend the RST exemption for destination marketing fees for two additional years. Destination marketing fees billed on or before June 30, 2010 would qualify for exemption from the five per cent RST on accommodations that would ordinarily apply.

RST Exemption for Admissions to Live Theatres of Not More than 3,200 Seats

Ontario recognizes that live theatre productions contribute to Ontario's draw as a tourist destination. There is currently a temporary RST exemption on admissions to live theatres of not more than 3,200 seats that present live performances, such as theatrical plays, the ballet and performances by an orchestra or opera company.

The government proposes to introduce legislation to make this a permanent exemption, effective April 1, 2008.

Supporting an Innovative Economy

Ontario Tax Exemption for Commercialization (OTEC)

To further support innovation in the Ontario economy, the government is proposing a 10-year tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes.

A qualifying corporation established after March 24, 2008 and before March 25, 2012 would be exempt from Ontario Corporate Income Tax and Corporate Minimum Tax for its first 10 taxation years.

The exemption would generally apply to corporations that commercialize intellectual property in priority areas such as, but not limited to, bio-economy/clean technologies, advanced health technologies, and telecommunications, computer and digital technologies.

Eligible commercialization activities would include the development of prototypes and the marketing and manufacturing of products related to the intellectual property.

A qualifying corporation would be incorporated in Canada and derive all or substantially all of its income from eligible commercialization activities carried on in Ontario.

The Province calls on the federal government to support innovation by matching this income tax exemption.

Ontario Innovation Tax Credit (OITC)

The OITC is a refundable tax credit available to small and medium-sized corporations that carry on scientific research and experimental development (SR&ED) in Ontario. The OITC provides a refundable 10 per cent tax credit on a corporation's qualifying SR&ED in Ontario.

The government proposes to extend the OITC to more small and medium-sized corporations and expand the tax credit to more qualifying SR&ED expenditures.

This extension of the OITC would be implemented by paralleling enhancements to the federal SR&ED tax credit proposed in the 2008 federal budget. Ontario proposes to increase the OITC expenditure limit from \$2 million to \$3 million of qualifying SR&ED expenditures. Ontario also proposes to extend the taxable income phase-out range of between \$400,000 and \$600,000 under the OITC to a new upper limit of \$700,000 of taxable income.

The required amendments to the *Corporations Tax Act* and *Taxation Act, 2007* would be introduced once the implementing federal legislation is enacted. The effective date of the amendments and phase-in rules would parallel the federal amendments.

The 2008 federal budget also proposed a new taxable capital phase-out range of \$10 million to \$50 million for the SR&ED tax credit. Ontario will maintain its current taxable capital phase-out range of \$25 million to \$50 million for the OITC — more generous than both the existing and proposed federal phase-out in respect of taxable capital.

In addition, unlike the federal refundable SR&ED credit, the OITC is not restricted to Canadian-controlled private corporations. As a result, even after the proposed federal budget enhancements are enacted, the refundable OITC will still be available to more small and medium-sized corporations performing SR&ED in Ontario than the federal refundable SR&ED tax credit.

Ontario Interactive Digital Media Tax Credit (OIDMTC)

The OIDMTC is a refundable tax credit available to Ontario corporations for the creation, marketing and distribution of interactive digital media products.

The Budget proposes to enhance the OIDMTC and extend the time period for qualifying expenditures.

The 2006 Budget enhanced the OIDMTC rate to 30 per cent for corporations with annual gross revenues of not more than \$20 million and total assets of not more than \$10 million that develop and market their own interactive digital media products. The 2006 Budget also extended eligibility for the OIDMTC at a rate of 20 per cent to multimedia developers that exceed the size test and allowed contracting corporations without the copyright to a digital media product the entitlement to claim the OIDMTC in cases where all or substantially all of the product is developed by them rather than by the copyright owner. These 2006 Budget

enhancements are effective for expenditures incurred after March 23, 2006, and before January 1, 2010, including expenditures incurred pursuant to fee-for-service contracts entered into before March 24, 2006.

This Budget proposes to increase the 20 per cent tax credit rate for corporations exceeding the size test and for fee-for-service work to 25 per cent for qualifying expenditures incurred after March 25, 2008 and before January 1, 2012.

This Budget also proposes to extend the enhanced 30 per cent OIDMTC rate for small corporations to qualifying expenditures incurred after December 31, 2009 and before January 1, 2012.

