

To: Our Valued Clients and Friends of the firm:

Commentary: Ontario Budget 2010

Today, the Ontario government brought down its budget. Most of the news was on the spending and deficit side with the government promising to keep spending increases down and promising to balance its books by 2017-2018. For a large number of public sector employees, this means a wage freeze. The news on the tax side was essentially that the corporate and personal income tax rate reductions and changes promised in the 2009 budget are still scheduled to be delivered. And of course, HERE COMES THE HST!

Corporate Income Tax

The 2010 budget keeps the cuts to corporate income tax rates proposed in the 2009 budget. The rates are as follows:

Ontario's Corporate Income Tax Rates			
Rates (%)			
Date	General	Manufacturing & Processing	Small Business
Current	14.0	12.0	5.5
July 1, 2010	12.0	10.0	4.5
July 1, 2011	11.5	10.0	4.5
July 1, 2012	11.0	10.0	4.5
July 1, 2013	10.0	10.0	4.5

The overall (corporate and personal combined) top marginal tax rates for income earned by a corporation, paid out by dividends, are as follows:

Top Marginal Corporate and Personal Income Tax Rate			
Rates (%)			
Date	General	Manufacturing & Processing	Small Business
2010	49.3	48.0	43.3
2011	48.6	47.4	43.0
2012	48.1	47.3	43.0
2013	47.6	47.3	43.0

The top marginal rate on salary is 46.4% for all years.

Other Corporate Tax Measures

Up to \$1,000 in HST small business transitional support credit for businesses with revenue less than \$2 million.

RST vendor compensation previously scheduled to end on March 31, 2010 has been extended to the period of April 1 to June 30, 2010 up to a maximum of \$375.

The Ontario corporate surtax will be eliminated on July 1, 2010. This surtax had been designed to eliminate the benefits of the lower small business tax rate and impacted companies with income in excess of \$500,000.

The capital tax on corporations is eliminated on July 1, 2010.

Personal Income Tax

Effective January 1, 2010, the first tax bracket rate is cut from 6.05% to 5.05%.

The Ontario Property and Sales Tax Credits have been replaced by two new credits: the Ontario Sales Tax Credit and the Ontario Energy and Property Tax Credit. In the 2009 budget, the second credit was known as the Ontario Property Tax Credit. In the 2010 budget, this credit has been enhanced to include energy and property tax relief.

The Ontario Senior Homeowner's Property Tax Grant, started in 2009, doubles to \$500 in 2010.

Ontario Sales Tax Transition benefits will be paid in June 2010, December 2010, and June 2011. Intended to offset part of the HST impact, eligible families with net income up to \$160,000 will receive three payments totalling \$1,000 and eligible single people with net income up to \$80,000 will receive three payments totalling \$300.

To learn more about SF Partnership, LLP, please visit our website at www.sfgroup.ca.

The Partners
SF Partnership, LLP
4950 Yonge Street, 4th Floor
Toronto, Ontario, Canada
M2N 6K1
416-250-1212

