
ANNEX V

TRANSPARENCY IN TAXATION

TRANSPARENCY IN TAXATION

The enactment of the *Fiscal Transparency and Accountability Act, 2004*, represents a major commitment of the Ontario Government to be more open and accountable. Under Section 6 of the Act, the Minister of Finance is required to release a mid-year review of the fiscal plan on or before November 15 of each year, which must include information about the estimated cost of expenditures made through the tax system.

Tax expenditure reporting is an important element of improved fiscal transparency and accountability. This report is the second annual compilation of the estimated cost of Ontario tax provisions.

STRUCTURE OF THE REPORT

This report provides estimates of revenue forgone in 2006 with respect to provisions in the following taxes:

- Personal Income Tax
- Corporate Tax
- Sales and Commodity Tax
- Education Property Tax
- Employer Health Tax
- Estate Administration Tax
- Gross Revenue Charge

Descriptions of each tax provision were provided in the government's first Transparency in Taxation report, presented in Annex III of the *2005 Ontario Economic Outlook and Fiscal Review, Background Papers*. Please refer to the 2005 report for the descriptions.

Electronic copies of the *2005 Ontario Economic Outlook and Fiscal Review, Background Papers* are available via the Internet at:

www.fin.gov.on.ca/english/economy/ecoutlook/statement05/05fs-paperce.pdf

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This report includes descriptions only for tax provisions that are new or have been modified since 2005. The descriptions are intended to provide a basic understanding of the provisions and do not replace the relevant legislation or regulations.

SCOPE

Given the absence of a universally accepted definition of a “tax expenditure,” this report continues the broad approach adopted in last year’s report of listing estimates of forgone revenue that could potentially be included under a broad-based tax system.

Personal and corporate income tax expenditures identified in this report include tax expenditures shared with the federal government and Ontario-only tax expenditures.

Under a tax collection agreement between Ontario and Canada, the federal government determines the personal income tax base. Ontario has limited policy control over the individual components of taxable income and the associated tax expenditures related to the federally defined tax base.

Ontario currently collects and administers its own corporate income tax. However, on October 6, 2006, Ontario entered into a Memorandum of Agreement with the federal government under which the federal government would collect and administer Ontario’s corporate income tax and capital tax, effective for taxation years ending after 2008.

(See Annex IV, *Corporate Tax Harmonization*, for additional details.)

METHOD

The estimates in this report were developed using the latest available taxation or economic data, forecast to the 2006 calendar year. The data used to estimate the values of the tax provisions come from a variety of sources. Revisions to the underlying data, as well as improvements to the estimation method, may result in changes to the estimated value of a provision in future publications. As well, some tax provision estimates are particularly sensitive to economic conditions or other variables and those values could fluctuate significantly from year to year.

It is important to note that the estimates in this report are not intended to represent the potential revenue gain for the Province if the tax provisions were not in place. Each estimate has been determined separately and in isolation of other factors, such as the economic impact of any change, behavioural responses, the interaction among various tax provisions, or any modifications in policy that might reasonably accompany the change. As a result, the estimates cannot be added together to determine the total cost of a particular group of tax expenditures.

Tax expenditure estimates of less than \$1 million are denoted by the letter “s” (small). This report also includes tax provisions for which relevant data from the tax system are not currently available to the Ministry of Finance. Although estimates may not be available, these items are listed to ensure greater accountability and transparency.

Future annual reports will continue to refine Ontario’s tax expenditure estimates.

PERSONAL INCOME TAX

Table 1 provides estimates of tax provisions relating to the Ontario Personal Income Tax system. Business provisions listed here are for unincorporated businesses.