In addition, this Budget proposes to extend the eligibility period for eligible labour expenses for qualifying digital media products for the OIDMTC from two to three years. Currently, eligible labour expenditures for the OIDMTC must be incurred within the two-year period, ending when development of a product is completed. This measure would apply to products completed after March 25, 2008.

Lowering Costs for Business

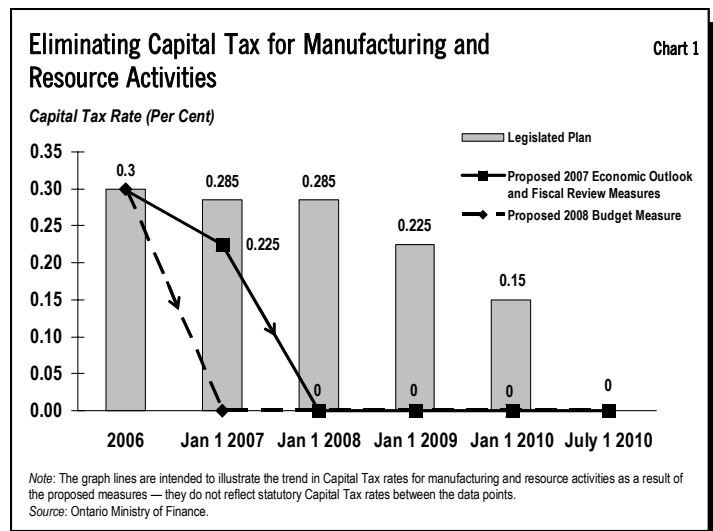
Capital Tax Elimination for Manufacturing and Resource Activities

The 2007 Economic Outlook and Fiscal Review proposed to eliminate the Capital Tax effective January 1, 2008, for Ontario companies primarily engaged in manufacturing and resource activities.

In this Budget, the government is proposing to retroactively eliminate the Capital Tax one year earlier, effective January 1, 2007, for Ontario companies primarily engaged in manufacturing and resource activities.

This measure would provide an additional \$190 million to manufacturing and resource industries challenged by the slowing U.S. economy and stronger Canadian dollar. The government would provide this tax relief to manufacturing and resource companies either by issuing a refund cheque or offsetting other corporate taxes owing.

The proposed elimination of the Capital Tax for manufacturing and resource activities would apply to corporations whose salaries and wages relating to manufacturing and processing (M&P), mining, logging, farming or fishing activities in Ontario represent 50 per cent or more of their total salaries and wages in Ontario.



For corporations whose salaries and wages in Ontario for these activities comprise less than 50 per cent, but more than 20 per cent of their total salaries and wages in Ontario, the Capital Tax would be reduced proportionately on a straight-line basis. For example, a corporation whose Ontario salaries and wages for these activities comprise 35 per cent of total Ontario salaries and wages would have one-half of its Capital Tax eliminated.

The proposed elimination for 2007 would apply to a qualifying corporation if it or a successor corporation has employees reporting to a permanent establishment in Ontario on March 25, 2008.

EXAMPLES OF SECTORS BENEFITING FROM PROPOSED JANUARY 1, 2007 CAPITAL TAX ELIMINATION FOR MANUFACTURING AND RESOURCE ACTIVITIES

MANUFACTURING

- automobile and parts
- chemical and petroleum products
- electrical products
- food and beverage products
- machinery
- plastic and rubber products
- primary metal and fabricated metal products
- transportation equipment (other than automobile and parts)
- wood and paper products

RESOURCE

- farming
 - forestry and logging
 - mining
-

Capital Tax Elimination Schedule

The government has been working steadily to eliminate the Capital Tax, which is widely recognized as a barrier to attracting new investment and fostering economic growth.

As previously legislated, the Capital Tax deduction increased to \$15 million on January 1, 2008, and the Capital Tax will be fully eliminated on July 1, 2010.

The following table sets out the Capital Tax elimination schedule with the proposed 2008 Budget and 2007 Economic Outlook and Fiscal Review initiatives.

Ontario's Accelerated Capital Tax Elimination Plan with Proposed Initiatives **Table 2**

	Deduction (\$ M)	Rates (%)				
		Non-Financial Institutions		Financial Institutions		
		M&P and Resources ¹	Other Corporations	1st \$400 Million of Taxable Capital	Taxable Capital Over \$400 Million	
					Non-Deposit Taking	Deposit Taking
2004	5	0.3	0.3	0.6	0.72	0.9
Jan. 1, 2007	12.5	0.285	0.285	0.57	0.684	0.855
Jan. 1, 2007	12.5	Eliminated	0.225	0.45	0.54	0.675
Jan. 1, 2008	15		0.225	0.45	0.54	0.675
Jan. 1, 2009	15		0.225	0.45	0.54	0.675
Jan. 1, 2010	15		0.15	0.3	0.36	0.45
July 1, 2010	Legislated Accelerated Elimination Date					

21%
rate cut

Shading denotes the Capital Tax initiatives proposed in the 2008 Budget and the 2007 Economic Outlook and Fiscal Review. Measures would be pro-rated for taxation years straddling the effective date.

