

Ranking Provincial Tax Systems in Canada: Provincial Summary¹

Ontario

CFIB has produced its 2013 *Small Business Provincial Tax Index* to gauge the competitiveness level of provincial tax systems. The unique aspect of CFIB's research is that it examines elements of the provincial tax system through the lens of the SME owner. It encompasses 53 indicators in five major areas of the tax system—premiums and payroll tax; sales and excise tax; corporate income tax; personal income tax; and property tax.

Overall Index Scores, provincial tax systems, 2013 (10 is best; 0 is worst)

Best (10)		Overall Index Scores	Premiums and Payroll Tax Subindex	Sales and Excise Tax Subindex	Corporate Income Tax Subindex	Personal Income Tax Subindex	Property Tax Subindex
	Alberta	8.53	9.6	9.7	7.3	9.1	5.8
	Saskatchewan	7.01	9.1	3.5	7.5	6.7	7.4
	New Brunswick	6.98	9.2	6.4	6.4	5.7	5.6
	Newfoundland and Labrador	6.17	6.5	4.8	6.7	5.4	7.5
	Prince Edward Island	5.90	7.5	5.0	5.9	3.3	6.9
	Manitoba	5.67	6.5	4.8	7.4	4.1	4.9
	British Columbia	5.65	7.0	1.8	7.6	6.9	4.3
	Ontario	5.50	4.6	7.2	6.1	6.6	3.1
	Nova Scotia	5.22	7.5	4.6	3.7	4.2	4.7
Worst (0)	Quebec	3.97	3.7	5.3	3.0	2.3	5.8

Competitive Advantages:

- ▶ Relatively low insurance taxes.
- ▶ Relatively low excise tax on diesel and tobacco.
- ▶ Relatively low number of personal and corporate income tax credits.
- ▶ High level of income required for the top personal income tax rate to come into effect.

¹ This is a summary based on the full report *Ranking Provincial Tax Systems in Canada: CFIB's 2013 Small Business Provincial Index*. <http://www.cfib.ca/a5557e>.

Areas for Improvement:

Premiums and Payroll Tax

- ▶ Review individual industry workers' compensation rates relative to other provinces to ensure they are comparable and reasonable.
- ▶ Bring maximum insurable earnings in line with Ontario's average yearly earnings
- ▶ Reduce or eliminate employer-paid payroll tax.
- ▶ Consider increasing the threshold on payroll tax.
- ▶ Reduce or eliminate employee-paid health premiums.

Sales and Excise Taxes

- ▶ Reduce provincial sales tax rate.
- ▶ Reduce fuel taxes on gasoline, which are among some of the highest in the country.
- ▶ Reduce property and fire insurance tax rates.

Corporate Income Tax

- ▶ Reduce the small business tax rate.
- ▶ Reduce the general rate.
- ▶ Consider a reduction in the M&P tax rate or the introduction of a M&P tax credit.
- ▶ Reduce the total number of tax credits.
- ▶ Eliminate the corporate minimum tax.

Personal Income Tax

- ▶ Eliminate PIT surtaxes.
- ▶ Reduce the top bracket tax rate.
- ▶ Increase basic personal exemption.
- ▶ Reduce the total number of tax credits.
- ▶ Eliminate the difference between basic personal and spousal exemption.

Property Tax

- ▶ Reduce reliance on municipal, provincial property taxes, which are among some of the highest in the country as a percentage of GDP and on a per capita basis.
- ▶ Address mill rate differentials at the provincial level, which are the highest in the country.
- ▶ Reduce or eliminate provincial real estate transfer taxes/fees.
- ▶ Reduce or eliminate probate taxes and fees, which are the highest in the country.
- ▶ Take steps to eliminate the real estate transfer tax in Toronto.