

MEMORANDUM

COVID-19 – Ontario Action Plan

March 28, 2020

On March 25, 2020, Finance Minister Rod Phillips released Ontario's Action Plan: Responding to COVID-19 (March 2020 Economic and Fiscal Update) in place of a full budget that the government originally planned to release. The Action Plan includes \$7 billion for new direct support for health care, people and jobs, and \$10 billion in support for people and businesses through tax and other deferrals which are designed to improve cash flow as well as protect jobs and household budgets over the coming challenging months.

As part of the Action Plan, the government introduced the following tax measures for businesses:

BUSINESS TAX MEASURES:

TEMPORARY EMPLOYER HEALTH TAX EXEMPTION

Private-sector employers with total annual Ontario remuneration of less than \$5 million are currently eligible for an exemption on Employer Health Tax ("EHT") of up to \$490,000 of their associated payroll. The government will retroactively increase (to January 1, 2020) this exemption from \$490,000 to \$1 million for 2020.

- Increasing the exemption to \$1 million would provide additional EHT relief of up to \$9,945 per eligible employer.
- The EHT exemption will return to \$490,000 on January 1, 2021.
- Only the exemption is changing, the tax rates will remain the same.
- Relief is automatic - if a business is unable to file their return or remittance during the relief period, they do not need to contact or notify the Ministry of Finance ("MOF"). Penalties and interest will be waived automatically for all the returns or remittances by Ontario businesses during the relief period. Ontario businesses are required to file any late returns or remittances by the end of the relief period.
- Instalments:
 - If your business is no longer required to make instalment payments as a result of the increased exemption amount, you do not need to contact or notify the MOF.
 - You will begin making your instalment payments after your payroll has exceeded the new \$1 million exemption level.
 - If your business is still required to make EHT instalment payments, beginning April 1, 2020, penalties and interest will not apply to Ontario businesses that miss any filings or remittances. This will continue for a period of five months.

- If you overpay your EHT during the 2020 tax year, as a result of the increased EHT exemption level, you will be able to make adjustments by decreasing future instalments prior to December 2020 or by requesting a refund. You may also elect to carry forward your overpayments to the following year.
- Filing requirements:
 - If you have not paid any EHT yet for 2020 and you will not owe any EHT for 2020 because of the new exemption amount (and you are not an associated employer), you do not need to file an EHT return for 2020.
 - If your business no longer needs to file an EHT return as a result of the increased exemption amount, you do not need to contact or notify the MOF.
 - The EHT annual return form is not changing.

Examples:

- A private-sector employer with a total 2020 payroll of \$700,000. This employer currently pays \$4,095 of EHT but would see a 100 per cent reduction in EHT paid to \$0 under the proposal to increase the exemption to \$1 million.
- A private-sector employer with a total 2020 payroll of \$1.5 million. This employer currently pays \$19,695 of EHT but would see a 50 per cent reduction in EHT paid by \$9,945 under the proposal to increase the exemption to \$1 million.

INTEREST AND PENALTY RELIEF FOR PROVINCIAL TAX PROGRAMS:

Beginning April 1, 2020, the government will provide a five-month relief period for Ontario businesses that are unable to file or remit select provincial taxes on time.

- The filing and payment deadlines still apply; however, interest and penalties will not apply if businesses are unable to file returns or pay outstanding amounts on time during the relief period.
- The relief is automatic; therefore, there is no requirement to contact the MOF to request relief.
- All late returns and remittances are due at the end of the relief period, August 31, 2020.

The following provincial taxes are included in the relief period:

- Employer Health Tax
- Tobacco Tax
- Fuel Tax
- Gas Tax
- Beer, Wine & Spirits Tax
- Mining Tax
- Insurance Premium Tax
- International Fuel Tax Agreement
- Retail Sales Tax on Insurance Contracts and Benefit Plans
- Race Tracks Tax

