

TAXTICS

May 18, 2004

2004 Provincial Budget

Ontario Finance Minister Greg Sorbara tabled the first budget by a Liberal finance minister in 14 years at 4:00PM Tuesday May 18, 2004. The Budget promises to address what is described as a structural deficit and to achieve a balanced budget by 2007-08. In the meantime, the interim deficit of \$6.2 billion in 2003-04 will be reduced to \$2.2 billion in 2004-05, \$2.1 billion in 2005-06 and \$1.5 billion in 2006-07. As widely reported in the last few days leading up to the Budget, the cost of achieving this deficit reduction will in no small part be borne by individual Ontario taxpayers who will be faced with the payment of a new "Ontario Health Premium". This tax increase, which tops out at \$900 for high income taxpayers, is expected to yield additional revenues of \$1.6 billion in 2004-05, \$2.4 billion in 2005-06, \$2.5 billion in 2006-07 and \$2.6 billion in 2007-08.

Some of the more important budget measures are discussed below.

Personal Tax Measures

Health Care Premiums

To allow for improved health care the province has followed the lead of Alberta and BC, and is proposing that individuals pay the following premiums based on taxable income:

Income (\$ 000's)	Proposed Premium	
	2004	Subsequent Tax Years
up to \$20	\$0	\$0
\$20 - \$36	\$150	\$300
\$36 - \$48	\$225	\$450
\$48 - \$72	\$300	\$600
\$72 - \$200	\$375	\$750
more than \$200	\$450	\$900

quotes...

"It is the right thing to do."

Minister of Finance Greg Sorbara

"I think this is the most regressive tax in Ontario history. This is a tax which will hit every modest and middle-income family. The government is literally picking the pockets of the wrong people."

New Democrat Leader
Howard Hampton

"With the 2004 Budget, the Liberals have lived up to their reputation as tax-and-spenders and are Breaking Faith with the people of Ontario."

Ontario PC Party

**crawford
smith &
swallow**

CHARTERED ACCOUNTANTS LLP

Niagara Falls:
4741 Queen St.
905-356-4200

St. Catharines:
531 Lake St.
905-937-2100

Fort Erie:
76 Jarvis St.
905-871-2610

Health Care Services

Certain services not mandated under the Canada Health Act will no longer be covered by OHIP. These include: chiropractic services; optometry for those between the ages of 20 and 64; and physiotherapy services (not including services for seniors served through home care and long-term care facilities). In its place, the government has proposed to improve the availability of other major services and increase the health-care budget by \$4.8 billion over the next four years.

“Sin” Taxes

The cost of a carton of cigarettes will increase by \$2.50 effectively immediately. Smaller tax increases on alcoholic beverages are scheduled to take effect in June.

Property Tax Credit – Seniors

The basic property tax credit has been increased by \$125 to \$625.

Ontario Home Ownership Plan

No new plans will be registered and no new contributions can be made to existing plans.

Corporate Tax Measures

Capital Tax

The previous administration proposed to eliminate capital tax by 2008. The budget will continue the phase-out, but at a slower pace:

	Deduction (\$ Millions)	Rate (%)
Current	5	0.3
01-Jan-05	7.5	0.3
01-Jan-06	10	0.3
01-Jan-07	12.5	0.3
01-Jan-08	15	0.3
01-Jan-09	15	0.225
01-Jan-10	15	0.15
01-Jan-11	15	0.075
01-Jan-12	Eliminated	

Federal Tax Measures Adopted

The capital cost allowance rates on newly acquired computer and data network infrastructure equipment will increase to 45% and 30%, respectively, effective March 22, 2004.

The carry-forward period for business losses will be extended from 7 to 10 years.

Employer Health Tax

Beginning in 2005, returns for a particular month will not be due until the 15th day of the following month and will be based on the actual payroll for the month.

Destination Marketing Fees

In support of the hotel industry’s initiative in funding tourism marketing and assisting in the recovery of Ontario’s tourism industry, it is proposed that the destination marketing fee be exempt from RST for a one-year period.

The temporary exemption from the five per cent RST accommodations tax on this fee would be effective for destination marketing fees billed after May 18, 2004 and before May 19, 2005. It is not clear that this exemption would extend to a fee charged on anything other than rooms.

Readers are urged to consult their professional advisors prior to acting on the basis of material in this newsletter.

If you have any questions regarding the content of this newsletter, please contact Crawford, Smith & Swallow.

Complete copies of the 2004 Budget Plan in PDF format are available on our website as well as the Department of Finance website, both of which are listed below:

<http://www.crawfordsmithandswallow.com/newsletter.html>

<http://www.ontariobudget.fin.gov.on.ca/>