



# TaxNewsFlash

Canada

## Highlights of the 2024 Ontario Fall Economic Update

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Ontario's Finance Minister delivered the province's 2024 Fall Economic Update on October 30, 2024. The Update anticipates a deficit of \$6.6 billion for 2024-25 and projects a deficit of \$1.5 billion for 2025-26 and a surplus of \$0.9 billion for 2026-27. Although the Update does not include any new changes to the corporate or personal tax rates, it announces a one-time taxpayer rebate to Ontario residents and further extends the gasoline tax and fuel tax rate cuts.

### Personal tax changes

#### *Taxpayer rebate*

The Update provides a one-time taxpayer personal income tax rebate to Ontario residents. The first component of this rebate is a one-time \$200 taxpayer rebate to eligible Ontario tax filers who meet certain requirements. To be eligible, residents must:

- Be 18 years or older at the end of 2023
- Be resident in Ontario on December 31, 2023
- File their 2023 Income Tax and Benefit Returns by December 31, 2024, and
- Not be bankrupt or incarcerated in 2024.

The rebate's second component is a \$200 taxpayer rebate for each child under age 18 for whom the Ontario family receives the Canada Child Benefit (CCB) for 2024. This payment would be made to the person (or persons) who receives the CCB in respect of the child and is a resident of Ontario. Ontario further notes that, in cases where there is a shared

custody arrangement, payments would be split based on the most recent CCB available, and the rebate will be provided through an alternative process for Ontario families with children who do not receive the CCB for 2024.

#### *Alternative Minimum Tax*

The Update decreases Ontario's Alternative Minimum Tax (AMT) rate to ensure that the effective Ontario AMT rate remains unchanged at 5.05%. Specifically, the Update lowers Ontario's AMT rate to 24.63% (from 33.67%) starting with the 2024 tax year in response to the federal AMT increase to 20.5% (from 15%) for that year. Ontario further intends to adjust its AMT credit rate to 24.63% to mirror the proposed Ontario AMT rate of 24.63% starting with the 2025 tax year.

#### *Fertility treatment tax credit*

The Update announces that Ontario will introduce a new fertility treatment tax credit beginning in January 2025, which builds on the existing Ontario medical expense tax credit. The proposed tax credit would cover up to 25% of eligible fertility treatment expenses for Ontario residents up to a maximum of \$5,000, such as in vitro fertilization (IVF) cycles, fertility drugs, travel and diagnostic testing.

#### **Business tax changes**

##### *Beneficial ownership registry*

The Update notes that Ontario is currently exploring options that would require private corporations to submit information about their beneficial owners to a registry to help combat tax evasion and other financial crimes.

##### *Target benefit pension plans and variable life benefit plans*

The Update announces that Ontario's framework for target benefit pension plans will come into effect on January 1, 2025, following the finalization of supporting regulations. The Update also notes that stakeholders will be consulted regarding the regulation of variable life benefit plans previously introduced by the federal government beginning in the fall of 2024.

#### **Indirect tax changes**

##### *Gasoline tax and fuel tax*

The Update extends the gasoline tax and fuel tax rate cuts so that the rate of tax on gas and fuel will remain at nine cents per litre until June 30, 2025 (instead of December 31, 2024).

## Other tax changes

### *Electricity distribution*

The Update further extends existing transfer tax relief for municipal electricity utilities (MEUs) until December 31, 2028. The Update temporarily reduces the transfer tax rate for MEUs with 30,000 customers or more to 0% (from 22%), effective from January 1, 2025 to December 31, 2028.

### *Tax review*

The Update notes that Ontario is concluding its review of the provincial tax system, and that it intends to continue to review options for future tax measures to achieve the government's goals and to simplify and modernize the tax system.

### *Technical and other amendments*

The Update proposes various technical amendments, including to:

- Clarify the calculation of the Ontario surtax
- Extend the Ontario Child Benefit eligibility for a child for six months following a child's death to parallel a similar federal government extension of the Canada Child Benefit
- Clarify how the Employer Health Tax exemption threshold applies to associated employers
- Align the Employer Health Tax filing requirements of employers who pay their entire Ontario remuneration in a single month with all other employers
- Allow Ontario to make a refund of the Employer Health Tax, if due, at any time, provided the request is made within 90 days of an assessment
- Mirror the changes made to the federal GAAR, generally effective January 1, 2024
- Mirror the federal expansion of the federal mandatory disclosure rules to provide for disclosure of "notifiable transactions" and "uncertain tax treatments", effective from June 2023.

## 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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