Cut In Personal, Corporate Income Tax To 8% Will Attract Investment, Top Talent Says Study

TORONTO: An eight per cent single-rate tax on personal and corporate income would make Ontario one of the most competitive pro-growth tax jurisdictions in North America, finds a new study released by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

"Ontario's economy has struggled for many years, partly because uncompetitive tax rates discourage businesses and entrepreneurs from moving here and investing in the province," said Ben Eisen, director of the Fraser Institute's Ontario Prosperity Initiative and co-author of Time for Tax Reform in Ontario.

For example, Ontario's top combined personal income tax rate (53.53 per cent, the second highest rate in North America) dwarfs rates in neighbouring U.S. jurisdictions that compete for entrepreneurs, investment, and high-skilled workers, including Ohio (42 per cent), Michigan (41.25 per cent) and Pennsylvania (40 per cent).

The study shows that if Ontario replaced its current seven-tier tax rate system with a single personal income tax rate of eight per cent, Ontario would have the 12th lowest top marginal rate in North America (combined federal and provincial/state rates).

The study also shows that lowering Ontario's corporate income tax rate from 11.5 per cent to 8 per cent would make the province's combined federal/provincial statutory corporate income tax rate the 7th lowest in North America.

While Ontario, like most other Canadian provinces, recently enjoyed a corporate tax advantage over U.S. jurisdictions, tax changes south of the border have since lowered the U.S. federal corporate tax rate from 35 to 21 per cent, eroding the previous advantage for Canadian provinces.

Overall, the suggested tax reforms would cost approximately $11 billion a year, and maintaining spending levels at 2017/18 levels, which was a six per cent increase over the previous year, would defray more than half the cost of the proposed tax reforms.

"Even modest spending restraint would create much of the fiscal room needed to pursue meaningful tax reform and relief that could help make Ontario a more attractive place for entrepreneurs, businesses, and skilled labour," Eisen said.

"There's no easy fix for reversing Ontario's relatively poor economic performance, but in light of the new competitive pressures coming from the U.S., reforming the province's high taxes is a good place to start."

The Fraser Institute is an independent Canadian public policy research and educational organization with offices in Vancouver, Calgary, Toronto, and Montreal and ties to a global network of think-tanks in 87 countries. Its mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and communicating the effects of government policies, entrepreneurship and choice on their well-being. To protect the Institute's independence, it does not accept grants from governments or contracts for research. - Globe NewsWire.

Hike In Fees May Hurt Condo Projects Outside Toronto Core

By Abishek Bhasin

The City of Toronto has proposed a by-law that would see development charges double in the next four years in phases. Development charges are fees collected from developers at the time a building permit is issued.

The fees help to pay for the cost of infrastructure required to provide municipal services to new development, such as roads, transit, water and sewer infrastructure, community centres, fire and police facilities.

Approval of the proposed development charges by-law is expected to result in an addition of approximately $230 to $250 million annually in development charges revenues, once fully phased-in and based on the growth forecast in the Background Study.

The total annual development charges revenues once the increases are expected to be phased-in are expected to be about $500 to 540 million annually for the City of Toronto.

Most municipalities in Ontario use development charges to recover the cost of providing infrastructure to service new development rather than recovering the costs from existing residents and businesses in the form of higher property taxes.

The builders then add these charges into the price that buyers of preconstruction homes and condominiums pay. Since, development charges are applied on a per-unit basis, higher density projects end up paying higher charges.

So what does this mean for the investor or end user looking to purchase a new home in Toronto?

If you are buying in the City's core, or along major transit lines, then it most likely will have a nominal effect.

Even with the new proposed approximate charges of $31,000 for a Studio & One Bedroom, and $47,000 for a 2 Bedroom, builders in the downtown core who are charging $1000/sf to buyers will most likely absorb the costs in the short term.

Developers who are building outside of transit areas in the City have less luxury to cover the new expenses and it will be the buyer who will have to pay the increase in the development charges.

Investors who have already purchased into new developments may be forced to pay the increase in development charges depending on the capped amount the developer has placed on levies for the buyer in the pre-construction agreement of purchase and sale.

But not every neighborhood in Toronto can support a purchase price of $900 - $1000 per square foot.

The new charges are expected to decrease the value of developable land in these areas in order to ensure that builders have a healthy profit margin to actually build new supply.

The City recognizes that reducing the feasibility to develop in some areas will further increase the supply issue that faces Toronto.

However they are hoping that planned investment in transit, which is partially funded by development charges should, over the long term, positively impact low growth areas, improving their marketability and helping to drive demand.

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