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2017 ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW

BRIEFING BOOK

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CHAPTER I: BUILDING FAIRNESS FOR ONTARIO FAMILIES

Strengthening and Modernizing Retirement Security

Canada Pension Plan

Q: What will the CPP enhancement do?

A: The CPP enhancement will improve the retirement security and future quality of life of today's workers, particularly those without workplace pension plans, by providing them with a meaningful, lifelong increase in their retirement incomes.

Specifically, the CPP enhancement will mean:

- An increase in the retirement benefit from one-quarter to one-third of pensionable earnings (i.e., earnings on which contributions are paid).
- A 14% increase in the maximum pensionable earnings level.
 - The maximum pensionable earnings level for the base CPP is called the Year's Maximum Pensionable Earnings (YMPE) and is \$55,300 in 2017 (YMPE is indexed to the average Canadian wage).
 - The maximum pensionable earnings level for the CPP enhancement, which is called the Year's Additional Maximum Pensionable Earnings (YAMPE), will be 14% higher than the YMPE.
- Contribution rates that will be added to the base CPP contribution rate. The base CPP contribution rate is 9.9% on earnings between the Year's Basic Exemption (YBE) (the first \$3,500 of earnings, which is exempt from CPP contributions) and the YMPE. Once fully phased in, the enhanced CPP contribution rates will be:
 - 2% on earnings (1% each for employees and employers) between the YBE and YMPE.
 - 8% on earnings (4% each for employees and employers) between the YMPE and YAMPE.

- A seven-year phase-in period for contribution increases, starting January 1, 2019. The phase-in period would consist of:
 - a five-year phase-in of the contributions on earnings between the YBE and YMPE; followed by
 - a two-year phase-in of contributions between the YMPE and YAMPE.

CPP enhancement contributions will be tax-deductible (base CPP contributions will remain subject to a tax credit). Providing a tax deduction will make saving for retirement easier, as tax deductions are generally more valuable than non-refundable tax credits for most workers.

Q: What was Ontario's role in achieving the CPP enhancement?

A: The Ontario government's leadership and dedication to strengthening retirement security were fundamental to achieving the CPP enhancement.

The knowledge and analysis Ontario gained from developing the ORPP was invaluable in facilitating an agreement to enhance the CPP.

Ontario's work was also essential in driving the negotiations among the federal government, provinces and territories that resulted in the agreement to enhance the CPP.

The CPP enhancement is the culmination of years of effort by Ontario, working with the federal government and other provinces and territories, to make the CPP better meet the retirement savings needs of today's workers.

Q: Will the CPP enhancement help today's seniors or workers who are near retirement?

A: The CPP enhancement is designed to raise the incomes of future retirees. Workers who contribute to the enhanced CPP will receive enhanced retirement benefits commensurate with the amount they contributed.

Those who are already retired when the CPP enhancement begins in 2019 will not be able to contribute and therefore will not receive enhanced benefits.

Although the CPP enhancement is aimed at future retirees, current retirees have access to a number of other income supports, which include:

- The existing CPP, which provides an earnings-based pension;
- Federal Old Age Security, which is available to most seniors; the federal Guaranteed Income Supplement and Ontario's Guaranteed Annual Income System, which are available to low-income seniors; and
- Various tax credits and benefits, which can be applied for through annual tax returns.

Q: Will you be including drop-out provisions in the CPP enhancement? Isn't omitting drop-out provisions discriminatory towards women and people with disabilities?

A: As agreed to at the December 2016 Finance Ministers meeting, the issue of child-rearing and disability situations within the CPP enhancement is currently being examined as part of the Triennial Review of the CPP.

(Note: Drop-out provisions in the base CPP exclude years of low or no earnings due to child-rearing responsibilities or disability from the retirement benefit calculation. This results in higher retirement benefits that are subsidized by other workers. Drop-out provisions are currently not included in the CPP enhancement. Including drop-out provisions in the enhancement would need to be funded through higher contribution rates or reductions to other benefits.)

Q: With the CPP enhancement, low-income workers will have to pay higher contributions that they can't afford, only to have their federal Guaranteed Income Supplement, or GIS, benefits clawed back in retirement due to their enhanced CPP benefits. What are you going to do to help them?

A: Ontario recognizes the need to protect low-income workers from the cost of higher CPP contributions.