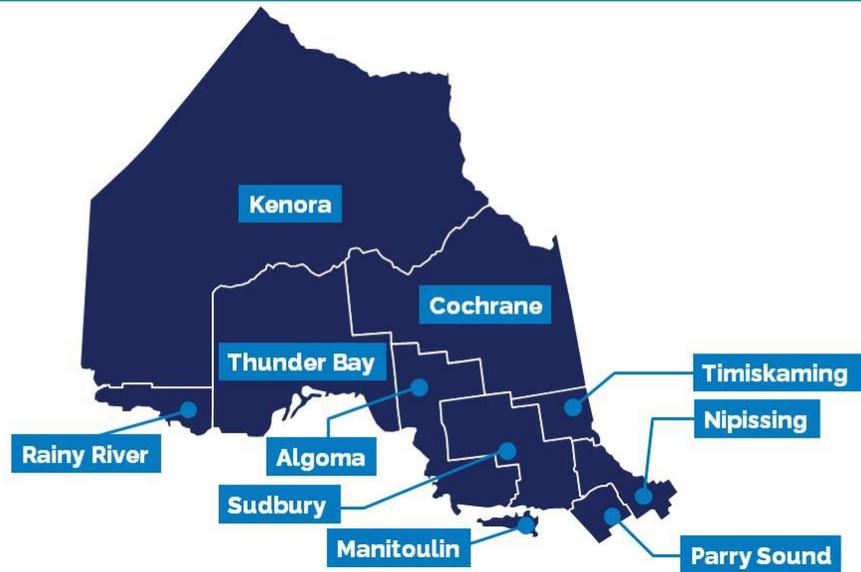
REGIONAL OPPORTUNITIES INVESTMENT TAX CREDIT

To stimulate growth in regions that are lagging in employment opportunities, the government proposed a new 10 per cent refundable corporate income tax credit for capital investment by eligible corporations.

- Eligible corporations are defined as Canadian-controlled private corporations that make “qualifying investments” which become available for use after March 24, 2020 in “specified regions” of Ontario.
- A qualifying investment is defined as an expenditure for capital property included in capital cost allowance Class 1 and Class 6 for purposes of computing capital cost allowance. Class 1 assets are mainly buildings. Class 6 assets include frame, log, stucco on frame, galvanized iron or corrugated metal buildings that meet certain conditions. Class 6 assets also include certain fences and greenhouses.
- In summary, to be eligible for this credit, eligible corporations must construct, renovate or acquire qualifying commercial and industrial buildings in designated regions of the Province of Ontario.
- A qualifying capital investment must (i) be a capital expenditure in excess of \$50,000 and up to a limit of \$500,000, and (ii) become available for use by eligible corporations in the taxation year.
- The government will review the credit every three years for effectiveness, compliance burden and administrative costs.

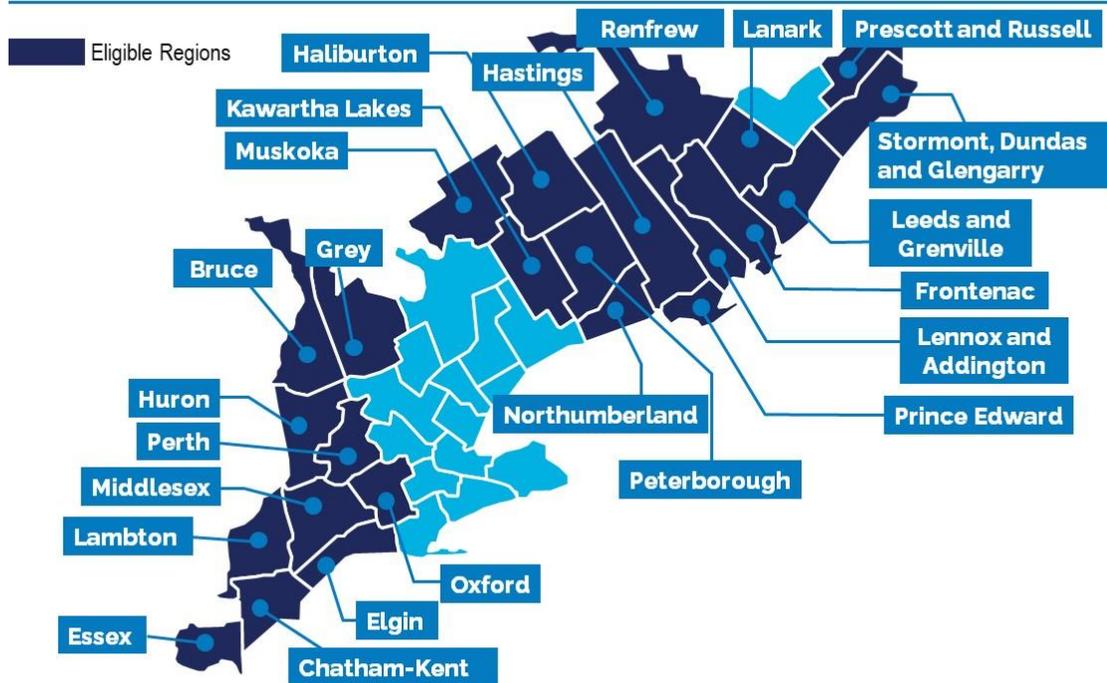
Specified regions are shown on the following two charts.

