

INDUSTRY IN ONTARIO

BUSINESS AND MANUFACTURING

The global economic downturn has heightened the competitive challenges facing Ontario businesses. The Ontario manufacturing sector is facing fundamental structural challenges. Against the backdrop of a global economic crisis, offshore competition and a critical slump in the U.S. economy, Ontario needs, more than ever, to focus on building a competitive province where businesses can thrive and grow.

Over the last five years, the McGuinty government has worked hard to increase the province's competitiveness, including making strategic tax cuts and ensuring the manufacturing sector has the support it needs to innovate and advance. For example, the Advanced Manufacturing Investment Strategy (AMIS), introduced in 2005, has made loan commitments of almost \$100 million to support innovative projects that will generate \$890 million in new investments and support the creation and retention of about 4,000 jobs in 15 communities over a five-year period. As well, in less than a year, the Next Generation of Jobs Fund (NGOJF) has announced support for nine projects, which leverage close to \$550 million in industry investments and secure 2,275 high-skilled jobs, through total Ontario support of over \$80 million.

2009 Ontario Budget

Manufacturing

In the 2009 Ontario Budget, the government is continuing to partner with key sectors to help Ontario's manufacturers preserve and create jobs and be well positioned to succeed in an increasingly competitive global economy.

The Budget proposes comprehensive tax reform that includes moving to a single, value-added sales tax system and cutting the Corporate Income Tax rate for manufacturers to 10 per cent from 12 per cent on July 1, 2010.

Other targeted tax relief in the Budget includes paralleling certain federal measures affecting the Capital Cost Allowance for manufacturing and processing machinery and equipment, and for computers and software. For more details, see Chapter III, *Reforming Ontario's Tax and Pension Systems*.

The tax savings provided by the elimination of Capital Tax for manufacturers and the proposed new business tax relief in the Budget would provide more than \$1.3 billion per year, when fully implemented, in additional tax relief for Ontario's manufacturing sector.

Lowering Business Costs

In this Budget, the government is proposing \$4.5 billion in tax relief over three years to make businesses more competitive in Ontario. In addition, the proposed single, value-added sales tax would generate significant benefits for business, including saving businesses more than \$500 million a year in paperwork costs and greatly reducing the tax burden on business investment by providing input tax credits.

These proposed business tax relief measures include:

- Cutting the manufacturing and processing CIT rate from 12 per cent to 10 per cent, effective July 1, 2010
- Cutting the general CIT rate from 14 per cent to 12 per cent, effective July 1, 2010, and to 10 per cent in 2013
- Exempting more small and medium-sized businesses from the Corporate Minimum Tax and cutting the rate from four per cent to 2.7 per cent effective July 1, 2010.

Once fully implemented, the comprehensive tax reform package would cut Ontario's marginal effective tax rate on new investment in half.

Small and Medium-Sized Businesses

A strong small business sector is important to Ontario's economic success. It provides important entrepreneurial dynamism to the province's economy. This Budget proposes targeted tax measures, in addition to the comprehensive tax reform package, that would provide more than \$1 billion over three years, beginning in 2010-11, to support Ontario's small businesses.

The proposed tax measures include:

- Cutting the small business Corporate Income Tax (CIT) rate to 4.5 per cent from 5.5 per cent on July 1, 2010
- Eliminating the small business deduction surtax to help growing small businesses
- Exempting more small and medium-sized businesses from the Corporate Minimum Tax
- Providing one-time transitional assistance of about \$400 million to help small businesses convert to the new single sales tax system
- Providing enhanced refundable tax credit rates for small businesses that hire apprentices and co-op students
- Paralleling the federal small supplier threshold for the single sales tax
- Extending the refundable Ontario Innovation Tax Credit to more small and medium-sized businesses
- Providing a temporary 100 per cent accelerated depreciation rate for buying eligible computers and software.

Achievements Since 2003

Since 2003, the government has undertaken strategic initiatives to help Ontario manufacturers in their transition to higher-value-added production and increased competitiveness:

- Since 2004, the province has made strategic tax cuts that have already saved Ontario businesses \$3.2 billion and, when fully implemented, will provide tax relief of nearly \$3 billion annually

- Eliminated the Capital Tax retroactive to January 1, 2007, for businesses primarily engaged in manufacturing and resource activities
- Extended accelerated Capital Cost Allowance (CCA) rates for manufacturing and processing machinery and equipment investments made before 2012, and paralleled other CCA measures announced in the 2008 federal budget
- Cut Business Education Taxes by \$540 million over seven years, beginning in 2008
- Loan commitments made through AMIS to support innovative projects will generate \$890 million in new investments and support the creation or retention of about 4,000 jobs over a five-year period
- In less than a year, the NGOJF has announced support for nine projects, which leverage close to \$550 million in industry investments and secure 2,275 high-skilled jobs, through total Ontario support of over \$80 million.

