

## **INVESTMENTS TO CREATE JOBS TOMORROW**

March 26, 2009

The McGuinty government is taking immediate steps to preserve and create jobs now and prepare for future growth, future employment and future opportunity for all Ontarians.

This Budget takes action to make Ontario's economy more competitive. A strong, competitive economy helps families and businesses take advantage of the next generation of growth, and preserves and enhances the public services that matter most to Ontarians. To build Ontario's economy for the future, the government is proposing a comprehensive tax reform package. To further boost Ontario's competitiveness, the government is also investing in initiatives to grow a greener economy, accelerate innovation and attract investment.

### **ONTARIO'S TAX SYSTEM**

The McGuinty government's comprehensive tax reform package is the single most important thing the government can do to create jobs and strengthen Ontario's economy for the long term.

Starting July 1, 2010, subject to the approval of the legislature, Ontario would move to a single, value-added sales tax, which would boost investment and productivity. Value-added taxation is overwhelmingly accepted around the world as a more efficient form of taxation than a retail sales tax. More than 130 countries around the world and four Canadian provinces have already adopted a value-added tax.

### **Tax Cuts for People and Families**

As part of its comprehensive tax reform package, the government would provide permanent income tax cuts and direct payments; 93 per cent of Ontario taxpayers would pay less personal income tax.

- Every eligible family with an income below \$160,000 would receive three payments from the provincial government, totalling \$1,000
- Eligible individuals with an income of less than \$80,000 would receive three payments totalling \$300
- The first payment would arrive in June 2010, the second in December 2010 and the third in June 2011

- The provincial government would also provide:
  - Permanent tax relief for people with low and middle incomes through one of the most generous refundable sales tax credits in Canada. This new credit would provide up to \$260 per year for each adult and child
  - A 16.5 per cent cut in the tax rate on the first \$36,848 of taxable income earned by all Ontarians.

### **Tax Cuts for Business**

To help businesses become more competitive, the government would provide tax cuts for all businesses, including small businesses. These tax cuts would lead to more jobs and a stronger, more competitive economy. Starting July 1, 2010, the government would:

- Cut the general Corporate Income Tax (CIT) rate from 14 per cent to 12 per cent and reduce the rate to 10 per cent by 2013
- Cut the CIT rate for small businesses from 5.5 per cent to 4.5 per cent
- Cut the CIT rate for manufacturing and processing – helping businesses including farming, fishing, mining and logging – by 16.7 per cent, from 12 per cent to 10 per cent
- Eliminate the CIT small business deduction surtax, making Ontario the only Canadian jurisdiction that would eliminate this barrier to growing small businesses
- Exempt more small and medium-sized businesses from the Corporate Minimum Tax and cut the CMT rate from four per cent to 2.7 per cent.

Once fully implemented, the comprehensive tax reform package would cut Ontario's marginal effective tax rate on new investment in half. This would make Ontario one of the most competitive jurisdictions in the industrialized world for new investment.

### **GROWING THE GREEN ECONOMY**

The McGuinty government is committed to attracting new investment, creating new green-economy jobs and protecting the environment.

On February 23, 2009, the government introduced the Green Energy and Green Economy Act, 2009, one of the most comprehensive energy policies in the world. The proposed legislation would lead the transition to a cleaner, greener economy and support the creation of an estimated 50,000 jobs in the first three years.

Building on the proposed legislation, the McGuinty government will make Ontario a champion of a green economy, with initiatives that build on our strong record of protecting our natural resources. They include:

- Approximately \$390 million to match Ontario's share of the federal Green Infrastructure Fund to develop initiatives that assist in the implementation of the proposed Green Energy and Green Economy Act, 2009
- \$250 million over five years for a new Emerging Technologies Fund, which will include investments in green-technology companies

- \$50 million over five years to enable the research, capital and demonstration projects necessary for the development of a smart grid in Ontario
- Reducing energy costs and developing marketable expertise through a significant retrofitting program that focuses on government buildings, schools, social housing and commercial buildings
- Using Ontario's buying power to support the province's emerging innovative green technology companies. The government will dedicate \$30 million annually to provide initial purchases of their products and demonstrate the effectiveness of the products to potential customers here and around the world
- \$5 million for the Sustainable Prosperity Research and Policy Network at the University of Ottawa, which will help develop a new generation of market-based environmental policy approaches to promote green economic development
- \$5 million over two years to develop a Green Job Skills Strategy that responds to labour demand in the emerging green energy sector, including electricity
- Building on Ontario's world-leading commitment to phase out the use of coal-fired electricity generation by continuing to work towards the development of an emissions cap and trade system for North America by 2012
- Proposed amendments to the *Assessment Act* and regulations to ensure that the assessment of properties would not be affected by energy-efficiency enhancements.