That is why the CPP enhancement legislation includes an increase to the Working Income Tax Benefit, or WITB. The WITB increase will roughly offset the cost of additional CPP contributions for low-income workers, allowing them to receive enhanced CPP benefits when they retire at no net cost.

In its recent fall economic statement, the federal government announced that it will be implementing a further increase to the WITB. Both WITB increases will start in 2019.

Framework for Defined Benefit Pension Plans

Q: What are the highlights of the new funding framework for defined benefit pension plans?

A: The new funding framework for DB pension plans includes:

- Requiring DB plans to satisfy enhanced going-concern funding requirements, with any deficiencies amortized over 10 years (instead of the current period of 15 years);
- Requiring DB plans to establish and fund a provision for adverse deviations (PfAD) on a going concern basis;
- Providing a “fresh start” for going concern special payments by consolidating current and prior going concern deficiencies;
- Requiring special payments if assets are below 85% (instead of 100%) of solvency liabilities;
- Providing special funding rules for benefit improvements and restricting contribution holidays to improve benefit security;
- Increasing the guarantee provided by the Pension Benefits Guarantee Fund from \$1,000 per month to \$1,500 per month;
- Providing a discharge of liabilities when annuities are purchased for retirees or deferred plan members; and
- Requiring plans to develop funding and governance policies.

Legislative amendments to enable these changes are included in the fall bill.

Q: How do these rules compare with the recent reforms that were implemented in Quebec? Why is a solvency requirement being maintained in Ontario while Quebec eliminated solvency funding completely?

A: In developing a new funding framework for defined benefit pension plans in Ontario, the government considered different models to see what would be appropriate for plans in Ontario.

Many elements of the new funding framework, such as the introduction of a provision for adverse deviations, or PfAD, will be similar to the funding framework introduced in Quebec. Certain details, such as the solvency funding requirements if a plan's solvency ratio falls below 85%, differ from the Quebec regime. This approach is meant to balance employers' concerns regarding plan affordability with the benefit security concerns of members and retirees. In particular, the new

rules will be designed so that they work together with the Pension Benefits Guarantee Fund to help protect the pensions of members and retirees.

Details of the funding rules will be posted on the Regulatory Registry for comment before they are implemented.

Q: How will these changes affect employers? How will these changes encourage employers to continue providing defined benefit pension plans?

A: We recognize the importance of providing more flexibility to allow businesses with well-funded plans to better manage and adapt, while at the same time supporting retirement income security for workers.

The new rules help employers maintain defined benefit pension plans, which are a valuable tool to attract and retain talent, by:

- Emphasizing going concern funding to reduce funding volatility, so that employers can manage contribution requirements more easily;
- Introducing an 85% solvency threshold which would reduce contribution amounts that are determined on a solvency basis; and
- Providing administrators with a discharge when they purchase annuities to provide pensions for retirees and deferred members, so employers will have a useful tool to reduce the risk in their pension plans.

Q: How will the new funding framework affect jointly sponsored pension plans that have a solvency funding exemption under the regulations?

A: These plans will not be affected by these changes.

Q: When are draft regulations expected to be posted for comment on the Regulatory Registry?

A: Materials regarding the main changes, including the new funding rules, will be posted on the Ontario Regulatory Registry for public feedback later this fall.

Q: What amendments to implement the new funding framework are being made to the Pension Benefits Act in the fall bill?

A: The proposed amendments include:

- New rules for benefit improvements and contribution holidays;
- A requirement for funding policies and governance policies;
- Providing a discharge of liabilities when an administrator purchases annuities for retirees or deferred plan members;

- Increasing the monthly guarantee provided by the Pension Benefits Guarantee Fund; and
- Technical changes to recognize the requirement to fund a provision for adverse deviation.

Q: What is a provision for adverse deviations (PfAD) that is referenced in the fall bill? How will it help protect the pensions of plan members? How will it be funded?

A: A provision for adverse deviations is a reserve within the pension fund that is funded by contributions in addition to normal funding requirements. Under the new funding rules, this reserve will be funded on a going concern basis, and so will be less volatile than solvency funding requirements. The reserve helps provide additional benefit security in an enhanced going concern system.

Q: Will the fall bill provide any specific design details on the provision for adverse deviations?

A: The design of the provision for adverse deviations will be made by regulation. Details will be posted on Ontario's Regulatory Registry later this fall for public feedback.