¹ Primarily engaged in manufacturing and processing, mining, logging, farming or fishing activities in Ontario.

Accelerated Capital Cost Allowance (CCA) for M&P Machinery and Equipment

The 2007 federal budget proposed a temporary tax incentive in the form of a 50 per cent straight-line CCA rate for M&P machinery and equipment acquired on or after March 19, 2007, and before 2009. Ontario announced that it would parallel this incentive and has repeatedly urged the federal government to extend this temporary incentive for a longer time period to further support jobs and new investment.

The 2008 federal budget proposed to extend this incentive by allowing eligible assets acquired in 2009 to be depreciated on a 50 per cent straight-line basis and those acquired in 2010 and 2011 on a declining balance basis.

Subject to enactment of the applicable federal regulations, this Budget proposes to extend this tax incentive for manufacturers in line with the proposed federal rates and effective dates. Ontario continues to call on the federal government to extend the 50 per cent straight-line CCA rate for M&P machinery and equipment to 2014 to provide an enhanced incentive for new investments.

Capital Cost Allowance: Other Measures

Subject to enactment of the applicable federal regulations, Ontario proposes to parallel the following Corporate Income Tax initiatives and their effective dates relating to CCA announced in the 2008 federal budget:

- expanding eligibility for Class 43.2 to include a broader range of clean energy generation assets for biogas production equipment and additional applications of ground-source heat-pump and waste-to-energy systems
- increasing the CCA rate for carbon dioxide pipelines and setting the CCA rate for pumping and compression equipment for these pipelines to be consistent with the rates that apply to oil and gas pipelines and equipment
- increasing the CCA rate for railway locomotives to more accurately reflect the useful life of these assets.

Reducing Business Education Taxes

In the 2007 Budget, the government announced a \$540 million cut to high Business Education Tax (BET) rates over seven years — lowering high BET rates to a target maximum rate of 1.60 per cent. The BET reductions are key elements in the government's overall strategy to enhance Ontario's investment climate.

This initiative will also reduce the wide variation in BET rates across the province. The variation in rates distorts efficient business location decisions, placing many regions of the province at a disadvantage and harming the provincial economy.

This Budget announces an accelerated plan for BET reductions in northern Ontario. The accelerated BET reductions will ensure that northern business will benefit from the full BET reduction by 2010, four years earlier than originally announced.

Northern businesses are those that lie within any of the following districts: Algoma, Cochrane, Kenora, Manitoulin, Nipissing, Parry Sound, Rainy River, Sudbury, Thunder Bay and Timiskaming.

Northern Ontario Business Education Tax Annual Ceiling Rates

Table 3
(%)

Year	Originally Announced		Accelerated	
	Annual Commercial Ceiling Rate	Annual Industrial Ceiling Rate	Annual Commercial Ceiling Rate	Annual Industrial Ceiling Rate
2008	2.50	3.00	2.35	2.75
2009	2.35	2.75	2.05	2.30
2010	2.20	2.50	1.60	1.60
2011	2.05	2.25	1.60	1.60
2012	1.90	2.00	1.60	1.60
2013	1.75	1.75	1.60	1.60
2014	1.60	1.60	1.60	1.60

Note: BET annual ceiling rates may need to be recalculated in 2009 and future years to adjust for the impact of reassessment-related changes. The target maximum BET rate may also need to be adjusted to account for these changes.

The accelerated BET reduction plan recognizes the unique challenges faced by northern businesses and responds to recent recommendations made by the Canadian Federation of Independent Business and others. In future years, consideration will be given to accelerating BET reductions in other parts of the province should the fiscal plan allow.

Accelerating BET reductions in northern Ontario will benefit more than 30,000 businesses of all sizes in 85 municipalities. Northern businesses will benefit from total BET savings of more than \$70 million over the next three years. The BET reductions will improve the competitive position of northern Ontario businesses, create new jobs and strengthen the provincial economy.

Northern Ontario Business Education Tax Cuts		Table 4 (\$ Millions)
Year	Tax Cut as Originally Announced	Tax Cut with Acceleration
2008	4	8
2009	8	19
2010	13	47
Total	25	73

Note: Numbers may not add due to rounding.

