



## **Ontario's Economic Outlook**

On December 13, 2007, Finance Minister Dwight Duncan delivered Ontario's Economic Outlook and Fiscal Update. Highlights of the proposed measures include the following:

### **Increasing the Provincial Small Business Deduction Limit**

Currently, the first \$400,000 of taxable active business income is taxed at a preferential 5.5% corporate tax rate in Ontario (18.62% when combined with the Federal rate). For Ontario corporate tax purposes, this preferential corporate tax rate is gradually reduced when an associated group of companies' taxable income is more than \$400,000 and is completely phased out when taxable income for the associated group reaches \$1,128,519.

The Ontario government proposes to increase the small business deduction limit from \$400,000 to \$500,000 of taxable active business income retroactive to January 1, 2007. In addition, the preferential corporate tax rate for Ontario tax purposes will not be completely eliminated until taxable income for an associated group of companies reaches \$1,500,000.

### **Reduction in Ontario Capital Taxes**

Effective January 1, 2008, the Ontario government proposes to eliminate Capital Tax for companies whose salaries and wages relating to manufacturing, processing, mining, logging, farming or fishing activities in Ontario represents more than 50% 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% but more than 20% of their total salaries and wages in Ontario, Capital Tax will be reduced proportionately on a straight-line basis.

All other corporations will receive the benefit of an acceleration of the Capital Tax rates currently scheduled for January 1, 2009, two years ahead of schedule. The Capital Tax rate of 0.225% will be accelerated such that it will be effective retroactive back to January 1, 2007. As previously legislated, Capital Tax will be fully eliminated July 1, 2010.

### **Other Measures of Interest**

Expanding the Land Transfer Tax Refund Program for First-Time Homebuyers to include purchases of resale homes purchased after December 13, 2007. A refund of up to \$2,000 may be available;

An increase to the maximum investment that qualifies for the Labour-Sponsored Investment Fund ("LSIF") credit from \$5,000 to \$7,500 and delaying the phase out of the credit by 1 year.