



Business and tax tips for successful financial planning

Tax Alert: The 2007 Ontario Economic Statement

Given the strong Canadian dollar and other challenges currently faced by the Ontario economy, Ontario Finance Minister Dwight Duncan announced on December 13 a \$3-billion package of business tax measures and investments in skills, training and infrastructure. The proposal includes \$1.1 billion in tax reductions for business over three years.

Highlights of the government's plan include:

Capital Tax

- The Capital Tax for manufacturing and processing ("M&P") and resource activities will be eliminated on January 1, 2008. This applies to corporations with over 50% of their Ontario salaries and wages in manufacturing or processing, mining, logging, farming or fishing activities in Ontario.
- Capital Tax is reduced retroactive to January 1, 2007, and faster reductions apply in the future than were originally planned.

Effective January 1	Capital tax deduction (\$ millions)	Capital Tax Rate (%)	
		Primarily M&P and resource activities	Other non-financial corporations
2006	5.0	0.300	0.300
2007	12.5	0.225	0.225
2008	15.0	Eliminated	0.225
2009	15.0	Eliminated	0.225
2010	15.0	Eliminated	0.150
July 1, 2010	Eliminated	Eliminated	Eliminated

Small Business Deduction (SBD)

- The SBD limit will be increased to \$500,000 from \$400,000, retroactive January 1, 2007.
- The SBD is phased out when income reaches \$1,500,000, up from \$1,128,519.

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Labour-Sponsored Investment Fund (LSIF)

- The government proposes to extend the phase-out of the LSIF tax credit by:
 - maintaining the 15% tax credit rate until the end of the 2009 tax year
 - lowering the rate to 10% for the 2010 tax year
 - lowering the rate to 5% for the 2011 tax year
 - eliminating the credit for subsequent tax years.
- It will increase the maximum investment that qualifies for the provincial tax credit from \$5,000 to \$7,500.

Ontario's Film and Television Industry

- The Ontario Film and Television Tax Credit increases from 30% to 35% for labor expenditures incurred after 2007 and before 2010.
- The Ontario Production Services Tax Credit increases from 18% to 25% for labor expenditures incurred after 2007 and before 2010.

Land Transfer Tax (LTT)

- The LTT refund for first-time homebuyers is expanded to include purchases of resale homes for agreements entered into after 2007.
- First-time homebuyers of both newly-constructed and resale homes will be eligible for a refund of up to \$2,000.
- LTT must be paid at the time of registration. Eligible buyers will apply for a refund by submitting a refund affidavit.

Capital Cost Allowance (CCA)

- Paralleling the 2007 federal budget initiative, M&P machinery and equipment acquired on or after March 19, 2007, and before 2009 are eligible for an accelerated Ontario CCA rate of 50% on a straight line basis.
- The accelerated CCA applies to computer equipment, certain buildings, pipelines and clean-energy generation.



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