Q: What will be the required content for funding policies and governance policies that are included in the fall bill as new documents that must be prepared for pension plans?

A: Details of requirements for these policies would be in the regulations. We expect draft regulations will be posted for comment on the Regulatory Registry.

Q: How will benefit improvements be funded under the Pension Benefits Act, as amended by the fall bill?

A: Proposed amendments to the Pension Benefits Act would clarify that defined benefit plans will have to satisfy certain funding thresholds in order to improve benefits. The thresholds would be specified in regulation, which will be posted for comment on the Regulatory Registry.

Q: What restrictions will be placed on contribution holidays in Pension Benefits Act, as amended by the fall bill?

A: Restrictions on contribution holidays will prevent plan sponsors from using a plan surplus to satisfy their contribution requirements unless a specified level of surplus remains in the plan after the holiday is taken.

Details will be posted on the Regulatory Registry for feedback before the regulation is finalized.

Q: Are surplus rules affected by amendments to the Pension Benefits Act in the fall bill?

A: Restrictions on withdrawing surplus from a continuing plan would be strengthened to recognize the requirement to fund a provision for adverse deviations under the new funding framework.

Q: What changes are being made in the fall bill to coverage under the Pension Benefits Guarantee Fund (PBGF)?

A: In addition to increasing the maximum guarantee provided by the PBGF to \$1,500 per month, proposed amendments to the Pension Benefits Act would eliminate any age and service requirements for PBGF coverage. This would modernize the PBGF by recognizing that changes in the labour market have increased risks for those who have been affected by these requirements, such as younger members.

Q: Who contributes to the PBGF? Does the government contribute to the PBGF?

A: PBGF premiums are paid by the sponsors of single employer defined benefit pension plans. While in certain instances in the past the government has provided financial assistance to the PBGF, the government has no obligation to contribute to the PBGF.

Framework for Target Benefit Multi-Employer Pension Plans

Q: Is the government going to force target benefit plans to reduce pension benefits, including pensions-in-pay?

A: Multi-employer pension plans established by collective agreement or trust agreement are currently required to take action in order to address any funding shortfalls; actions taken could include increasing contributions or reducing benefits, including accrued benefits and pensions-in-pay. The new framework would also require target benefit multi-employer pension plans to address funding shortfalls in a similar manner, and would include other measures to help ensure these plans are healthy and sustainable over the long term.

These measures would include:

- A requirement for a reserve or PfAD to assist plans in overcoming adverse events, such as poor investment returns; this would help ensure benefits provided are predictable by lowering the risk of benefit reductions.
- A requirement to develop policies on funding and governance, to help ensure plans are well managed.

- A new basis for calculating benefits paid when a member terminates participation in the plan or when a plan is wound up.

Q: Which plans would qualify?

A: The new framework is being designed to replace the time-limited funding regulations currently in place for specified Ontario multi-employer pension plans (SOMEPPs), whose members are unionized.

The government remains committed to exploring options for a target benefit MEPP framework for plans that do not meet the existing SOMEPP criteria, primarily MEPPs that exist outside of a unionized environment.

Q: Can all types of accrued pension benefits be converted to target benefits?

A: No. Only defined benefits provided by a multi-employer pension plan that meet certain criteria would be eligible to be converted to target benefits. These criteria include:

- The plan authorizes the administrator to reduce the benefits that are proposed to be converted;
- Contributions to the pension plan in respect of the benefits are fixed under one or more collective agreements;
- The reduction of benefits is generally not prohibited by a collective agreement or by legislation; and
- All defined benefits that meet the conversion criteria must be converted.

Q: Why is the government proposing a conversion framework when certain MEPPs have been operating like target benefit plans for years?

A: Although certain MEPPs have the ability to reduce benefits under the Pension Benefits Act (PBA), the benefits provided by these plans are considered to be defined benefits. In addition, the regulations for specified Ontario multi-employer pension plans (SOMEPPs) are temporary and set to expire. The proposed TB framework would replace these regulations and provide a new regime for target benefits.

This regime would include a permanent exemption from solvency funding, an obligation for plans to satisfy going concern funding requirements with any deficiencies amortized over 15 years (rather than the current 12 years), a requirement for a reserve called a provision for adverse deviations (PFAD), and rules to help ensure that benefits are appropriately reduced when funding requirements are not met. The proposed conversion framework has been designed to ensure that members are informed, and unions are consulted, when benefits are converted to target benefits.

