

TAX SAVINGS FOR FAMILIES AND BUSINESSES

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Reforming Ontario's Sales Tax

Ontario is in the grip of a global economic crisis. Together, we need to do everything we can to help our people get through these difficult times and build a stronger Ontario for the future.

That's why Ontario is proposing to move to combine the two sales taxes paid in Ontario on July 1, 2010. Combined with other tax reform measures, this is the single most important thing we can do to create jobs and build a powerful economy.

The single sales tax would combine the GST and PST at a combined rate of 13 per cent. It would make Ontario more competitive, attracting the investment the province needs to grow, create jobs, and maintain a high and rising standard of living.

To help families and businesses adjust, we would:

- ❖ Exempt books, children's clothing and footwear, diapers, children's car seats and car booster seats and feminine hygiene products from the eight per cent provincial portion of the tax
- ❖ Ensure that newly constructed homes under \$400,000 would not be subject to an additional tax burden. Buyers of new homes valued between \$400,000 and \$500,000 could also claim a proportional rebate. The single sales tax would not apply to resale homes
- ❖ Help small businesses make the transition to a single sales tax by providing up to \$400 million in one-time transition support through a sales tax credit.

Businesses would save more than \$500 million a year in paperwork costs.

Tax Relief for People and Families

To help people and families adjust to the new single sales tax, the government would provide permanent tax relief and direct payments; 93 per cent of Ontario taxpayers would pay less personal income tax:

- ❖ Eligible families 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.

Ontario Personal Income Tax Rates (%)		
Taxable Income¹	Current (2009)	Proposed (2010)
\$0-\$36,848	6.05	5.05
\$36,848-\$73,698	9.15	9.15
> \$73,698	11.16	11.16

¹ Taxable income thresholds would be adjusted in 2010 and future years to reflect Ontario inflation.

Tax Cuts for Business

To help businesses become even more competitive, the government would provide tax cuts for businesses — especially small businesses. These tax cuts would lead to more jobs and a stronger, more competitive economy. Beginning July 1, 2010, we would:

- ❖ Cut the Corporate Income Tax (CIT) rate for small businesses by 18 per cent
- ❖ Cut the general CIT rate by 14.3 per cent. It would be further reduced by 16.7 per cent over the next three years
- ❖ Cut the Ontario Manufacturing and Processing CIT rate — which includes businesses like farming, fishing, mining and logging — by 16.7 per cent
- ❖ Eliminate the small business surtax — Ontario would be the only jurisdiction in Canada to end this barrier to growing small businesses
- ❖ Exempt more small and medium-sized businesses from the Corporate Minimum Tax and cut the rate for large businesses by 32.5 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.