

Ministry of Revenue

March 2009

### Highlights from the 2009 Ontario Budget Income Tax Related Programs

**About this Notice** On March 26, 2009, a number of proposed measures relating to the *Community Small Business Investment Funds Act*, the *Income Tax Act* and the *Taxation Act, 2007* were announced in the 2009 Ontario Budget.

The proposals must be passed by the legislature and receive Royal Assent to become law. This notice provides general information and is not a substitute for the legislation.

**Ontario Sales Tax Transition Benefit (STTB)**

As part of the sales tax reform, temporary relief would be provided to Ontarians to help ensure a smooth transition to the new sales tax system.

Benefits would be delivered to eligible Ontario tax filers aged 18 and over totalling a maximum of \$300 for single people and \$1,000 for single parents and couples. Each maximum benefit would be reduced by five per cent of the recipients' previous year's adjusted family net income over \$80,000 for single individuals and over \$160,000 for families.

Benefits would be delivered in each of June 2010, December 2010 and June 2011.

To qualify for the two benefits in 2010, a 2009 tax return would have to be filed, and a 2010 tax return would have to be filed for the June 2011 benefit.

Ontario Sales Tax Transition Benefit				
Payment Month	Single Individuals		Single Parents or Couples	
	Maximum Benefit	Phase-out Range	Maximum Benefit	Phase-out Range
June 2010	\$100	\$80,000–\$82,000	\$330	\$160,000–\$166,600
December 2010	\$100	\$80,000–\$82,000	\$335	\$160,000–\$166,700
June 2011	\$100	\$80,000–\$82,000	\$335	\$160,000–\$166,700
<b>Total</b>	<b>\$300</b>		<b>\$1,000</b>	

**Ontario Sales Tax Credit (OSTC)**

The 2009 Budget proposes a new ongoing sales tax credit to help low- to middle-income individuals and families with the sales taxes they pay.

The new sales tax credit would provide annual relief of up to \$260 a year, for each adult and child. It would be reduced by four per cent of adjusted family net income over \$20,000 for single people and over \$25,000 for families.

Under the current tax system, Ontario families have to wait until their income tax returns are processed to receive sales tax relief for the sales tax paid in the previous year. To provide more timely assistance, the new sales tax credit would replace the current sales tax relief, provided through the Ontario Property and Sales Tax Credits, with advance payments. The sales tax credit would be refundable and paid quarterly starting in August 2010, when the new sales tax would come into effect.

<b>Ontario Property Tax Credit (OPTC)</b>	<p>The 2009 Budget proposes that, starting in 2010, property tax relief currently provided through the Ontario Property and Sales Tax Credits, would be replaced by a new refundable Ontario Property Tax Credit for low- to middle-income homeowners and tenants. The new credit would maintain existing benefit amounts while extending property tax relief to more Ontarians.</p> <p>The credit would be based on occupancy cost – that is, property tax paid or 20 per cent of rent paid. A credit would be provided for occupancy cost of up to \$250 for non-seniors or \$625 for seniors, plus 10 per cent of occupancy cost.</p> <p>The credit would not exceed occupancy cost and would be subject to a maximum of \$900 for non-seniors or \$1,025 for seniors. It would then be reduced by 2 per cent of adjusted family net income in excess of \$20,000 for single individuals and \$25,000 for families.</p> <p>The amounts and thresholds would be indexed for inflation to protect the value of this assistance for people with low to middle incomes.</p> <p>Eligible senior homeowners would continue to receive additional assistance with their property taxes through the Ontario Senior Homeowners' Property Tax Grant.</p>
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<b>Ontario Tax Credits Threshold for Senior Couples</b>	<p>The 2009 Budget proposes to increase the income threshold for senior couples in 2009 for the Ontario Property and Sales Tax Credits. The new level would be determined when the federal government finalizes Old Age Security and the Guaranteed Income Supplement amounts for 2009.</p> <p>As a result of these increased amounts, the minimum level of income guaranteed by governments, including Ontario's Guaranteed Annual Income System, for qualifying Ontario senior couples is rising above \$24,300 in 2009.</p>
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<b>Personal Income Tax (PIT) Rate and Surtax</b>	<p><b>First Bracket Rate Cut and Surtax Threshold Adjustment</b></p> <p>The 2009 Budget proposes to cut the first personal income tax bracket rate by one percentage point from 6.05% to 5.05% and to adjust both surtax thresholds to maintain the progressivity of the income tax system.</p>
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#### **Surtax Thresholds Reduction and Dividend Tax Credit**

Ontario's two-tiered surtax adds to the progressivity of the personal income tax system. Currently, Ontario levies a 20 per cent surtax on basic Ontario tax over \$4,257, and a 36 per cent surtax on basic Ontario tax over \$5,370.