Q. Is the TB MEPPs framework now fully established?

A: Regulations will be required to implement the framework. The government will be consulting on the details of the new framework and intends to post materials on Ontario's regulatory registry for public feedback.

Missing Beneficiaries

Q: How will the government address the issue of pension plan beneficiaries that have gone missing?

A: The government recognized in the 2017 Budget that there was a gap in the legislative and regulatory framework concerning pension plan beneficiaries that are difficult to locate.

There were no guidelines for locating missing pension plan beneficiaries and no method to deal with missing plan beneficiaries if they did not come forward to claim their benefits.

To address this issue, the 2017 Budget:

- Instructed the Superintendent to develop a policy to provide direction to pension plan administrators on steps they should take to locate beneficiaries; and,
- Amended the Pension Benefits Act (PBA) to provide the Superintendent with the legislative authority to waive the requirements to provide periodic statements in situations where a plan administrator can demonstrate that the beneficiary is missing.

On September 30, 2017, the Financial Services Commission of Ontario (FSCO) published two policies on missing beneficiaries:

- A policy on steps that administrators should consider when searching for plan beneficiaries before the Superintendent determines it is reasonable to believe that a beneficiary is missing.
- A policy for administrators making an application to the Superintendent to waive the requirement to provide biennial statements in the case of missing former and retired members.

Q: What is the government doing in the fall bill for missing beneficiaries?

A: To further assist employers in dealing with missing beneficiaries and help individuals in locating pension benefits, the government is now proposing:

- Amendments to the Pension Benefits Act (PBA) to provide the Superintendent with the authority to establish, maintain and operate an electronic registry where administrators could post information regarding missing beneficiaries and where individuals could search for missing benefits.

Q: What are other jurisdictions doing to address the issue of missing pension plan beneficiaries?

A: Alberta, British Columbia and Quebec have dealt with the issue through the application of unclaimed property legislation.

- Alberta: After following certain criteria, the plan administrator can apply to the Alberta Superintendent of Pensions for permission to transfer the member's assets to the Unclaimed Property Office.
- British Columbia: The British Columbia Unclaimed Property Society (BCUPS), a non-profit society created by the provincial government assists beneficiaries to locate their unclaimed property, including pensions.
- Quebec: After satisfying certain criteria, plan administrators can transfer the funds to Revenue Quebec, at which point the pension assets become subject to unclaimed property legislation.
- Manitoba: The regulator issued a policy that sets out search provisions to follow when attempting to locate beneficiaries.
- Federal: No legislation that provides instruction on how to handle entitlements of missing beneficiaries. While recent amendments to the Pension Benefits Standards Act (PBSA) provide authority for the establishment of a public entity that would hold entitlements of missing beneficiaries; to date, no entity has been established.

Discharge on Annuity Purchase

Q: Why is the government making changes in the fall bill to provide a discharge of liabilities to administrators of pension plans on the purchase of annuities?

A: Administrators have an interest in de-risking strategies. Annuities are a useful tool for de-risking a plan.

Currently, under the Pension Benefits Act (PBA), employers in an ongoing plan can reduce pension risk by purchasing annuities on behalf of members, but the PBA does not provide a discharge, meaning some obligations continue:

- Pension liabilities remain on the employers' balance sheets, although the responsibility for payments is transferred to an insurance company;
- Employers are required to pay PBGF premiums on annuitized benefits; and,
- If the insurance company that sold the annuities becomes insolvent, the responsibility to make pension payments reverts to the employer.

A discharge would relieve plan administrators of these liabilities and thereby encourage them to use annuities as a de-risking strategy for deferred and retired members. This is an effective strategy as it transfers longevity and investment risk to insurance companies, who are better positioned to manage these risks.

The proposed amendments would come into force on proclamation and would allow plan administrators to be discharged of their pension liabilities when they purchase annuities that meet certain conditions to be prescribed in regulations.

Q: Would discharge be available to administrators who have already purchased annuities before this legislative change?

A: Administrators would receive a discharge with respect to previously purchased annuities, provided that those annuities replicate the benefits of affected members and meet other requirements, such as funding and notice requirements that will be laid out in supporting regulations.

Q: How will a discharge affect retirees?

A: Retirees will receive the same pension benefits from the insurance company as they would have received under the pension plan.

