



TaxNewsFlash

Canada

Highlights of the 2025 Ontario Fall Economic Update

November 6, 2025

No. 2025-42

Ontario's Finance Minister delivered the province's 2025 Fall Economic Update on November 6, 2025. The Update anticipates a deficit of \$13.5 billion for 2025-26 and projects a deficit of \$7.8 billion for 2026-27 and a surplus of \$0.2 billion for 2027-28. The Update expands the Ontario Made Manufacturing Investment Tax Credit (OMMITC), announces a new Harmonized Sales Tax (HST) rebate to eliminate the provincial HST on qualifying homes for first-time home buyers, and introduces a Non-Resident Speculation Tax (NRST) rebate on certain repurposed residential properties, among other changes. Note that the Update does not include any new changes to the corporate or personal income tax rates.

Business tax changes

Ontario Made Manufacturing Investment Tax Credit

The Update expands the Ontario Made Manufacturing Investment Tax Credit (OMMITC) to allow machinery and equipment expenditures that are incurred in the taxation year immediately preceding the taxation year that the asset becomes available for use to be eligible for the credit. Under the current rules, eligible machinery and equipment expenditures must be incurred and the related assets must be available for use in the same taxation year. This change applies to expenditures incurred before the amendment's enactment and on or after March 23, 2023. This amendment applies to the refundable OMMITC, including the enhancement, as well as the non-refundable OMMITC available to corporations other than Canadian-controlled private corporations (CCPCs).

Under these proposed changes, eligible expenditures for corporations that are not CCPCs would align with those eligible under the existing credit. Eligible expenditures for the

enhancement and expansion would also need to be made on or after May 15, 2025, and before 2030. The Update also confirms that the proposed 15% non-refundable credit would be available to public corporations, foreign-controlled corporations and non-resident corporations that carry on business in Ontario through a permanent establishment in Ontario.

The Update notes that the refundable OMMITC will be repealed effective January 1, 2030, and that expenditures would need to be incurred on or before December 31, 2029 in order to be eligible for the credit. The government says it will continue to review the OMMITC every three years to assess its effectiveness, compliance burden and administrative costs.

Non-Resident Speculation Tax relief

The Update introduces a Non-Resident Speculation Tax (NRST) rebate on the purchase of a residential property that has been repurposed for industrial use. The rebate is available for conveyances of property occurring on or after November 6, 2025. To qualify, a property must be reclassified into the Industrial Property Class, Large Industrial Property Class, or Aggregate Extraction Property Class as defined under the *Assessment Act* with respect to a year that is no later than four years after the purchase.

Beneficial Ownership Registry

The Update announces a Beneficial Ownership Registry for privately held business corporations to be implemented in 2027. Under this change, certain corporations may be required to file specified information on individuals with significant control through an online registry. Privately held business corporations are currently required to collect and maintain certain information and provide this information on request, including:

- Name
- Date of birth
- Latest known address
- Jurisdiction of residence for tax purposes
- The day on which each individual became, and if applicable, ceased to be an individual with significant control
- A description of how the individual has control over the corporation
- Any other prescribed information.

The Update also notes that certain tax authorities and regulatory bodies will be granted access to some or all of the registry information to ease investigative efforts.

Indirect tax changes

HST relief for first-time home buyers on new homes

The Update introduces a Harmonized Sales Tax (HST) rebate for first-time home buyers on newly built or substantially renovated homes. This new relief, which mirrors the proposed federal (*GST/HST First-Time Home Buyers Rebate*) for the federal portion of the HST, eliminates the provincial portion of the HST on qualifying homes valued up to \$1 million for qualifying first-time home buyers.

The new Ontario rebate will follow the linear reduction under the proposed federal rebate for new homes valued between \$1 million and \$1.5 million. However, for new homes over \$1 million, the combined amount of relief available under both the new Ontario rebate and the existing Ontario *HST New Housing Rebate* would not be less than what Ontario currently provides under the existing *HST New Housing Rebate*.

Subject to passage of legislation to bring the federal rebate into force, Ontario says that the eligibility criteria for the Ontario rebate would follow the federal rebate, including that the individual must be acquiring the new home for use as their primary place of residence, among other conditions. Ontario intends for the new rebate to be available where the agreement of purchase and sale for the home is entered into with the builder on or after May 27, 2025, and before 2031. Construction of an eligible home must begin before 2031, and must be substantially completed before 2036.

Other tax changes

Tax system review

The Update advises that Ontario intends to undertake work that will focus on updating Ontario's personal and corporate income taxes to encourage and attract more business investment. Ontario advises that it will provide an update on this work in the 2026 Ontario budget.

Technical and other amendments

The Update proposes various technical amendments, including to:

- Provide a specific time frame for employers who cease to have a permanent establishment in Ontario, due to an amalgamation, to file returns under the *Employer Health Tax Act*
- Support and simplify property tax administration under the *Education Act* and *Assessment Act*
- Clarify the calculation under the *Taxation Act, 2007* of certain occupancy costs under the Ontario Energy and Property Tax Credit for land-lease homes and

similar arrangements with separate ownership of the residential structure and land it's located on

- Clarify the adjustment of amounts related to the Ontario Trillium Benefit and the Ontario Child Benefit under the *Taxation Act, 2007*
- Update the formula for the Small Beer Manufacturers' Tax Credit under the *Taxation Act, 2007* to properly align with the *Liquor Tax Act, 1996*
- Provide the Financial Services Regulatory Authority of Ontario with authority under the *Insurance Act* for its life and health insurance managing general agent transition rules to temporarily override the *Insurance Act*
- Enable the reassessment and adjustment of previously conducted Assessment of Health System Costs in the *Insurance Act*

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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