TABLE 1: PERSONAL INCOME TAX¹

Tax Provisions	2006 Estimates ² (\$ Millions)
Ontario Non-refundable Tax Credits	
Adoption Expense Credit ³	1
Age Credit	230
Amounts Transferred from Spouse	40
Basic Personal Credit	4,105
Canada Pension Plan (CPP)/Quebec Pension Plan (QPP) Contributions Credit	520
Caregiver Credit	15
Charitable Donations Credit	520
Disability Credit	80
Eligible Dependant Credit	90
Employment Insurance (EI) Premiums Credit	195
Infirm Dependant Credit	1
Medical Expense Credit	105
Ontario Overseas Employment Tax Credit	5
Pension Income Credit	90
Spouse or Common-law Partner Credit	215
Student Loan Interest Credit	10
Tuition Fee and Education Credits	310
Ontario Tax Reduction (OTR)	
OTR — Basic Reduction	165
OTR — Reduction for Dependent Children Under 19	195
OTR — Reduction for Disabled or Infirm Dependents	8
OTR — Total	305
Other Ontario Tax Credits⁴	
Ontario Focused Flow-through Share Tax Credit	2
Ontario Political Contribution Tax Credit	5

TABLE 1: PERSONAL INCOME TAX¹

Tax Provisions	2006 Estimates ² (\$ Millions)
Ontario Property and Sales Tax Credits (OPSTC)	
OPSTC — Non-seniors	460
OPSTC — Seniors ⁵	505
OPSTC — Total ⁵	965
Ontario Labour Sponsored Investment Fund and Employee Ownership Tax Credits	
Employee Ownership (EO) Tax Credit	s
Labour Sponsored Investment Fund (LSIF) Tax Credit	20
Research-oriented Investment Fund (ROIF) Tax Credit	1
Exemptions, Deductions and Deferrals Shared with the Federal Government	
Business	
<i>Items for Which an Estimate is not Available</i>	
Assistance for Artists and Deduction for Canadian Art Purchased by Unincorporated Businesses	
Assistance for Prospectors and Grubstakers	
Deduction of Accelerated Capital Cost Allowance	
Deferral Through Use of Billed-basis Accounting by Professionals	
Employment	
Deduction for Clergy Residence	15
Deduction of Home Relocation Loans	s
Deduction of Other Employment Expenses	260
Deduction of Union and Professional Dues	130
Employee Stock Options	150
Moving Expense Deduction	15
Northern Residents' Deductions	1
<i>Items for Which an Estimate is not Available</i>	
Deductions for Tradespersons' and Apprentice Vehicle Mechanics' Tools	
Deductions for Artists and Musicians	
Deduction for Military and Police Deployed to High-risk International Missions	
Deduction for Tuition Assistance for Adult Basic Education	
Deferral of Salary Through Leave of Absence/Sabbatical Plans	
Employee Benefit Plans	
Non-taxation of Allowances to Public Officials	
Non-taxation of Business-paid Health and Dental Benefits	
Non-taxation of Certain Non-monetary Employment Benefits	

TABLE 1: PERSONAL INCOME TAX¹

Tax Provisions	2006 Estimates ² (\$ Millions)
Special Tax Computations for Certain Retroactive Lump-sum Payments	
Farming and Fishing	
<i>Items for Which an Estimate is not Available</i>	
Cash-basis and Flexibility in Inventory Accounting	
Deduction of Farm Losses for Part-time Farmers	
Deferral of Income for Farmers	
Net Income Stabilization Account for Farmers	
Investment	
\$500,000 Lifetime Capital Gains Exemption for Farming or Fishing Property and Small Business Shares	140
Deduction of Allowable Business Investment Losses	10
Deduction of Carrying Charges Incurred to Earn Income	250
Deduction of Resource-related Expenditures	70
Partial Inclusion of Capital Gains	525
<i>Items for Which an Estimate is not Available</i>	
Capital Gains Exemptions — \$1,000 on Personal-use Property and \$200 on Foreign Exchange Transactions	
Deduction of Limited Partnership Losses	
Deferral of Capital Gains Through Five-year Reserve	
Deferral of Capital Gains Through Rollovers	
Deferral of Capital Gains Through 10-year Reserve for Farming or Fishing Property and Small Business Shares	
Deferral of Capital Gains Through Transfers to a Spouse or Spousal Trust	
Non-taxation of Capital Gains on Principal Residences	
Reduced Inclusion Rate for Capital Gains Arising from Certain Donations	
Taxation of Capital Gains Upon Realization	
Non-taxable Income	
Guaranteed Income Supplement and Allowance Benefits	20
Social Assistance Benefits	20
Workers' Compensation Benefits	155
<i>Items for Which an Estimate is not Available</i>	
Certain Government Pensions and Allowances	
Damages With Respect to Personal Injury or Death	
Death Benefits of Up to \$10,000	