The insolvency of employers or sponsors will no longer affect retiree pensions because insurance companies providing the annuities have lower risk of insolvency than an individual employer.

Although annuitants will no longer be covered by the Pension Benefits Guarantee Fund (PBGF), annuitants will be protected by equivalent annuity insurance provided by Assuris.

Q: Will annuitants lose their rights to surplus after the discharge?

A: A discharge will not affect a member's rights to surplus on the wind up of the pension plan. Annuitants who are entitled to a share of surplus on the wind up of a pension plan will continue to retain those rights.

Q: How will a discharge on purchases of annuities affect members who remain in the plan?

A: Members who remain in the plan will not be affected by the pension plan administrator's discharge of liabilities. The administrator would be required to comply with certain requirements, including funding requirements to be prescribed in supporting regulation to ensure that annuities purchased for the purpose of a discharge do not deteriorate the funded status of the plan.

Q: Why is the discharge limited to Single Employer Pension Plans (SEPPs)?

A: The rationale for providing discharge is to encourage administrators to utilize annuities to manage their pension risks, instead of closing their plans. This rationale is more relevant to SEPPs as other types of plans, such as jointly sponsored pension plans or multiple employer pension plans, are structured differently, namely:

- Pension risk is shared between employers and employees;
- They have a strong governance structure for managing pension risk; and,
- They can reduce benefits that have already accrued under certain circumstances.

The discharge will also be limited to the purchase of annuities for deferred and retired members as these members, unlike active members, are no longer accumulating new benefits under the pension plan. This approach is also consistent with what other jurisdictions are doing as neither Quebec nor British Columbia permit discharge for annuities purchased for active members.

Improving Income Security and Mobilizing Community Solutions to Reduce Poverty

Launching a Basic Income Pilot

Q: How many people are enrolled in the Basic Income Pilot to date?

A: Since the launch of the pilot, more than 500 participants in the Hamilton, Brantford and Brant County area, Thunder Bay surrounding area, and Lindsay have started to receive a basic income, with more applications being processed.

Q: The fall statement mentions that a basic income pilot for First Nations is also being developed. Where will this pilot take place and how long will it last? Will the benefit and eligibility requirements be the same as they are for the other three pilot sites?

A: The government is continuing to work with our First Nations partners to co-create and design a pilot through a separate but parallel process. No additional details are available at this time.

Q: Are there any plans for a long-term basic income program after the pilot is done?

A: Providing people who are living on low incomes with a basic income could make a profound difference in their lives. This new approach could expand opportunities for people on low incomes and help ensure that everyone shares in Ontario's economic growth. So it is an approach we are considering.

However, before we decide whether to introduce a basic income program in Ontario, we need to gather evidence about how it works in the real world. Through the pilot project, we will evaluate how receiving a basic income might affect the well-being of low-income people who live in different parts of Ontario and in different life situations.

Q: How will the pilot be evaluated? Who will lead the evaluation process?

A: The pilot will be evaluated by a third-party research group, made up of a team of leading researchers, experts and academics led by St. Michael's Hospital and McMaster University. We've also created:

- The Minister's Advisory Council, led by Susan McIsaac, former President and CEO of United Way, Toronto and York Region, to give advice and recommendations about the pilot study to the Minister of Community and Social Services and the Minister Responsible for the Poverty Reduction Strategy.

- The Research and Evaluation Advisory Committee, led by Dr. Kwame McKenzie, Special Advisor to the Ontario Basic Income Pilot and CEO of the Wellesley Institute, which will provide advice and recommendations on the evaluation of the pilot.

Enhancing Social Assistance Benefits

Q: In Budget 2017, the government committed to investing more than \$480 million over four years to further enhance social assistance benefits. What were some of those enhancements?

A: The government has implemented several improvements to Ontario Works and the Ontario Disability Support Program, including:

- Making sure single-parent families benefit fully from the child support payments they may receive in addition to social assistance;
- Supporting adults to earn more money from employment without reducing their assistance;
- Increasing the income exemption for cash gifts to recognize that people may also rely on the support of family or friends;
- Raising asset limits so that individuals can avoid depleting all of their assets before getting help; and,
- Increasing rates, particularly for those with the lowest incomes and those living in higher-cost remote and northern communities. Furthermore, in 2017, the government increased social assistance rates by 2 per cent across-the-board, including MOHLTC's Comfort Allowance and other SA allowances (e.g., Temporary Care Assistance and Personal Needs Allowance).

