



# TaxNewsFlash

Canada

## Highlights of the 2023 Ontario Fall Economic Update

November 2, 2023

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Ontario's Finance Minister Peter Bethlenfalvy delivered the province's 2023 Fall Economic Update on November 2, 2023. The Update anticipates a deficit of \$5.6 billion for 2023-24 and projects a deficit of \$5.3 billion for 2024-25 and a surplus of \$0.5 billion for 2025-26. Although the Update does not include any new changes to the corporate or personal tax rates, it effectively removes the provincial 8% HST on qualifying new purpose-built rental housing in Ontario in line with recent federal proposed GST changes and extends gas and fuel tax reductions until mid-2024, among other changes.

### Indirect tax changes

#### *HST on purpose-built rental housing*

The Update effectively removes the provincial 8% HST on qualifying new purpose-built rental housing in Ontario for a temporary period. Ontario notes in the Update that it will achieve this change by increasing the rebate on the HST paid on certain purchases of residential rental property to 100% of the provincial portion of the HST paid (from 75%). This measure, which mirrors proposed enhancements to the federal GST/HST New Residential Rental Property Rebate, would effectively result in the removal of the full 13% on qualifying new purpose-built rental housing in Ontario. In line with the federal changes, Ontario's proposal would apply to qualifying projects that begin construction on or after September 14, 2023, and on or before December 31, 2030, and complete construction by December 31, 2035.

To be eligible, new residential units must qualify for the existing GST/HST New Residential Rental Property Rebate and be in buildings with at least:

- Four private apartments (i.e., a unit containing a private kitchen, bathroom and living areas) or 10 private rooms or suites, and
- 90% of residential units designated for long-term rental.

Ontario notes that substantial renovations of existing residential complexes would not be eligible for the enhanced 100% rebate but may remain eligible for the existing 75% rebate. Ontario notes that federal regulatory changes are needed to implement this measure.

### *Gas and fuel tax reductions*

In the Update, Ontario says that it will extend the province's gas and fuel tax reductions to June 30, 2024 (from December 31, 2023). Originally, the Ontario government temporarily cut the gas tax to 9 cents per litre (from 14.7 cents per litre) and the fuel tax to 9 cents per litre (from 14.3 cents per litre) effective July 1, 2022.

### *Vaping product taxation*

The Update states that vaping products intended for sale in Ontario will be subject to an additional excise duty, at the same rate as the existing federal excise duty. Ontario advises that this duty will be levied as part of a planned coordinated agreement with the federal government and further information will be available in the coming months.

## **Personal tax changes**

### *Ontario Focused Flow-Through Share Tax Credit*

The Update expands eligibility for the Ontario Focused Flow-Through Share Tax Credit, which provides eligible individuals with a refundable 5% tax credit on eligible Ontario expenses. Under this change, specified critical mineral exploration expenditures that are eligible for the federal Critical Mineral Exploration Tax Credit, would be eligible for the provincial credit if they are renounced on or after January 1, 2023.

## **Other changes**

### *General Anti-Avoidance Rule*

Ontario notes in the Update that it intends to mirror any changes to the federal general anti-avoidance rule (GAAR) that are implemented following the federal GAAR consultation released on August 4, 2023.

### *Technical amendments*

The Update proposes various technical amendments including to:

- Extend the International Fuel Tax Agreement (IFTA) registration, reporting, and audit requirements to Ontario-based interjurisdictional carriers (e.g., long-haul truckers) who use alternative fuels
- Update the calculation of the Ontario Health Premium so that it is payable on split income, in addition to taxable income
- Remove the rounding rule used in determining an individual's tax credit for the Minimum Tax.

### [New Ontario Infrastructure Bank](#)

The Update announces that Ontario is launching the Ontario Infrastructure Bank, a new agency intended to enable public-sector pension plans, institutional investors and Indigenous communities to further participate in large-scale infrastructure projects across the province. Ontario says it will provide initial funding of \$3 billion to the bank.

### [We can help](#)

Your KPMG adviser can help you assess the effect of the tax changes in this year's Ontario Fall Economic Update on your personal finances or business affairs, and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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