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Tax Alert – Canada

Ontario action plan

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 25 March 2020, the Ontario government delivered its 2020-21 fiscal update. Notably, Ontario announced a \$17 billion action plan in response to recent economic dislocation resulting from global health concerns. This plan includes \$3.3 billion in additional health care spending, \$3.7 billion in support of people and jobs, and \$10 billion in support for residents and businesses to improve cash flows. On the same day, Bill 188, *Economic and Fiscal Update Act, 2020*, passed all stages and received Royal Assent. Bill 188 enacts several support measures announced as part of the update. This Alert briefly summarizes the key support measures listed in the fiscal update.

Supporting people and jobs

Guaranteed Annual Income System (GAINS)

Effective April 2020, Ontario is doubling the GAINS maximum payment for low-income seniors for six months. This will increase the maximum payment to \$166 for individuals and \$332 for couples.

Parental support

In order to help parents with extra costs arising from school and daycare closures, Ontario is providing a one-time payment of \$200 per child up to 12 years of age and \$250 for children with special needs. This initiative includes children enrolled in private schools.



Ontario Student Assistance Loan (OSAP)

OSAP repayments are suspended for the period from 30 March 2020 to 30 September 2020. Borrowers will not be required to make any loan or interest payments during this period.

Workers

Ontario has enacted legislation to provide job-protected leave to:

- ▶ Employees in isolation or quarantine; or
- ▶ Employees who need to be away from work to care for children as a result of school or daycare closures.

These measures are retroactive to January 25.

Ontario is also providing \$100 million for skills training programs for workers impacted by the current economic downturn. As well, the province is committed to working with the federal government to assist apprentices in skilled trades and help businesses retain them during this period of economic uncertainty.

Electricity bill relief

For the 2020-21 fiscal year, Ontario will reduce electricity bills for eligible residential, farm and small-business consumers by providing approximately \$5.6 billion for electricity cost relief programs, an increase of \$1.5 billion from the 2019 budget. The province has announced that one way in which hydro bills will be reduced is by eliminating time-of-use electricity rates for residential, farm and small-business customers and setting rates at the lowest off-peak price, 24 hours a day for 45 days.

Ontario is also providing \$9 million in direct support to families by expanding eligibility for the Low-Income Energy Assistance Program. The province will also temporarily bar the disconnection of electricity and natural gas services for nonpayment.

Support for people and businesses to improve cash flow

Workplace Safety and Insurance Board (WSIB) payments

Ontario will provide employers with approximately \$1.9 billion in relief by allowing them to defer WSIB payments for up to six months. Specifically, Schedule 1 employers (i.e., employers operating under the collective liability insurance principle) that owe premiums to the WSIB may defer reporting and payments until 31 August 2020. Deferral is also available to Schedule 2 organizations (i.e., employers that are individually responsible for the full cost of accident claims filed by their workers). During this deferral period, interest will not accrue on outstanding payments and no penalties will be charged.

Tax measures

Doubling of 2020 Employer Health Tax (EHT) exemption

Currently, the first \$490,000 of payroll is exempt from Ontario EHT for eligible private-sector employers. This exemption must be shared by an associated group of employers. Employers that qualify for the exemption pay EHT at a rate of 1.95% on payroll in excess of \$490,000. However, the exemption is eliminated for private-sector employers (including groups of associated employers) with annual Ontario payrolls over \$5,000,000. Employers that do not qualify for the exemption are subject to graduated rates ranging from 0.98% to 1.95%, with the 1.95% rate generally applicable for payrolls over \$400,000.

Ontario will retroactively raise the EHT exemption from \$490,000 to \$1,000,000 for 2020. The exemption will return to \$490,000 on 1 January 2021. EHT for an eligible employer with a payroll of \$1,300,000 in 2020, for example, will be reduced from \$15,795 $((\$1,300,000 - \$490,000) \times 1.95\%)$ to \$5,850 $((\$1,300,000 - \$1,000,000) \times 1.95\%)$.

Interest and penalty relief

Penalties and interest will not apply to late returns or remittances for a period of five months, from 1 April 2020 to 31 August 2020, for the following provincially administered tax programs:

- ▶ Employer Health Tax
- ▶ Tobacco Tax
- ▶ Fuel Tax
- ▶ Gas Tax
- ▶ Beer, Wine and Spirits Taxes
- ▶ Mining Tax
- ▶ Insurance Premium Tax
- ▶ International Fuel Tax Agreement
- ▶ Retail Sales Tax on Insurance Contracts and Benefit Plans,
- ▶ Race Tracks Tax

This measure is in addition to the deferral to 1 September 2020 (announced on 18 March 2020 by the federal government) for income tax balances and instalments that become owing on or after 18 March 2020 and before September 2020 (see [EY Tax Alerts 2020-20](#) and [2020-15](#)).

Regional Opportunities Investment Tax Credit

Ontario is introducing a 10% refundable corporate income tax credit for Canadian-controlled private corporations that make eligible capital investments that become available for use on or after 25 March 2020 in specified regions of Ontario. Qualifying investments include expenditures for capital property included in Class 1 and Class 6 for capital cost allowance purposes. Examples include expenditures for constructing, renovating or acquiring eligible commercial and industrial buildings. The tax credit will be available for qualifying expenditures over \$50,000 and up to \$500,000 in a taxation year. The specified regions are generally located in Northern Ontario, Eastern Ontario (other than the Ottawa region) and Southwestern Ontario.

Postponement of property tax reassessment

The property valuation update, or reassessment, scheduled to be completed by the Municipal Property Assessment Corporation in 2020 for the 2021 taxation year has been postponed. Therefore, assessments for the 2021 taxation year will continue to be based on the same valuation date that was in effect for the 2020 taxation year.

Learn more

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