Local Poverty Reduction Fund

Q: Why is the Local Poverty Reduction Fund being announced? Is this a new initiative?

A: The government established the Local Poverty Reduction Fund in 2015 to support innovative, community-driven projects that measurably improve the lives of those most affected by poverty. Through the first two rounds of the Fund, the government helped support 71 projects and invested over \$28.9 million in more than 30 communities across the province.

In 2017, with an investment of \$16 million, the government announced that it would be supporting an additional 48 community led projects through the third round of the Fund.

Fairness for Workers

Fair Workplaces, Better Jobs

Q. Businesses have complained that the Fair Workplaces, Better Jobs Act, 2017 will hurt them. Why has the government introduced this change now?

A. Ontario's economy continues to grow, jobs are being created, incomes are rising and the unemployment rate has declined. However, not everyone is benefitting. The workplace has changed and some workers are facing low pay, uncertain hours, and few benefits or protections. Some are struggling to support their families on part-time, contract or minimum-wage work.

Ontario is modernizing labour laws to help safeguard employees, ensure fairer workplaces, and support better jobs. Our plan would increase the general minimum wage to \$15 per hour, giving hundreds of thousands of low-paid workers a raise. It would also ensure part-time workers receive equal pay to full-time workers for equal work, introduce paid sick days for all workers, ensure minimum vacation entitlements and expand emergency leave.

Improving Housing Affordability

The Fair Housing Plan

Q: What is the Fair Housing Plan?

A: The Fair Housing Plan consists of 16 comprehensive measures that will help improve housing affordability for both owners and renters, while bringing stability to the real estate market and protecting the investment of homeowners.

The plan includes measures to address demand for housing, protect renters and real estate consumers, and increase the supply of housing (including purpose-built rental housing), and actions to increase information sharing.

Taken together, these new policies represent a substantial, multifaceted plan to address Ontario's rising housing costs so that families can access housing that meets their diverse needs.

Making housing more affordable is part of the government's plan to create jobs, grow the economy and help people in their everyday lives.

Q: Why did the Province feel it necessary to introduce various housing measures affecting both the ownership and rental market?

A: We know that affordable housing options are crucial to attracting and retaining the skilled workforce that our region needs to grow.

Earlier this year, year-over-year house prices in Toronto and the surrounding regions had increased by 33 to 43 per cent year-over-year. These were not sustainable.

At the same time, the government also heard complaints from tenants about rapidly rising rents living in newer rental units and unethical behavior by some landlords.

The Fair Housing Plan was designed to cool speculation, bring balance back to the housing market – both ownership and rental, and protect renters and real estate consumers through moderate intervention across a broad range of supply and demand drivers.

Taken together, these new policies represent a substantial, multifaceted plan to address Ontario's rising housing costs so that families can access housing that meets their diverse needs.

Making housing more affordable is part of the government's plan to create jobs, grow the economy and help people in their everyday lives.

The Missing Middle

Q: What is the Missing Middle?

A: In recent years, the term “missing middle” in relation to housing has emerged to reflect the housing mix and housing affordability both within Canada and in other parts of the world (e.g. USA and Australia).

This term often refers to the challenges associated with delivering a range and mix of housing options at different price points.

In most cases, the “missing middle” is within the context of achieving a more compact urban form.

The concept of missing middle housing embraces three interrelated elements:

- **Built form:** Refers to housing options that fall between single-family homes and higher density apartments. These could include semi-detached, row/town-houses, stacked town-houses and second units.
- **Unit size and capacity:** Refers to the ability of a unit regardless of dwelling type to accommodate a range of different household sizes, including families. This recognises that higher density apartment buildings can also accommodate a range of different household sizes by including a mix of unit sizes (even when apartments are generally not considered to be missing middle housing in discussions around built-form).
- **Affordability:** Refers to housing (rental or ownership) offered at price points that middle-income households can reasonably afford – these households are not eligible for supports in place for lower income households, but at the same time are often priced out of available market housing. This definition varies according to the range of incomes in a given area, as well as the market rate for housing. It is sometimes associated with the need to provide housing for key workers (e.g. school teachers, nurses, social workers) near to places of work.

Q: How is the Province encouraging the development of missing middle housing?

A: The Province has undertaken several actions to encourage the development of a greater range of housing options, including missing middle housing.