## **ACCELERATING INNOVATION**

The McGuinty government is proposing additional tax relief and more than \$785 million in initiatives to support key industry partnerships in innovation and enhance the Ontario creative sector's ability to compete for jobs and investment.

### **Research and Technology**

This Budget proposes more than \$110 million in additional tax relief in 2009-10 and \$715 million in investments to support key industry partnerships in innovation and to encourage business to develop new products and services, including:

- \$300 million in capital funds over six years for research infrastructure, which will be available to leverage funding from the federal Canada Foundation for Innovation
- \$100 million over four years in additional operating funds for research performed in the biomedical field, focusing on genomics and gene-related research
- \$50 million over four years to enhance the successful Innovation Demonstration Fund
- \$10 million over three years to the Colleges Ontario Network for Industry Innovation to assist small and medium-sized enterprises with hands-on applied research, technology transfer and commercialization
- \$5 million to support the Ontario Genomics Institute, an important partner in encouraging genomics research in Ontario

- \$110 million in tax relief in 2009-10 from paralleling the proposed federal temporary 100 per cent accelerated Capital Cost Allowance rate for eligible computers and software purchased after January 27, 2009 and before February 2011
- \$2 million a year in proposed tax relief to extend the 10 per cent refundable Ontario Innovation Tax Credit to more small and medium-sized corporations for Scientific Research and Experimental Development in Ontario.

## **Entertainment and Creative Industries**

Ontario has the third-largest entertainment and creative sector in North America, and is the leading province in film and television production, book and magazine publishing and sound recording. The government is continuing to strengthen the competitiveness of Ontario's entertainment and creative industries, by proposing approximately \$100 million annually in additional tax relief and investments of nearly \$30 million. Proposals include:

- Enhancing tax support for the creation of interactive digital media products in Ontario
- Enhancing the refundable book publishing tax credit
- Enhancing the refundable computer animation and special effects tax credit
- Making the enhanced tax credit rates under the refundable film and television tax credits permanent, creating predictability and stability for the industry
- \$20 million to the Ontario Media Development Corporation (OMDC), an agency of the Ministry of Culture, which provides support to a number of Ontario's creative industries as they compete domestically and globally
- \$10 million for a pilot program, administered through the OMDC, which would refund a portion of the costs associated with intellectual property development to Ontario-based companies in the screen-based industries.

## **Tourism**

The February 2009 Tourism Competitiveness Study, *Discovering Ontario: A Report on the Future of Tourism*, from MPP Greg Sorbara, detailed the significant economic contribution tourism makes to the province, with receipts totalling \$22 billion annually. The study also noted that, as vital as Ontario tourism is today in creating jobs and growth, its long-term economic potential is greater still.

Approximately \$40 million a year would be allocated to support destination marketing in Ontario tourism regions, once these are established.

The government is also announcing an additional \$41 million over three years to enhance Ontario's attractions, including:

- \$33 million for revitalization projects associated with Huronia Historical Parks and the St. Lawrence Parks Commission
- \$8 million for infrastructure improvements at Fort William Historical Park.

## **ATTRACTING INVESTMENT**

Once fully implemented, the government's proposed comprehensive tax reform package would cut Ontario's marginal effective tax rate on new capital investment in half – from 32.8 per cent to 16.2 per cent. This would make Ontario one of the most competitive jurisdictions in the industrialized world for new investment.

The government is announcing additional measures to enhance the province's ability to attract new business investment, which is critical for job creation in the long term.

Proposed measures include:

- \$1.2 million in ongoing operating funding, beginning in 2009-10, to the Toronto Regional Research Alliance to strengthen the city's ability to attract and grow innovative, research-intensive companies
- Working with private- and public-sector partners, through the Toronto Financial Services Alliance (TFSA), to provide the TFSA with the necessary resources to promote Toronto as a world-class financial centre.

This Budget also highlights the government's recent announcement of Open for Business, an ongoing plan to make government faster and friendlier for families and businesses, while still protecting public safety.

## **STRENGTHENING ONTARIO'S PENSION SYSTEM**

Following the report put forward by the Expert Commission on Pensions, the government is moving forward with pension reforms to address current economic challenges, strengthen the pension system and increase Ontario's competitiveness. The government is:

- Addressing the short-term economic challenges by:
  - Allowing plan sponsors to spread their solvency payments over a longer period to free resources for operations
  - Ensuring that workers and retirees are provided with clear information regarding the financial health of their pension plans.
- Moving forward with long-term pension reform, including:
  - Simplifying and clarifying pension rules related to marriage breakdown
  - Permitting plans to offer phased retirement
  - Establishing a Pension Reform Advisory Council
  - Considering establishing an independent and sustainable Pension Benefits Guarantee Fund agency as recommended by the Ontario Expert Commission on Pensions
  - Planning to introduce further reforms in the fall of 2009.

[See Chapter III of the Budget, *Reforming Ontario's Tax and Pension Systems*, for more information.]

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