



2008 Ontario Budget

On March 25, 2008, the Honourable Dwight Duncan, the Ontario Minister of Finance, delivered his first Ontario budget and the fifth budget under the current McGuinty government. While there has been much rhetoric in recent weeks between Jim Flaherty, the Federal Minister of Finance and Dwight Duncan, over the ability of Ontario to attract new and retain existing business in the province, this budget, in our view, does not propose any significant measures that improves Mr. Duncan's position.

Tax Exemption for Corporations Commercializing Intellectual Property

The budget proposes a 10-year tax exemption for corporations established after March 24, 2008 and before March 25, 2012, that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes. A corporation that carries on eligible commercialization activities, which would include the development of prototypes, marketing and manufacturing of products related to the intellectual property, would be exempt from provincial income tax for 10 years.

Enhancements to the Ontario Innovation Tax Credit (OITC)

The OITC is a refundable 10% tax credit available on a corporation's qualifying Scientific Research and Experimental Development (SR&ED) activities. In an effort to make the credit available to more companies, the budget proposes to extend the taxable income phase-out range to a new upper limit of \$700,000 (previously the OITC was fully phased out when taxable income of an associated group of companies reached \$600,000). In addition, the budget proposes to provide the OITC on the first \$3,000,000 (previously, \$2,000,000) of SR&ED expenditures in a particular year.

Other Budget Proposals

- Retroactive elimination, effective January 1, 2007, of capital tax for corporations whose salaries and wages relating to manufacturing and processing in Ontario represents more than 50% of their total salaries and wages in Ontario;
- Parallel measures to the Federal budget proposals concerning accelerated capital cost allowance for manufacturing and processing machinery and equipment acquired after March 19, 2007;
- Providing a new property tax grant up to \$250 in 2009 (\$500 in 2010) to seniors with low and moderate incomes who own their own houses.