



## Ontario Economic Outlook and Fiscal Review 2017

On November 14, 2017 Minister of Finance Charles Sousa delivered the review in the legislature. The following highlights were noted that would impact small to mid sized business and their taxation:

- As previously announced it is proposed that the Ontario minimum wage will increase to \$14 per hour January 1, 2018 and \$15 per hour January 1, 2016.
- A “strengthening” announcement for small business providing more than \$500 million over 3 years in new initiatives that will lower costs and support growth, including a 22% cut in the Corporate Income Tax rate for small businesses as well as enhancements to certain apprenticeship opportunities and training grants.
- There were also a number of announcements concerning health care, education, housing, electricity and fairness, many of which repeated previous announcements.

The announcement on corporate taxes consists of a 1% decrease in the Corporate Income Tax rate on income eligible for the small business deduction from 4.5% to 3.5%. This decrease in conjunction with the Federal decrease previously announced means the tax rate for 2018 on income eligible for the small business deduction in Ontario will be 13.5% combined, and for 2019 will be 12.5% combined.

To the extent that overall personal income tax rates on income in Ontario have not changed and are still 53.53% at an income level above \$220,000, the tax rate on non-eligible dividends has been increased from 45.3% in 2017 to approximately 46.8% in 2018 at that level. At the top marginal tax rate, there is an approximately 1.5% advantage to receiving a dividend in 2017 vs. 2018 or \$150 for ever \$10,000 of dividend. The increase of course falls to dividends at all income levels but is best illustrated at the highest marginal tax rate. The rate increase noted assumes no changes to the personal tax rates in the 2018 Federal or Ontario budgets.

### My Thoughts

This decrease in the corporate tax rate and hence increase in the personal tax rate continues to widen the gap between the overall tax rates and the small business tax rate, a difference which the Federal government called abusive in their assault on corporate taxation announced beginning July 17, 2018 and now extended and continuing into the Federal Budget consultations for 2018. We would again call on both the Federal and Ontario governments to lower overall personal tax rates and hence lower the spread.