



## Special Tax Alert – November 16, 2018

On November 15, 2018 the Ontario Government released their 2018 Ontario Economic Outlook and Fiscal Review called “A Plan for the People”. The information released contained a number of personal and corporate tax changes including the following that might be of interest to you:

- Introduction of the “LIFT” tax credit
- Adjustments to the Employer Health Tax
- Extension of Time-Limited Tax Relief for the Electricity Distribution Sector
- Property tax Exemption for the Royal Canadian Legion
- 2018 Budget Announcement not Being Implemented

There were also several technical amendments to the Ontario tax system. For full details of the above items and the technical amendments, please visit:

<https://www.fin.gov.on.ca/fallstatement/2018/contents.html>

### LIFT Tax Credit

Beginning in 2019, for Low-income taxpayers who have employment income the Low-Income Individuals and Families Tax (LIFT) Credit will reduce or eliminate the Ontario personal income tax. The LIFT Credit will be calculated as follows.

The lesser of:

- \$850; and
- 5.05% of employment income.

The amount is then reduced by 10% of the greater of:

- Adjusted individual net income in excess of \$30,000; and
- Adjusted family net income in excess of \$60,000.

Taxpayers would not get this credit if they have no Ontario income tax, no employment income, more than \$38,500 in adjusted individual net income, a higher income partner such that their adjusted family net income is greater than \$68,500 or they have been in prison for more than six months during the year.

## **Employer Health Tax**

The exemption available to Private-sector employers from EHT will be increased from \$450,000 to \$490,000 as of January 1, 2019.

## **2018 Budget Announcements not Being Implemented**

### Surtax

The proposed adjustments to the Ontario tax rates, brackets, surtax and credits will not proceed as was proposed in the 2018 budget. The government indicates the result is a savings of about \$200, on average, for approximately 1.8 million people.

### Small Business Limit

The government will propose legislation to ensure Ontario does not parallel federal restrictions on a corporation's eligibility to claim the \$500,000 small business deduction limit and hence the small business rate of tax. Federally there will be measures in place restricting access to the small business rate of tax where a corporation earns more than \$50,000 of passive investment income for tax years that begin after 2018. Under the Federal measures, the small business deduction is completely eliminated when the passive investment income reaches \$150,000.

### Other

Technical adjustments were proposed in the 2018 Ontario Budget related to the Ontario Research and Development Tax Credit and the Ontario Innovation Tax Credit. As well, the budget proposed exploring measures to target the Employer Health Tax Exemption. The government announced they are not moving forward with these proposals.

Should you have questions about these or other tax issues please do not hesitate to contact your trusted advisor here at Graham Scott Enns LLP, Chartered Professional Accountants.