Chart A.2
Northern Ontario: Regions Eligible for the Regional Opportunities
Investment Tax Credit



Source: Ontario Ministry of Finance.

Chart A.3
Southern Ontario: Regions Eligible for the Regional Opportunities
Investment Tax Credit



Source: Ontario Ministry of Finance.

PLANNED PROPERTY TAX REASSESSMENT

The government proposed to postpone the planned property tax reassessment for 2021. Property taxation is based on the assessed value of properties in Ontario and those assessments are updated every four years. The Municipal Property Assessment Corporation had originally scheduled to complete the next property valuation update in 2020 for the 2021 taxation year. Due to the postponement, the assessments for the 2021 taxation year will continue to be based on the same valuation date that was in effect for the 2020 taxation year.

WORKPLACE SAFETY EXPENSE DEFERRAL

The Workplace Safety and Insurance Board (“WSIB”) will allow employers to defer premium reporting and payments relating to WSIB for a period of six months. All Schedule 1 and Schedule 2 employers covered by the WSIB’s workplace insurance will be allowed to defer reporting and payments until August 31, 2020. Interest and penalties will not apply to these outstanding premiums and payments during this six-month deferral period.

- Businesses who report and pay monthly, quarterly or annually based on their insurable earnings are eligible for this deferral.
- Each company reports and pays WSIB on the previous full month or quarter, for example, March 31st reporting and payment obligation covers the period of February 1-29. The following remittance payments are eligible for deferral:
 - Monthly: March 31, April 30, May 31, June 30, July 31
 - Quarterly: April 30, July 31
 - Annual: April 30
- The relief package also applies to Schedule 2 organizations – publicly funded organizations (municipalities, hospitals, school boards), and other businesses who are involved in federally regulated industries. All payment obligations (weekly and monthly) for Schedule 2 businesses will be deferred until August 31, 2020.
- No interest will accrue on outstanding premium payments for Schedule 1 businesses and no penalties will be charged during this six-month deferral period.
- All businesses covered by the WSIB’s workplace insurance are automatically eligible for the financial package. No action is required from businesses to receive the financial relief. A business may choose not to participate in the financial relief package. If so, the business should continue to report their insurable earnings and pay their premiums on a monthly, quarterly or annual basis. The business may also elect to continue to report premiums on standard reporting deadlines and defer payment until August 31, 2020.

INDIVIDUAL TAX MEASURES:

Additional funding proposed for low income seniors

Low-income seniors currently receiving the Guaranteed Annual Income Supplement (“GAINS”) will be eligible a temporary top-up. Beginning April 2020, the monthly GAINS payment amounts will be doubled for a period of six months. This will result in an additional \$166 per month for individuals and \$332 for couples. If you are eligible for Old Age Security (“OAS”) and have not applied yet, you can apply for OAS and GAINS at the same time. If you currently receive OAS, you can apply for GAINS by using [Form ISP3025](#) form through Service Canada.

Support for families with children

Families with children under 12 will receive a one-time payment of \$200 per child up to the age of 12 and \$250 for those with special needs. This incentive is being provided to help families pay for the extra costs associated with school and daycare closures. These incentives also apply for children enrolled in private school.

Energy Assistance Program

An additional \$5.6 billion is being provided for electricity cost-cutting measures as the price of electricity will be reduced for eligible residential, farm and small business consumers. The Province will be setting electricity prices for time-of-use customers at the lowest rate, known as the “off-peak price”, 24 hours a day for 45 days. The Province will also be investing \$9 billion in support for families eligible for the Low-Income Energy Assistance Program and ensuring their electricity and natural gas services are not disconnected during times of financial hardship caused by COVID-19.

Ontario Student Assistance Program (OSAP) relief

From March 30, 2020 to September 30, 2020, individuals will not be required to make any loan payments, and interest will not accrue on their student loans. During this deferral period, payments will not be withdrawn from an individual’s bank account if they are on pre-authorized debit. This relief measure is provided to help students struggling financially due to the COVID-19 pandemic.

For additional information on the budget, please refer to the action plan by Budget Ontario:

<https://budget.ontario.ca/2020/marchupdate/>