TABLE 1: PERSONAL INCOME TAX¹

Tax Provisions	2006 Estimates ² (\$ Millions)
Employer-paid CPP/QPP Contributions and EI Premiums	
Gifts and Bequests	
Income of Indians on Reserves	
Income from the Office of the Governor General and Allowances for Diplomats and Other Government Employees Posted Abroad	
Investment Income on Life Insurance Policies	
Lottery and Gambling Winnings	
Strike Pay	
Special Circumstances	
Child Care Expense Deduction	150
Treatment of Alimony, Maintenance and Child Support Payments	50
<i>Items for Which an Estimate is not Available</i>	
Deduction Related to Vows of Perpetual Poverty	
Disability Supports Deduction	
Exemption of Scholarship, Fellowship and Bursary Income	
Tax-free Amount for Emergency Service Volunteers	
Tax-deferred Savings	
Registered Pension Plans (RPP) — Deduction for Contributions	565
Registered Retirement Savings Plans (RRSP) — Deduction for Contributions	1,875
<i>Items for Which an Estimate is not Available</i>	
Deferred Profit-sharing Plans	
Registered Education Savings Plans (RESP)	
RPP and RRSP — Non-taxation of Investment Income	

¹ Estimates do not include the impact of revenue forgone from personal income tax provisions for trusts, which are taxed as individuals under the *Income Tax Act*.

² Estimates are based on 2003 tax-filer data forecast to represent the 2006 taxation year, unless otherwise noted. Tax-filer data include only those returns assessed within one year of the taxation year.

³ Estimate is based on federal estimates.

⁴ Estimates are based on tax-sharing statements (TSS) unless otherwise noted.

⁵ Estimate is based on TSS and the enrichment of the income threshold for senior couples to \$23,090 proposed in the 2006 Ontario Budget.

PERSONAL INCOME TAX — DESCRIPTION OF TAX PROVISIONS

The following Personal Income Tax provisions have changed since 2005.

ONTARIO NON-REFUNDABLE TAX CREDITS

The non-refundable tax credits listed in the following table are based on amounts that are adjusted for inflation each year. A brief description of these tax provisions is available in the *2005 Ontario Economic Outlook and Fiscal Review, Background Papers*.

AMOUNTS ON WHICH INDEXED NON-REFUNDABLE TAX CREDITS ARE BASED

Non-refundable Tax Credits	Base Amount	
	2005 (\$)	2006 (\$)
Adoption Expense Credit, maximum claim	10,000	10,220
Age Credit, maximum claim	4,002	4,090
Reduced by 15 per cent of individual's net income in excess of	29,793	30,448
Basic Personal Credit	8,196	8,377
Caregiver Credit, maximum claim	3,863	3,948
Reduced by dependant's net income in excess of	13,218	13,509
Disability Credit	6,622	6,768
Eligible Dependant Credit, maximum claim	6,960	7,113
Reduced by dependant's net income in excess of	696	711
Dependant's net income less than	7,656	7,824
Infirm Dependant Credit, maximum claim	3,863	3,948
Reduced by dependant's net income in excess of	5,492	5,613
Medical Expense Credit		
Qualifying medical expenses in excess of the lesser of three per cent of net income and	1,856	1,896
Qualifying medical expenses of other dependant, maximum claim	10,000	10,220
Pension Income Credit, maximum claim	1,133	1,158
Spouse or Common-law Partner Credit, maximum claim	6,960	7,113
Not exceeding spouse's or common-law partner's net income deducted from	7,656	7,824
Tuition Fee and Education Credits		
Education Credit, full time (per month)	441	451
Education Credit, part time (per month)	132	135
Maximum transfer	5,667	5,792

