

Take a Closer Look at Ontario's Tax Relief Programs for Businesses

Like any well run business, when your market changes, either you change – or you face the risk of falling behind. Government is no different. Together we have witnessed the biggest global down turn in 80 years. The world has changed and so must we.

Ontario has chosen to take action. That's why we've introduced a comprehensive tax package that will modernize our tax system, leading to more jobs and higher economic growth.

The [comprehensive tax package](#) includes significant tax relief for businesses and people, as well as the introduction of a harmonized sales tax (HST) which combines the current provincial and federal sales taxes into a single, value-added tax, at a rate of 13 per cent.

It's a big change that is going to make a big difference for all Ontarians.

Savings for Businesses

Thanks to these tax changes, Ontario will have one of the most competitive tax environments in the industrialized world for business investment.

Right now, businesses generally pay the provincial sales tax on capital investments and business purchases, at every stage of production.

That adds roughly \$4.5 billion per year to the cost of doing business in Ontario. For consumers, it's an extra cost that

Are you HST Ready?

Starting July 1, 2010, Ontario is harmonizing its provincial sales tax with the federal sales tax. The current retail sales tax (RST) will be replaced with a more modern, value-added tax that will be combined with the federal goods and services tax to create a harmonized sales tax (HST).

Benefits for Ontario Businesses:

[Increased Competitiveness = Greater Investment, More Jobs](#)
[Cuts to Business Taxes](#)
[Reduced Business Costs](#)
[Lower Compliance Costs](#)

Important dates:

- March 31, 2010 – RST [Vendor compensation ends](#)
- May 1, 2010 – [For transactions on or after this date, suppliers may be required to collect HST under transitional rules](#)
- July 1, 2010 - [HST comes into effect](#)
- July 23, 2010 - [Final RST return due](#)
- November 23, 2010 – [Final supplemental RST return due](#)

What do businesses have to do right now to get ready?

To help your business prepare for the HST, [general transitional rules](#) for the HST are available. Transitional rules have also been released for [new housing](#). Information on temporarily [restricted input tax credits](#) is also available for large businesses and certain financial institutions.

E-Alerts

To receive regular updates about the HST sign-up for the Ministry of Revenue [e-alerts service](#).

is buried in prices. For Ontario businesses, it's a big competitive disadvantage and a disincentive to invest in our province.

Under the HST, most businesses will receive [input tax credits \(ITCs\)](#), generally removing this hidden, embedded tax.

For the eligible items you buy for your business, ITCs for the provincial portion of the HST add up: for a case of paper and copier toner worth \$250 that's \$20 of savings. For a new computer worth \$2,500 that's \$200 of savings. And for a new vehicle worth \$20,000 that's \$1,600 in savings. These savings are in addition to the expected pass through of ITC savings at every stage of production.

It is also estimated that replacing two sales taxes with one will save businesses more than \$500 million a year in administrative and compliance costs. All businesses will benefit from filing only one sales tax return, making one sales tax payment, having one point of contact and following one set of rules.

Business Tax Cuts

Of course, the HST is just one part of our comprehensive tax package. Ontario will be providing businesses with \$2.4 billion a year in [corporate income tax cuts](#). This is in addition to the existing plan to eliminate the capital tax by July 1, 2010, which will save businesses nearly \$1.6 billion a year. Capital tax was eliminated in 2007 for firms primarily engaged in manufacturing and resource activities.

And to help with the changeover to the HST, eligible small businesses will receive [transitional support](#) of up to \$1,000.

Small businesses will also benefit substantially as the marginal effective tax rate on their business investment will fall by more than half due to the HST and the reduction in corporate income tax.

Creating Jobs

[Many experts agree](#) that a value-added tax – like the HST – is the most important thing we can do to strengthen Ontario's economy.

A report by economist and tax expert Jack Mintz predicts that as a result of the HST and other tax changes, Ontario will, within 10 years, see 591,000 new jobs, increased capital investment of \$47 billion and increased annual incomes of up to 8.8 per cent, or \$29.4 billion.

More than 140 countries -- countries we compete with -- now have a value-added tax. In fact, in following Ontario's lead, B.C.'s own finance minister said: "We had to move fast so as not to be left at a competitive disadvantage in comparison to Ontario."

Businesses have been calling on government for years to make changes to our complicated and out-dated tax system. That's because you know what it takes to compete in today's changing world. This modern, comprehensive tax package will help attract investment and jobs, and result in a more prosperous future for all Ontarians.

Visit ontario.ca/taxchange for more information about our comprehensive tax plan, its benefits and what businesses need to do to get ready.

Canada Revenue Agency is also an important source for the latest information on how the transitional rules apply and how to get ready for the HST. Visit the CRA's "Are You HST Ready" Web site at www.cra.gc.ca/harmonization or call 1 800 959-5525.

As we emerge from the recession, if we are to compete, we need to give our businesses the same advantages businesses enjoy in other places so they can be strong, invest and create more jobs.

That's exactly what our tax changes are all about.