The 2009 Budget proposes to adjust both surtax thresholds to maintain the progressivity of the income tax system by providing a more proportionate distribution of benefits to taxpayers as a result of the rate adjustment.

The basic Ontario tax threshold for the 20% surtax would be reduced from \$4,257 to \$3,978.

The basic Ontario tax threshold for the 36% surtax would be reduced from \$5,370 to \$5,091.

As a result of the proposed Corporate Income Tax (CIT) rate reductions, Ontario would adjust the Dividend Tax Credit (DTC) rates for dividends from taxable Canadian corporations. The changes to the DTC rates would maintain the integration of Ontario's PIT and CIT systems by reflecting the reduction in CIT rates.

The proposed changes would take effect January 1, 2010.

**Enhancing the Co-operative Education Tax Credit**

The Co-operative Education Tax Credit (CETC) is a refundable tax credit available to businesses that employ postsecondary students enrolled in qualifying co-operative education programs at eligible educational institutions.

Currently, the CETC is a 10 per cent refundable tax credit (15 per cent for small businesses) on salaries and wages paid, to a maximum credit of \$1,000 per work placement.

This Budget proposes enhancements to the CETC, effective for eligible expenditures incurred after March 26, 2009, that would:

- increase the 10 per cent CETC rate to 25 per cent and the enhanced 15 per cent rate for small businesses to 30 per cent; and
- increase the maximum tax credit available from \$1,000 to \$3,000 per work placement.

**Enhancing the Apprenticeship Training Tax Credit**

The Apprenticeship Training Tax Credit (ATTC) is a refundable tax credit available to businesses on the salaries and wages paid to eligible apprentices in designated construction, industrial, motive power and service trades. Currently, the ATTC provides a 25 per cent refundable tax credit (30 per cent for small businesses) on the salaries and wages paid during the first 36 months of an apprenticeship program, to a maximum annual credit of \$5,000.

The ATTC is available for apprentices that begin their apprenticeship program before January 1, 2012 and salaries and wages paid before January 1, 2015.

This Budget proposes enhancements to the ATTC, effective for expenditures incurred after March 26, 2009, that would:

- increase the 25 per cent ATTC rate to 35 per cent and the enhanced 30 per cent rate for small businesses to 45 per cent;
- increase the \$5,000 annual maximum tax credit to \$10,000;
- extend the ATTC to salaries and wages paid during the first 48 months of an apprenticeship program; and
- make the ATTC a permanent tax incentive.

**Ontario Senior Homeowners' Property Tax Grant and Ontario Property and Sales Tax Credits**

The 2009 Budget proposes changes to the *Taxation Act, 2007* to amend certain definitions so that residents of trailer parks and life lease residents are allowed to receive the Ontario Senior Homeowners' Property Tax Grant (OSHPTG) and the Ontario Property and Sales Tax Credits (OTCs).

The proposed change would affect seniors claiming the OSHPTG and/or the OTCs where their principal residence is a non-seasonal mobile home or a residence occupied pursuant to a prepaid life lease or a prepaid lease having a term of at least 10 years.

Individuals who own their home but lease the land on which the home is situated would be able to claim the OSHPTG or OTCs by:

- Determining the amounts they paid for the year to the owner of the land to compensate the owner for municipal tax assessed against the land.
- Determining the amounts of municipal tax they paid for the year in respect of the non-seasonal mobile home.
- Using the total of the two amounts determined above for the OSHPTG and OTCs.

The effective date of the proposed changes would be January 1, 2009.

**Labour Sponsored Investment Funds (LSIF)**

The Ontario government proposes changes to the *Community Small Business Investment Funds Act* to allow shares in LSIFs to be purchased through a Tax-Free Savings Account.

The effective date of the proposed changes would be the date of Royal Assent of the *Budget Measures Act, 2009*.

**Changes to the Ontario Child Care Supplement for Working Families**

The Ontario government is proposing to increase the maximum Ontario Child Benefit (OCB) payment from \$600 to \$1,100 per child per year starting in July, 2009. This is a two year acceleration of the current OCB phase-in schedule.

OCB payments began replacing the Ontario Child Care Supplement for Working Families (OCCS) payments dollar for dollar starting in July, 2008.

If, as proposed, the maximum OCB payment increases to \$1,100 annually per child in July, 2009, the OCCS will begin to be phased out. At \$1,100, the OCCS per child benefit for dual parent families will be fully offset by the OCB. Single parent families continue to remain eligible to receive a \$1,310 per child OCCS benefit.

No child born after June 30, 2009 would be eligible for OCCS. Single parents with children born before July 1, 2009 and who are eligible for the OCCS would receive the OCCS single-parent supplement of up to \$210 per child until their children turn seven.

The effective date of the proposed changes would be the date of Royal Assent of the *Budget Measures Act, 2009*.

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