



TaxNewsFlash

Canada

Highlights of the 2022 Ontario Fall Economic Update

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Ontario's Finance Minister Peter Bethlenfalvy delivered the province's 2022 Fall Economic Update on November 14, 2022. The Update anticipates a deficit of \$12.9 billion for 2022-23 and projects deficits of \$8.1 billion for 2023-24 and \$0.7 billion for 2024-25. Although the Update does not include any new changes to the corporate or personal tax rates, it mirrors federal changes to allow more medium-sized Canadian-controlled private corporations (CCPCs) to benefit from the small business deduction, adjusts certain cultural media tax credits and extends gas and fuel tax reductions until the end of 2023, among other changes.

Business tax changes

Small business deduction

The Update introduces changes to allow more medium-sized CCPCs to benefit from the small business deduction. Specifically, the Update introduces a new range of \$10 million to \$50 million (previously \$10 million to \$15 million) over which the small business limit is reduced based on the combined taxable capital employed in Canada of a CCPC and its associated corporations. This measure, which harmonizes with a federal measure announced in the 2022 federal budget, increases the amount of qualifying active business income that can be eligible for the small business deduction. This measure is proposed to apply to taxation years that begin on or after April 7, 2022, consistent with the federal change and will be introduced in legislation once the federal measure has received Royal Assent. For details on the federal changes, see *TaxNewsFlash-Canada* 2022-24, "[2022 Federal Budget Highlights](#)".

Cultural media tax credits

The Update enhances certain refundable cultural media tax credits, following Ontario's previous announcement that it would modernize these tax credits in its 2022 provincial budget (see *TaxNewsFlash-Canada* 2022-29, "[Highlights of the 2022 Ontario Budget](#)"). Specifically, the Update:

- Expands Ontario's film and television tax credits to professional film and television productions distributed exclusively online (with proposed amendments to be released for public consultation)
- Allows certain location fees for filming at homes and businesses to qualify for the Ontario Production Services Tax Credit, effective for expenditures incurred after November 14, 2022
- Requires film and television productions eligible for the Ontario Film and Television Tax Credit and the Ontario Production Services Tax Credit to provide on-screen acknowledgement of their receipt of Ontario tax credit support, effective for productions that begin principal photography after December 31, 2022.

Personal tax changes

Support for low-income seniors

The Update doubles the Guaranteed Annual Income System (GAINS) maximum payment to \$166 per month for individuals and \$332 per month for couples, for 12 months starting in January 2023. GAINS is a program for qualifying low-income seniors.

Other changes

Extended gas and fuel tax reductions

In the Update, Ontario notes that it will extend the province's gas and fuel tax reductions to December 31, 2023 (from December 31, 2022). Previously, the Ontario government 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) for six months effective July 1, 2022. Ontario first announced this extension on November 13, 2022.

Tobacco tax

The Update announces that Ontario is proceeding with a review of the *Tobacco Tax Act*. A review of the Act and its regulations is intended to address administration and other issues.

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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