OTHER ONTARIO TAX CREDITS

Ontario Property and Sales Tax Credits (OPSTC) – The Property Tax Credit is the lesser of occupancy cost and a basic property tax credit amount plus 10 per cent of occupancy cost. Occupancy cost is property tax or 20 per cent of rent paid on an individual's or couple's principal residence plus \$25 if residing in a college residence. The basic property tax credit amount is \$250 for non-senior individuals or couples and \$625 for senior individuals or couples. The Sales Tax Credit is \$100 for an individual plus \$100 for a spouse or common-law partner and \$50 for each dependent child aged 18 or under. The credits for non-seniors are jointly reduced by two per cent of family net income in excess of \$4,000; the credits for seniors are jointly reduced by four per cent of family net income in excess of \$22,250, which the 2006 Ontario Budget proposes to increase for senior couples. The maximum OPSTC are \$1,000 for non-seniors and \$1,125 for seniors. The estimate includes the proposed increase to the income threshold for senior couples, which is expected to be \$23,090 for 2006.

EXEMPTIONS, DEDUCTIONS AND DEFERRALS SHARED WITH THE FEDERAL GOVERNMENT

EMPLOYMENT

Item for Which an Estimate is not Available

Deductions for Tradespersons' and Apprentice Vehicle Mechanics' Tools – Tradespersons and registered apprentice vehicle mechanics may deduct from their employment income as a tradesperson or apprentice mechanic an amount of up to \$500 for the cost of their tools in excess of a specified amount. The deduction for tradespersons' tools parallels the 2006 federal budget initiative.

INVESTMENT

\$500,000 Lifetime Capital Gains Exemption for Farming or Fishing Property and Small

Business Shares – A \$500,000 lifetime capital gains exemption is available for gains from the disposition of qualified farming or fishing property and small business shares. The inclusion of fishing property parallels the 2006 federal budget initiative.

Items for Which an Estimate is not Available

Deferral of Capital Gains Through Rollovers – Individuals (other than trusts) are permitted a rollover of capital gains on eligible small business investments. To the extent that the proceeds are reinvested in one or more eligible small business corporations, the liability for personal income tax on the gain is deferred until the replacement property is sold. In addition, capital gains on intergenerational transfers of farming or fishing property are deferred in certain circumstances until the property is disposed of outside the immediate family. The inclusion of fishing property parallels the 2006 federal budget initiative.

Deferral of Capital Gains Through 10-year Reserve for Farming or Fishing Property and Small Business Shares – If proceeds from the sale of small business shares or from the sale of farming or fishing property to a child, grandchild or great-grandchild are not all receivable in the year of sale, realization of a portion of the capital gain may be deferred until the year in which the proceeds become receivable. However, a minimum of 10 per cent of the gain must be brought into income each year, creating a maximum 10-year reserve period. For most other assets, the maximum reserve period is five years. The inclusion of fishing property in the 10-year reserve provision parallels the 2006 federal budget initiative.

Reduced Inclusion Rate for Capital Gains Arising from Certain Donations – Effective May 2, 2006, capital gains arising from gifts of publicly listed securities and ecologically sensitive land to public charities are exempt from tax. Previously, capital gains on such donations were subject to one-half the normal 50 per cent inclusion rate for capital gains. In addition, capital gains on certain objects certified as being of cultural importance to Canada are exempt from tax if donated to a designated museum or art gallery.

SPECIAL CIRCUMSTANCES

Item for Which an Estimate is not Available

Exemption of Scholarship, Fellowship and Bursary Income – For students eligible for the education credit, scholarship, fellowship and bursary income is exempt from tax, starting in 2006. Previously, the first \$3,000 of this income was exempt.

CORPORATE TAX

The estimated values of tax provisions in the Ontario Corporate Income Tax, Capital Tax and Mining Tax systems are presented in Table 2.