Mandatory Phase-in of Assessment Increases

The 2007 Budget announced changes to the property assessment system that included introducing a four-year reassessment cycle and a mandatory phase-in of assessment increases for residential properties.

Based on consultations with municipal and business representatives, the Province will expand the mandatory phase-in of assessment increases to all property classes, including commercial, industrial and multi-residential.

This ensures that business taxpayers benefit from the same increased stability and predictability that the phase-in of assessment increases will provide homeowners. It will also help maintain equity and consistency between different types of properties.

Promoting a Healthy Lifestyle and Environment for Ontarians

RST Exemption for ENERGY STAR® Household Appliances and Light Bulbs

To encourage Ontarians to purchase products that are more energy efficient, the Province created a temporary RST exemption for qualifying new ENERGY STAR® household appliances and light bulbs purchased on or after July 20, 2007, and on or before July 19, 2008.

The exemption is available at the point of sale for qualifying new household appliances and light bulbs listed as ENERGY STAR® by the Office of Energy Efficiency, Natural Resources Canada at the time they are purchased. It applies to the first-time sale, rental or lease, for at least one year, of a qualifying new appliance.

Qualifying products are non-commercial refrigerators, dishwashers, clothes washers (including inseparable clothes washer-dryer combinations), freezers, dehumidifiers, room air conditioners, light bulbs and decorative light strings.

The government is proposing to introduce legislation to extend this temporary exemption to include qualifying appliances purchased, rented or leased on or before August 31, 2009, and delivered on or before September 30, 2009, and to include qualifying light bulbs purchased on or before August 31, 2009.

RST Exemption for Bicycles and Related Safety Equipment

To encourage Ontarians to stay healthy and be active in their daily lives, the government created a temporary RST exemption for bicycles and related safety equipment purchased on or after December 1, 2007, and on or before November 30, 2008. The exemption is available on the purchase of new or used bicycles that have a purchase price of \$1,000 or less, and includes tricycles and unicycles. Bicycle safety equipment, including bicycle helmets, is also exempt.

The government is proposing to introduce legislation to extend this temporary exemption to include purchases made on or before December 31, 2010.

RST Exemption for Nicotine Replacement Therapies

Ontario is committed to helping people quit smoking. In July 2007, the Province created an RST exemption for qualifying non-prescription nicotine replacement therapies purchased on or after August 13, 2007, and on or before August 12, 2008 and that have been assigned a Drug Identification Number by the federal government.

The government proposes to introduce legislation to make this a permanent exemption in the *Retail Sales Tax Act*. For purchases made after March 25, 2008, qualifying nicotine replacement therapies would be those that have been assigned a Drug Identification Number or a Natural Product Number by the federal government, and are sold for the sole purpose of assisting the purchaser to stop smoking tobacco. These therapies come in a variety of delivery mechanisms, including transdermal patches, gums, lozenges, inhalers, sprays and sublingual tablets.

Products that purport to be nicotine replacement therapies but are not registered with a Drug Identification Number or a Natural Product Number by the federal government remain taxable.

Paralleling Federal Tax Measures

Concordance with the *Income Tax Act* (Canada)

A number of other proposals announced by the federal government in its 2008 budget would be automatically adopted once federal legislative and regulatory changes have been approved. These include:

- changes to the Registered Education Savings Plan (RESP) program, beginning in the 2008 taxation year, that would extend the maximum contribution period and the maximum lifespan of an RESP, as well as the contribution age limit for a family plan, by 10 years
- an increase in the maximum Northern Residents Deduction for the 2008 taxation year and beyond
- an expansion of the list of expenses eligible for the Medical Expense Tax Credit, effective for the 2008 and subsequent taxation years, and clarification that expenses incurred after February 26, 2008, for drugs and medications that may be purchased without a prescription, are ineligible for this credit
- an extension of the existing capital gains exemption for donations of publicly traded securities, in certain circumstances, to capital gains realized on the exchange of specified unlisted securities for publicly traded securities, where the publicly traded securities are then donated, after February 25, 2008, to registered charities or other qualified donees
- rule changes to the regime for the capital gains exemption for donations of publicly listed securities to private charitable foundations
- changes to the tax treatment of dividends that would, beginning in 2010, reduce the gross-up factor applicable to eligible dividends received by Ontario individuals. Ontario proposes to maintain its plan to increase the tax credit rate on grossed-up eligible dividends from 7.0 per cent in 2008 to 7.4 per cent in 2009 and 7.7 per cent in 2010 and subsequent years.