INNOVATION

2009 Ontario Budget

The 2009 Ontario Budget announces more than \$110 million in proposed tax relief in 2009-10 and \$715 million in investments to support key partnerships in innovation and encourage business to develop new products and services. These investments include:

- \$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
- \$250 million over five years for a new Emerging Technologies Fund that will focus on clean technologies, health and life sciences, and information and communication technologies, including digital media
- \$100 million over four years in operating funds for research performed in the biomedical field, focusing on genomics and gene-related research; this funding, as well as funding for research infrastructure, will be delivered through the Ontario Research Fund
- \$50 million over four years to enhance the successful Innovation Demonstration Fund, through which the government will continue to partner with innovative companies to develop emerging technologies, with a preference toward bio-based, environmental and alternative energy technologies
- \$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 fostering genomics research in Ontario
- \$2 million annually in proposed tax relief to extend the 10 per cent refundable Ontario Innovation Tax Credit to more small and medium-sized corporations that perform Scientific Research and Experimental Development (SR&ED) in Ontario
- \$110 million of tax relief in 2009-10 from paralleling the proposed federal temporary 100 per cent accelerated CCA rate for eligible computers and software acquired after January 27, 2009 and before February 2011.

Achievements Since 2003

The government has made investments in the following programs:

- The \$30 million Innovation Demonstration Fund (which is being enhanced by an additional \$50 million in this Budget) for the commercialization and initial demonstration of innovative technologies

- The \$29 million Investment Acceleration Fund, an early-stage seed fund to help Ontario-based startup and early-stage technology companies bring their products to market
- The \$205 million Ontario Venture Capital Fund, which includes a \$90 million investment by the provincial government.

ENTERTAINMENT AND CREATIVE INDUSTRIES

Ontario's entertainment and creative industries are an integral part of the province's new innovative economy. With employment of 276,000 in 2008, Ontario has the third-largest creative sector in North America, and is the leading Canadian province in film and television production, book and magazine publishing, and sound recording.

Ontario's artists, filmmakers, authors and musicians are some of the most skilled and innovative workers in our economy.

2009 Ontario Budget

The 2009 Ontario Budget is proposing about \$100 million annually in additional tax relief and investments of about \$30 million to support the entertainment and creative industries. Proposed investments include:

- \$17 million per year, when fully implemented, to enhance tax support for the creation of interactive digital media products in Ontario
- \$3 million per year to enhance the refundable book publishing tax credits
- \$9 million per year to enhance the refundable computer animation and special effects tax credit
- \$77 million per year to make 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) to help support Ontario's creative industries to compete domestically and globally
- \$10 million in a pilot project, administered through the OMDC, to support the development of intellectual property by Ontario-based companies in the screen-based sector.

Achievements Since 2003

The measures announced in the 2009 Ontario Budget build on existing government investments, including:

- Increasing Ontario's film and television tax credit rates in 2005 and 2008
- Expanding and enhancing the Ontario Interactive Digital Media Tax Credit in 2005, 2006 and 2008
- \$7.5 million over three years announced in the 2006 Budget for the Entertainment and Creative Cluster Partnerships Fund, which promotes cooperation between different sectors in the cluster
- \$7 million over four years to expand and enhance the Ontario Media Development Corporation's Interactive Digital Media Fund, starting in 2008-09
- \$5 million in additional funding announced in the 2007 Budget to the Ontario Media Development Corporation, which promotes and leverages investment, jobs and content creation on behalf of the province's cultural media cluster, including screen-based industries

- \$15 million, announced in the 2007 Budget, in additional base funding by 2009-10 to the Ontario Arts Council, which has promoted the arts and assisted artists since 1963
- \$10 million, announced in the 2007 Budget, to enhance the Arts Endowment Fund program, which provides income to about 260 organizations
- \$10 million, announced in the 2006 Budget, to support the Ontario Heritage Trust mandate to identify, preserve and protect Ontario's heritage
- \$4 million over four years in the International Fund to support Ontario's artists and cultural industries with international marketing and touring initiatives, co-productions and cultural participation in trade missions, starting in 2008-09
- \$2.3 million annually, announced in the 2007 Budget, to increase the Community Museum Operating Grants program, which provides financial assistance to community museums across the province to support their work in protecting and promoting Ontario's heritage
- \$49 million, announced in the 2006 Budget, to support Ontario's major cultural agencies and attractions, including the Royal Ontario Museum, Art Gallery of Ontario, Canadian Opera Company, National Ballet School, Royal Conservatory of Music and Gardiner Museum of Ceramic Art.

TOURISM

The McGuinty government understands the importance of tourism for Ontario's economic development. As vital as Ontario tourism is today for creating jobs and growth, its long-term economic potential is greater still. If Ontarians can adapt to rapidly changing tourism market dynamics — increased global travel, shifting demographics — while strengthening and better promoting this magnificent province, the opportunities for job creation and growth are substantial.

To support the province's tourism sector, the government asked Member of Provincial Parliament Greg Sorbara to lay out a strategy to maximize Ontario's tourism advantage. In February 2009, Sorbara released *Discovering Ontario: A Report on the Future of Tourism*. The report noted the significant contribution tourism makes to the province, with receipts totalling \$22 billion annually. It also noted that the sector contributed approximately 3.4 per cent to the province's GDP and employed close to 200,000 people in 2007.

2009 Ontario Budget

The 2009 Ontario Budget is announcing \$41 million over the next three years to enhance Ontario attractions:

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

In addition, approximately \$40 million of the single sales tax revenue would be allocated to support destination marketing in Ontario tourism regions, once these are established.

Achievements Since 2003

The initiatives announced in the 2009 Budget build on a five-year track record of significant investments in tourism by this government, including:

- \$50 million over four years to support enhanced marketing and the Festival and Events Attraction and Support Program, announced in the 2008 Budget
- \$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
- An additional \$2 million annually, announced in the 2007 Budget, to the St. Lawrence Parks Commission to support Ontario's tourism industry and preserve heritage sites at Fort Henry and Upper Canada Village.