TABLE 2: CORPORATE TAX

Tax Provisions	2006 Estimates ¹ (\$ Millions)
Corporate Income Tax	
Ontario Refundable Tax Credits	
Apprenticeship Training Tax Credit ^{2,3}	95
Co-operative Education Tax Credit ^{2,3}	5
Ontario Book Publishing Tax Credit ⁴	2
Ontario Business Research Institute Tax Credit	4
Ontario Computer Animation and Special Effects Tax Credit ⁴	7
Ontario Film and Television Tax Credit ⁴	95
Ontario Innovation Tax Credit	180
Ontario Interactive Digital Media Tax Credit ⁴	8
Ontario Production Services Tax Credit ⁴	40
Ontario Sound Recording Tax Credit ⁴	1
Ontario Deductions and Exemptions	
Additional Deduction for Credit Unions	4
Assets Used to Generate Clean Energy	s
Manufacturing and Processing (M&P) and Resource Sector Credit	255
Non-taxation of the Federal Investment Tax Credit ⁵	200
Ontario Current Cost Adjustment	5
Ontario Depletion Allowance	s
Ontario New Technology Tax Incentive	s
Ontario Political Contributions	1
Ontario Resource Allowance ⁶	80
Small Business Deduction ⁷	900

TABLE 2: CORPORATE TAX

Tax Provisions	2006 Estimates ¹ (\$ Millions)
Exemptions, Deductions and Deferrals Shared with the Federal Government	
Allowable Business Investment Losses ^{8,9}	5
Deductibility of Charitable Donations ⁸	110
Deductibility of Gifts to the Crown ⁸	s
Deductibility of Gifts of Cultural Property and Ecologically Sensitive Land ⁸	s
Deferral of Income for Farmers ⁸	s
Holdback on Progress Payments to Contractors ⁸	20
Non-taxation of Non-profit Organizations ⁸	100
Partial Inclusion of Capital Gains ⁸	940
<i>Items for Which an Estimate is not Available</i>	
Accelerated Write-off of Capital Assets and Resource-related Expenditures	
Cash-basis Accounting and Flexibility in Inventory Accounting	
Deductibility of Countervailing and Anti-dumping Duties	
Deferral Through Capital Gains Rollovers	
Deferral Through Use of Billed-basis Accounting by Professionals	
Expensing of Advertising Costs	
Non-taxation of Provincial, Municipal and Federal Crown Corporations	
Non-taxation of Registered Charities	
Reduced Inclusion Rate for Capital Gains Arising from Certain Donations	
Tax Exemption on Income of Foreign Affiliates of Canadian Corporations	
Taxation of Capital Gains upon Realization	
Capital Tax¹⁰	
Capital Tax Deduction	300
Deferred Mining Exploration and Development Expenses	6
Deferred Ontario New Technology Tax Incentive and Scientific Research and Experimental Development Costs	s
Exemption for Assets Used to Generate Clean Energy	s
Exemption for Family Farm Corporations, Family Fishing Corporations, Credit Unions and Other Specified Entities	s
Small Business Investment Tax Credit for Financial Institutions	10
<i>Items for Which an Estimate is not Available</i>	
Renounced Mining Expenses	

TABLE 2: CORPORATE TAX

Tax Provisions	2006 Estimates ¹ (\$ Millions)
Mining Tax¹¹	
Mining Tax Exemption	8
Mining Tax Holiday for Mines (other than remote mines)	s
Mining Tax Holiday for New Remote Mines	s
Mining Tax Rate for Remote Mines	s
Processing Allowance	50
<i>Items for Which an Estimate is not Available</i>	
Fast Writeoff of Exploration Costs	

¹ Estimates are forecast to the 2006 calendar year based on preliminary 2004 Ontario tax administration data, unless otherwise noted. Estimates do not include the revenue impact of corporate income tax expenditures provided to mutual fund corporations.

² Estimates include the impact of both the corporate and personal income tax provisions.

³ The Apprenticeship Training Tax Credit was announced in the 2004 Ontario Budget. The estimated 2006–07 impact as provided in the Budget was \$95 million. Some of the apprenticeship programs previously included under the Co-operative Education Tax Credit (CETC) were transferred to the new credit. The estimate for the CETC was produced at the time of the 2004 Ontario Budget.