A Single Corporate Tax Administration

In October 2006, Ontario and the federal government signed a memorandum of agreement to transfer the collection and administration of certain Ontario corporate taxes to the federal government.

Following that agreement, the Legislature enacted the *Taxation Act, 2007*, which enables the Canada Revenue Agency (CRA) to collect and administer Ontario's Corporate Income Tax, Capital Tax, Corporate Minimum Tax and Special Additional Tax on life insurers for taxation years ending after December 31, 2008.

The single tax administration will reduce compliance costs for business and improve Ontario's competitiveness. Ontario businesses will save \$90 million annually in Ontario Corporate Income Tax from a harmonized corporate income tax base and up to an additional \$100 million annually in compliance costs from one tax return, one tax administration and one set of tax rules.

Ontario corporations will start seeing compliance cost savings beginning in April 2008 from integrated audits, rulings, objections and appeals for all pre-2009 taxation years. Effective April 3, 2008, Ontario businesses will have one tax authority to deal with for these functions. This will be followed by a single integrated tax return for taxation years ending after December 31, 2008.

The CRA has started collecting Ontario corporate tax instalments for taxation years ending in 2009.

Relief from Tax Instalments for Small Businesses

Quarterly tax instalments for Ontario tax are provided for small businesses under the *Corporations Tax Act* for taxation years ending before 2009. One of the requirements for federal administration of Ontario taxes for subsequent taxation years is to follow the federal corporate tax instalment rules, which do not provide quarterly instalments for corporations.

Recent federal legislation has changed corporate tax instalment rules to generally permit small Canadian-controlled corporations to remit their instalments on a quarterly basis rather than on a monthly basis. The new federal legislation also allows corporations with current- or past-year federal tax of up to a new limit of \$3,000 (increased from \$1,000) complete relief from the requirement to pay instalments.

For taxation years ending after 2008, Ontario proposes to amend the corporate tax instalment rules in the *Taxation Act, 2007* to parallel the new federal corporate tax instalment rules.

Assessment Act

The government will conduct a review of the property tax treatment of long-term care homes that were established under the *Charitable Institutions Act* for the purpose of clarifying and maintaining eligibility for the tax exemption that has historically been provided to these facilities.

Retail Sales Tax Act

Amendments are proposed to the *Retail Sales Tax Act*, effective May 7, 1997, in response to a recent court interpretation. The proposed amendments would confirm Ontario's longstanding requirement for persons to pay RST on purchases of containers and other packaging, storage and shipping items that are intended to be returned for reuse in the packaging, storage or shipping of goods. The proposed amendments would also confirm the longstanding requirement for persons to pay RST on containers and other items that are provided as a promotional distribution.

Succession Duty Act

Succession duties were eliminated in 1979 in respect of persons who died after April 10 of that year. However, in certain instances, succession duty continued to apply with respect to the estates of persons who died on or before that date if the amount of an inheritance or the identity of a beneficiary remained uncertain until a later date; for example, where a life interest was granted to the spouse of the deceased and a remainder interest to their children.

In 2001, amendments were made to eliminate succession duties, except where such duty was due and owing on May 8, 2001. As a result, the number of remaining estates for which payment of succession duty has been deferred is now insignificant.

To complete the process of bringing succession duty in Ontario to an end, the government will propose to amend the *Succession Duty Repeal Act, 1979*, repeal the *Succession Duty Act Supplementary Provisions Act, 1980* and delete references to succession duty in the following statutes:

- *Credit Unions and Caisses Populaires Act*
- *Financial Administration Act*
- *Land Titles Act*
- *Proceedings Against the Crown Act*
- *Registry Act*
- *Succession Law Reform Act*
- *Trustee Act.*

Tobacco Tax Act

Ontario continues to work with its federal and provincial counterparts to explore new and innovative measures to address contraband tobacco.

Ontario also continues to review opportunities in its own legislation to enhance its enforcement measures to encourage tobacco tax compliance. The following proposals build on measures enacted in 2004, 2006 and 2007 to strengthen enforcement against the illegal manufacture and distribution of tobacco products:

- requiring purchasers or importers of cigarette-making machinery to be registered as manufacturers under the act
- adding more legislative provisions that would allow the seizure of tobacco products from persons found to be in violation of the act
- adding minimum penalties to existing tax-based penalties issued to persons found to be in violation of the act.

The Province will continue to consult with key stakeholders on additional mechanisms to improve compliance and administration.

