

THE MARCH 25, 2010 ONTARIO BUDGET

This issue of the Legal Business Report provides current information to the clients of Alpert Law Firm on important tax changes outlined in the March 25, 2010 Ontario Budget. Although these proposals are likely to be implemented in their present form, these provisions are not yet law and the final legislation should be reviewed before initiating any transaction. Alpert Law Firm is experienced in providing legal services to its clients in tax and estate planning matters, wealth preservation, tax dispute resolution, tax litigation, corporate-commercial transactions and estate administration.

A. MEASURES AFFECTING INDIVIDUALS

1. Personal Income Tax Rates

The 2010 Ontario Budget proposes no changes to personal income tax rates. As a result, the top personal marginal tax rates (*i.e.*, rates of tax which apply to taxable income above \$127,021) for an Ontario resident will remain unchanged from 2009. The top combined federal and provincial rates of tax are as follows:

Top Personal Tax Rates	2010
Ordinary Income	46.41%
Capital Gains	23.20%

2. Dividend Tax Rates

As a result of previous changes, the 2010 Ontario Budget announces that the top combined personal tax rates on dividends will increase as follows:

Canadian Dividends		
Year	Eligible	Non-eligible
2009	23.06%	31.34%
2010	26.57%	32.57%
2011	28.19%	
2012	29.54%	

3. Personal Tax Credits

(a) *Ontario Energy and Property Tax Credit*

The 2010 Ontario Budget announces that the Ontario Property Tax Credit was converted into the Ontario Energy and Property Tax Credit. The tax credit will be paid quarterly, except for 2010, when it will be paid in 2011.

(b) *Northern Ontario Energy Tax Credit*

The 2010 Ontario Budget introduces the Northern Ontario Energy Credit. The tax credit is available to northern Ontario residents who pay rent or property tax for their principle residence and will be paid quarterly, except for 2010, when it will be paid in the fall of 2010 and early 2011.

B. MEASURES AFFECTING BUSINESSES

1. Corporate Income Tax Rates

The 2010 Ontario Budget does not modify the corporate tax rates beyond the previously announced changes, which are outlined in the table below.

Effective Date	General Rate	M&P Rate	Small Business Rate	Small Business Deduction Surtax Rate	
				General	M&P
Before July 1, 2010	14%	12%	5.5%	4.25%	3.25%
July 1, 2010	12%	10%	4.5%	0%	
July 1, 2011	11.5%				
July 1, 2012	11%				
July 1, 2013	10%				

2. Capital Tax Rates

The 2010 Ontario Budget does not modify the capital tax rates, which were eliminated on January 1, 2007 for certain manufacturing and resource corporations and will be eliminated on July 1, 2010 for other corporations.

3. Corporate Group Taxation

The 2010 Ontario Budget proposes to work alongside the federal government to explore whether the tax system can be improved by new rules for the taxation of corporate groups – *i.e.*, the introduction of a formal loss transfers or consolidated reporting system.

C. ONTARIO SALES TAX HARMONIZATION

The 2010 Ontario Budget proposes transitional measures to help ease the administration of the harmonized sales tax (HST), commencing July 1, 2010. These transitional measures to the HST include: (i) compensation to RST vendors for the shortened RST collection period; (ii) RST rebates to purchasers that pay both RST and HST on goods and services acquired on or after July 1, 2010; and (iii) an exemption for gifts of used vehicles between siblings, effective July 1, 2010.

D. OTHER MEASURES

1. Insurance Premiums

The 2010 Ontario Budget proposes that certain types of insurance premiums will continue to be taxable under the *Retail Sales Tax Act* after June 30, 2010.

2. Vendor Compensation

The 2010 Ontario Budget proposes to extend RST vendor compensation of up to \$1,500 annually. The original 2009 HST proposal eliminated RST vendor compensation by March 31, 2010.

3. Land Transfers by Charities

The 2010 Ontario Budget proposes to exempt certain transfers of land by registered charities from the land transfer tax, effective March 25, 2010. Transfers from trustees to a non-share capital corporation or between two such corporations will be exempt so long as that the recipient corporation will be continuing the same charitable purpose and there is no consideration other than the assumption of existing liabilities on the land.

4. Tobacco Tax Act

The 2010 Ontario Budget announces that with the advent of the HST, tobacco retailers who do not hold a vendor's permit on June 30, 2010, will be required to obtain a retail dealer's permit under the *Tobacco Tax Act*. Tobacco retailers will no longer be able to obtain vendor's permits under the *Retail Sales Tax Act*.

This issue of the Legal Business Report is designed to provide information of a general nature only and is not intended to provide professional legal advice. The information contained in this Legal Business Report should not be acted upon without further consultation with professional advisers.

Please contact Howard Alpert directly at (416) 923-0809 if you require assistance with tax and estate planning matters, tax dispute resolution, tax litigation, corporate-commercial transactions or estate administration.

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