⁴ The estimates include the impact of the enhancements outlined in the 2005 Ontario Budget and/or the 2006 Ontario Budget.

⁵ Relating to qualifying Ontario Research and Development expenses.

⁶ The resource allowance applies to the mining and oil and gas sectors. The estimate is *not* net of mining taxes and Crown royalties paid.

⁷ Includes the impact of the Ontario surtax on Canadian-controlled private corporations.

⁸ Estimates based on assessed 2004 federal tax administration data, allocated to Ontario and forecast to 2006.

⁹ Estimate could overstate true value as it does not reflect the future reduction in tax revenues that would occur if those losses were instead deducted from future capital gains.

¹⁰ Ontario has legislated a plan to eliminate the capital tax by 2012. The capital tax elimination plan is outlined in Annex IV, *Corporate Tax Harmonization*.

¹¹ Estimates are forecast to the 2006 calendar year based on preliminary 2004 Ontario mining tax administration data.

CORPORATE TAX — DESCRIPTION OF TAX PROVISIONS

The following Corporate Income Tax provisions have changed since 2005.

CORPORATE INCOME TAX

ONTARIO REFUNDABLE TAX CREDITS

Ontario Interactive Digital Media Tax Credit — A 20 per cent refundable tax credit for the creation, marketing and distribution of original interactive digital media products by corporations with annual gross revenues of up to \$20 million and total assets of up to \$10 million. The 2006 Ontario Budget proposed to expand the tax credit rate from 20 per cent to 30 per cent for corporations qualifying under the existing provisions and to extend eligibility for a 20 per cent tax credit to corporations that exceed the current size test and to corporations performing fee-for-service work in Ontario.

Ontario Production Services Tax Credit — An 18 per cent refundable tax credit for foreign-based and non-certified domestic film and television production activity in Ontario. The 18 per cent rate has been extended from March 31, 2006 to March 31, 2007.

EXEMPTIONS, DEDUCTIONS AND DEFERRALS SHARED WITH THE FEDERAL GOVERNMENT

Items for Which an Estimate is not Available

Reduced Inclusion Rate for Capital Gains Arising from Certain Donations — Effective May 2, 2006, capital gains arising from gifts of publicly listed securities and ecologically sensitive land to public charities are exempt from tax. Previously, capital gains on such donations were subject to one-half the normal 50 per cent inclusion rate for capital gains. In addition, capital gains on certain objects certified as being of cultural importance to Canada are exempt from tax if donated to a designated museum or art gallery.

SALES AND COMMODITY TAX

The estimated values of tax provisions relating to sales and commodity taxes, including the Fuel Tax, Gasoline Tax, Land Transfer Tax, Retail Sales Tax and Tobacco Tax, are presented in Table 3.

TABLE 3: SALES AND COMMODITY TAX

Tax Provisions	2006 Estimates ¹ (\$ Millions)
Fuel Tax	
Exemptions/Reduced Rates	
Exemption for Biodiesel ²	s
Exemption for Coloured Fuel ³	420
Reduced Rate for Railway Diesel ⁴	32
Refunds	
Auxiliary Power Take-off Equipment ⁵	6
Gasoline Tax	
Exemptions/Reduced Rates	
Exemption for Ethanol, Methanol and Natural Gas ⁶	55
Reduced Rate for Aviation Aircraft ⁷	265
Reduced Rate for Propane ⁷	10
Refunds	
Auxiliary Power Take-off Equipment ⁵	s
Aviation Fuel ⁵	s
Tax-exempt Use in Unlicensed Equipment ⁵	7
Land Transfer Tax	
Exemptions	
Life Leases ⁸	1
Deferrals and Exemptions for Corporate Reorganizations ⁵	29
Items for Which an Estimate is not Available	
Hospital Restructuring	
Oil/Pipeline Easements and Mineral Lands	
Other Transfers and Dispositions	

