



# TaxNewsFlash

Canada

## Highlights of the 2024 Ontario Budget

March 26, 2024

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Ontario's Finance Minister Peter Bethlenfalvy delivered the province's 2024 budget on March 26, 2024. The budget anticipates a deficit of \$3 billion for 2023-24 and projects deficits of \$9.8 billion for 2024-25 and \$4.6 billion for 2025-26. Although the budget does not include any new changes to the corporate or personal tax rates, it extends the gasoline tax and fuel tax rate reductions until December 31, 2024 (instead of June 30, 2024) and amends the eligibility requirements for the Ontario Computer Animation and Special Effects Tax Credit, among other changes.

### Corporate tax changes

#### Corporate income tax rates

The budget does not announce changes to the province's corporate tax rates. As a result, Ontario's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2024		
	Ontario	Combined Federal and Ontario
General	11.50%	26.50%
M&P	10.00%	25.00%
Small business <sup>1</sup>	3.20%	12.20%

<sup>1</sup> On first \$500,000 of active business income.

### *Ontario Computer Animation and Special Effects Tax Credit*

The budget adjusts the eligibility requirements for the Ontario Computer Animation and Special Effects (OCASE) Tax Credit. Under these changes, a qualifying corporation would now be required to incur a minimum of \$25,000 in Ontario labour expenditures for each eligible film or television production, subject to certain timing conditions. In addition, instructional videos, music videos and gaming videos would not be eligible for the credit.

These new eligibility requirements replace the current requirement that an eligible film or television production must also be certified for either the Ontario Film and Television Tax Credit or the Ontario Production Services Tax Credit. These changes are effective for productions for which the qualifying corporation commences computer animation or special effects work on or after March 26, 2024.

### **Personal tax changes**

#### *Personal income tax rates*

The budget does not announce changes to personal tax rates. As a result, Ontario's personal income tax rates effective January 1, 2024 are as follows:

<b>Personal Combined Federal/Ontario Top Marginal Rates</b>	
	<b>2024</b>
Interest and regular income	53.53%
Capital gains	26.76%
Eligible dividends	39.34%
Non-eligible dividends	47.74%

### **Indirect tax changes**

#### *Gasoline tax and fuel tax*

The budget extends the temporary gasoline tax and fuel tax rate reductions so that the rate of tax on gas and fuel will remain at nine cents per litre until December 31, 2024 (instead of June 30, 2024).

#### *Alcohol taxation and fees*

The budget announces that the government intends to review taxes and fees on beer, wine and alcoholic beverages.

### *Tobacco tax*

The budget announces certain administrative changes to the tobacco tax regime, including to adjust the monthly filing deadline for tobacco tax registrants and increase fines, among other changes.

### **Other tax changes**

#### *Housing supply and affordability*

The budget announces that Ontario intends to introduce legislative frameworks to allow qualifying municipalities to:

- Implement a Vacant Home Tax
- Offer a reduced property tax rate on new multi-residential rental properties.

#### *Tax system review*

The budget advises that the government is proceeding with its review of the province's tax system, announced in the 2023 Ontario budget. Ontario states that it will consider input from recent consultations in its review.

#### *Property assessment and taxation review*

The budget announces that Ontario will continue to defer property reassessments while it reviews the property assessment and taxation system. Ontario advises that it intends to consult with stakeholders on property assessments starting in the early spring.

#### *Carbon tax referendum*

The budget states that the provincial government will introduce legislation to require a public referendum before implementing any new provincial carbon pricing program.

#### *Technical amendments*

The budget advises that Ontario may also propose certain technical amendments, including to address small estate certificates in the *Estate Administration Tax Act, 1998* and intra-day credit for loans entered into by Ontario.

### **We can help**

Your KPMG adviser can help you assess the effect of the tax changes in this year's Ontario budget 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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