Implementing the Tax Measures Announced in the 2007 Economic Outlook and Fiscal Review

In the 2007 Economic Outlook and Fiscal Review, the government proposed the following new tax initiatives that would provide more than \$1.4 billion in tax relief over the 2007–08 to 2009–10 period:

- eliminating the Capital Tax for manufacturing and resource activities
- cutting the Capital Tax rates for all businesses by 21 per cent retroactive to January 1, 2007
- extending the lower small business corporate income tax rate to more small businesses effective January 1, 2007
- increasing the film tax credit rates effective January 1, 2008
- extending the phase-out of the Labour-Sponsored Investment Fund tax credit by one year and increasing the maximum eligible investment to \$7,500
- expanding the Land Transfer Tax Refund Program for First-Time Homebuyers to include resale homes for agreements of purchase and sale entered into after December 13, 2007.

A single bill will be introduced to implement the tax initiatives proposed in the 2007 Economic Outlook and Fiscal Review and those proposed in this Budget.

Other Technical Amendments

To improve administrative effectiveness and enforcement, and maintain the integrity and equity of Ontario's tax and revenue collection system, as well as enhance legislative clarity and regulatory flexibility to preserve policy intent, legislation will be proposed, including amendments to the following statutes:

- *Assessment Act*
- *City of Toronto Act, 2006*
- *Corporations Tax Act*
- *Education Act*
- *Employer Health Tax Act*
- *Fuel Tax Act*
- *Gasoline Tax Act*
- *Income Tax Act*
- *Land Transfer Tax Act*
- *Ministry of Revenue Act*
- *Municipal Act, 2001*
- *Municipal Property Assessment Corporation Act, 1997*
- *Provincial Land Tax Act, 2006*
- *Retail Sales Tax Act*
- *Taxation Act, 2007*
- *Tobacco Tax Act.*

2008 Budget Impact Summary
(\$ Millions)

Table 5

	2007–08	2008–09	2009–10	2010–11
Investing in People and Communities				
Senior Homeowners' Property Tax Grant ¹	–	(30)	(160)	(260)
Ontario Property and Sales Tax Credits for Seniors ²	(1)	(5)	(5)	(5)
Tax-Free Savings Account (TFSA)	–	(1)	(12)	(43)
Transfers from Family Farm Corporations	–	(1)	(1)	(1)
Retail Sales Tax (RST) Exemption for Newspapers	(2)	(2)	(2)	(2)
RST Exemption for Destination Marketing Fees	–	(2)	(3)	(1)
RST Exemption for Admissions to Live Theatres of Not More than 3,200 Seats	–	(18)	(18)	(18)
Supporting an Innovative Economy				
Ontario Tax Exemption for Commercialization (OTEC)	–	–	(2)	(5)
Ontario Innovation Tax Credit (OITC)	–	(11)	(15)	(15)
Ontario Interactive Digital Media Tax Credit (OIDMTC)	–	(7)	(7)	(7)
Lowering Costs for Business				
Capital Tax Elimination for Manufacturing and Resource Activities	(190)	–	–	–
Accelerated Capital Cost Allowance (CCA) for M&P Machinery and Equipment	–	(12)	(120)	(295)
Capital Cost Allowance: Other Measures	–	(1)	(2)	(3)
Reducing Business Education Taxes ³	(2)	(6)	(18)	(28)
Promoting a Healthy Lifestyle and Environment for Ontarians				
RST Exemption for ENERGY STAR® Household Appliances and Light Bulbs	–	(37)	(22)	–
RST Exemption for Bicycles and Related Safety Equipment	–	(5)	(16)	(12)
RST Exemption for Nicotine Replacement Therapies	–	(3)	(5)	(5)
Paralleling Federal Tax Measures				
Concordance with the <i>Income Tax Act</i> (Canada)	–	(1)	(1)	(3)
Technical Measures				
	–	–	–	–
Total Revenue Changes⁴	(195)	(142)	(409)	(703)

– Small, non-existent or prevents revenue loss.

¹ Includes amounts reported as Ministry of Finance expense in the Total Expense table in Chapter II: *Ontario's Economic Outlook and Fiscal Plan*.

² Estimate based on anticipated adjustment to the 2008 income threshold for senior couples.

³ While Business Education Taxes are not a direct revenue source for the Province, provincial transfers to school boards will be increased to ensure that BET cuts do not affect planned increases in overall education funding.

⁴ Includes Senior Homeowners' Property Tax Grant and Business Education Taxes.