TABLE 3: SALES AND COMMODITY TAX

Tax Provisions	2006 Estimates ¹ (\$ Millions)
Refunds	
Refund for First-time Home Buyers ⁵	33
Retail Sales Tax	
Exemptions	
25¢ Coin Pay Phone Calls ⁸	7
Agricultural Goods	250
Audio Books Purchased by Persons Who Are Legally Blind ⁸	4
Automobile Insurance Premiums ^{9,10}	800
Basic Groceries ¹⁰	1,600
Books, Newspapers and Magazines Sold by Subscription	375
Children's Car Seats and Booster Seats ¹⁰	4
Children's Clothing	130
Commercial Aircraft, Vessels Greater than 1,400 Cubic Metres and Commercial Vessels Less than 1,400 Cubic Metres	80
Custom Software ¹¹	75
Donations to Schools, Colleges and Universities ⁸	6
Educational CD-ROMs and DVDs ⁸	3
Energy	4,190
Feminine Hygiene Products ¹⁰	19
Footwear Sold for \$30 or Less	30
Goods Purchased for Use by Fishers and Fur-trappers	s
Individual Life and Health Insurance Premiums ¹²	435
Mobile Homes	s
Municipal Fire-fighting Equipment	s
Prepared Foods Sold for \$4 or Less ¹⁰	230
Prescription Drugs and Medical Supplies	830
Production Machinery and Equipment	560
Religious Equipment	10
Repairs and Replacements Performed Under Warranty ⁹	140
Seedlings	s
Services	9,640
Toll-free Telephone Services ⁸	46

TABLE 3: SALES AND COMMODITY TAX

Tax Provisions	2006 Estimates ¹ (\$ Millions)
Transient Accommodation ¹³	85
University Research Equipment	5
<i>Items for Which an Estimate is not Available</i>	
Admissions	
Municipal, Hospital Restructuring	
Museums and Art Galleries	
Used Adult Clothing or Footwear Sold for \$50 or Less by Religious, Charitable and Benevolent Organizations	
Credits/Rebates	
Rebate for Alternative Fuel Vehicles ⁵	4
RST Rebate for Building Materials for Religious, Charitable and Benevolent Organizations ⁵	22
Tax Credit for Fuel Conservation ¹⁴	5
Temporary Exemption for Destination Marketing Fees ¹⁰	2
Temporary Rebate for Building Materials Incorporated into Electricity Generating, Qualifying Nuclear and Deep Lake-water Cooling Facilities ⁵	s
Temporary Rebate for Solar Energy, Wind Energy, Micro Hydro-electric and Geothermal Energy Systems ⁵	s
Vendor Compensation ¹⁵	105
Tobacco Tax	
Compensation for Tax Collectors ¹⁶	s

¹ Estimates are forecast to the 2006 calendar year based on preliminary 2002 provincial Input–Output tables from Statistics Canada, unless otherwise noted.

² Based on estimated amount of biodiesel sold in Ontario.

³ Based on returns filed by registered dyers.

⁴ Forgone revenue estimated as difference from the regular fuel tax rate.

⁵ Based on refunds filed or rebates/deferrals claimed.

⁶ Based on estimated ethanol volumes produced in and imported to Ontario.

⁷ Forgone revenue estimated as difference from the regular gasoline tax rate.

⁸ Based on the Ontario Budget estimate, when the measure was proposed, projected to 2006.

⁹ Estimates assume items would be taxed at eight per cent general RST rate.

¹⁰ Figure derived from estimated consumer spending.

¹¹ Based on Statistics Canada Computer Software and Related Services Industry Revenue Profile.

¹² Based on insurance premiums data provided by the Canadian Life and Health Insurance Association Inc.

¹³ The RST rate on accommodations is five per cent. Forgone revenue estimated as difference from the regular RST rate of eight per cent.

¹⁴ Based on new passenger vehicle sales.

¹⁵ Based on returns filed by RST vendors.

¹⁶ Based on returns filed by tobacco tax collectors.

SALES AND COMMODITY TAX — DESCRIPTION OF TAX PROVISIONS

The following Sales and Commodity Tax provisions have changed since 2005.

RETAIL SALES TAX

CREDITS/REBATES

Rebate for Alternative Fuel Vehicles — The RST paid on vehicles powered by alternative fuels is refunded, to a maximum of \$750 for propane vehicles and \$1,000 for vehicles powered by any other alternative fuel. Certain hybrid electric vehicles are also eligible for a rebate. The 2006 Ontario Budget doubled the maximum RST rebate for qualifying hybrid electric vehicles from \$1,000 to \$2,000.

Temporary Exemption for Destination Marketing Fees — There is an RST exemption for destination marketing fees charged on transient accommodation on or after May 19, 2004 and on or before June 30, 2006. The 2006 Ontario Budget extended the exemption to include destination marketing fees billed on or before June 30, 2007.

EDUCATION PROPERTY TAX

Table 4 provides estimates of tax provisions relating to the Education Property Tax system.

TABLE 4: EDUCATION PROPERTY TAX¹

Tax Provisions	2006 Estimates ² (\$ Millions)
Brownfields Financial Tax Incentive Program ³	s
Charity Rebate	7
Conservation Land Property Tax Exemption Program	2
Eligible Convention Centres Exemption	s
Farm Property Class Tax Rate Reduction	65
Farmlands Awaiting Development Sub-class Tax Rate Reduction	s
Heritage Property Tax Rebate	s
Live Performance Theatres Exemption and Professional Sports Facility Tax Rate Reduction ⁴	2
Managed Forest Tax Incentive Program	2
Seniors and Persons with Disabilities Property Tax Relief ⁵	s
Tax Exemptions Under Private Statutes	6
Vacant Commercial and Industrial Unit Rebate	30
Vacant Land and Excess Land Sub-class Tax Rate Reduction	50
<i>Items for Which an Estimate is not Available</i>	
Other Tax Exemptions Under Public Statutes	
Discretionary exemptions granted by municipalities to special purpose properties (e.g., legions, navy leagues, public-private capital facilities)	
Mandatory exemptions granted to special purpose/institutional properties (e.g., places of worship, cemeteries, Boy Scouts Association of Canada and Canadian Girl Guides Association, charitable institutions including Canadian Red Cross, St. John Ambulance and charitable, non-profit philanthropic corporations organized for the relief of the poor)	
Relief from Property Taxes That are Unduly Burdensome for Residential, Farm or Managed Forest Properties	

¹ Expenditures related to provincial land taxes or payments made in lieu of taxes have not been included.

² Estimates based on 2006 education tax rates, 2006 Assessment Roll, 2004 Municipal Financial Information Returns and municipal tax policies.

³ Effective October 1, 2004, municipalities may pass bylaws cancelling municipal property taxes on eligible brownfields properties. The Province may match the municipal reduction with an education property tax reduction.

⁴ In 2006, improved information allowed a much more precise estimate of the exemptions given to live performance theatres.

⁵ Estimate does not include expenditures due to the exemption from taxation on 10 per cent of the assessment of improvements to accommodate seniors and persons with disabilities in newly built homes or the expenditure on such improvements in existing homes.

EMPLOYER HEALTH TAX

Table 5 provides an estimate of the tax exemption under the Employer Health Tax system.

TABLE 5: EMPLOYER HEALTH TAX (EHT)

Tax Provision	2006 Estimate (\$ Millions)
\$400,000 Exemption for Private-sector Employers ¹	760

¹ Estimate is based on new methodology and 2004 remuneration data forecast to represent the 2006 taxation year.

ESTATE ADMINISTRATION TAX

Table 6 provides an estimate of the 2006 exemption under the Estate Administration Tax system.

TABLE 6: ESTATE ADMINISTRATION TAX

Tax Provision	2006 Estimate (\$ Millions)
Exemption Where the Value of the Estate Does Not Exceed \$1,000	s

GROSS REVENUE CHARGE

Table 7 provides an estimate of the tax provision under the Gross Revenue Charge.

TABLE 7: GROSS REVENUE CHARGE (GRC)¹

Tax Provision	2006 Estimate ² (\$ Millions)
Gross Revenue Charge 10-year Holiday	s

¹ Expenditure does not include the provincial water rental portion of the GRC.

² 2006 estimate based on 2004 GRC returns.