Provincial land use planning policy directs that communities need to be planned in a way that ensures that people are able to access a range of housing options.

More specifically, the Growth Plan requires municipalities to develop a housing strategy that identifies the range and mix of housing options that will be required

to meet the needs of current and future residents, while meeting the other policies in the Growth Plan (e.g. density and intensification targets).

In addition, recognising the potential for multi-unit dwellings to accommodate a range of different households, the Growth Plan requires that municipalities consider the use of available planning tools to incorporate a mix of unit sizes.

The Province also requires that municipalities develop Housing and Homelessness Plans which provides a framework for integrated local planning to address housing affordability, coordination of homelessness and related support services and homelessness prevention.

In developing their housing and homelessness plans, service managers need to identify what the housing needs of the community are, and link this with the available tools that municipalities can use to get the private sector to deliver the right housing when and where it is needed, in a way that is coordinated with Ontario's land use planning framework.

Other actions the Province has taken to support the missing middle include:

- Allowing wood-framed construction up to 6 stories;
- Inclusionary Zoning (if proclaimed);
- Supporting second units; and
- Actions under the Fair Housing Plan.

Rent Control and Other Protections for Renters

Q: What is the government doing to make rental housing more affordable?

A: Through the Rental Fairness Act, which received Royal Assent on May 30, 2017, we have amended the Residential Tenancies Act to make all private rental units subject to rent controls, including those in buildings first occupied on or after November 1, 1991.

This change will help keep tenants' housing costs affordable and stable, and protect tenants from unfair rent increases, while bringing consistency to the province's rental housing market.

Additionally, we've removed above guideline rent increases for extraordinary increases in utility costs to mitigate the impact of carbon costs on tenants. This also enhances rental housing affordability.

Q: What other changes were made to the Residential Tenancies Act?

A: Our government made changes to the Residential Tenancies Act that improve housing affordability and stability, and further strengthen protections for renters.

- Enabling a standard lease template to help both tenants and landlords know their rights and responsibilities, while reducing the number of disputes;
- Protecting tenants from eviction due to abuse of the “landlord’s own use” provision, effective September 1, 2017;
- Ensuring landlords can’t pursue former tenants for unauthorized charges; and,
- Delaying above guideline rent increases until elevator maintenance orders are addressed.

Property Taxation of Apartment Buildings

Q: What is the Province doing to address the high level of municipal taxation on multi-residential apartment buildings?

A: The Province is committed to improving fairness in the property taxation of apartment buildings, which will support and encourage development of new multi-residential apartment units.

While the government applies the same education property tax rate to multi-residential and residential properties, multi-residential properties are typically subject to a significantly higher municipal property tax rate than other residential properties. Since property taxes for multi-residential apartment buildings are generally reflected in the rents paid by tenants, the higher property tax burden is concerning given the lower average incomes of tenants in multi-residential apartment buildings.

As a result, the Province is reviewing the property taxation of multi-residential apartment buildings to identify ways to address the tax inequity and improve housing affordability in the rental market. While the review is underway, the government has frozen the municipal property tax burden for existing multi-residential properties in communities where these taxes are high.

Based on early feedback during the review, and as part of the Province’s Fair Housing Plan, the government also implemented a mandatory new multi-residential property tax class. This ensures that municipalities tax new multi-residential buildings at a similar rate as other residential properties. This measure will further support and encourage development of new, purpose-built rental housing.

Q: What is the Province doing for tenants?

A: The government is taking a number of steps to assist tenants as a part of its Fair Housing Plan, including expanding rent control and strengthening protections for tenants as part of its plan to address rising housing costs and ensure that all Ontarians have a safe, suitable, and affordable place to call home.

The Province has implemented a mandatory new multi-residential property tax class. This ensures that municipalities tax new multi-residential buildings at a similar rate as other residential properties.

The Fair Housing Plan also includes a new targeted program that will rebate development charges for eligible rental housing projects in areas most in need of rental housing.

Together, these measures will assist tenants by encouraging the development of new purpose-built rental housing, and in turn, improve housing affordability in the rental market.

Providing Municipalities with Additional Tools to Increase Supply

Q: Why are you introducing a vacant homes property tax?

A: The government understands the concerns that have been raised about residential units potentially being left vacant by speculators, while many people are looking for housing they can afford. The City of Toronto has identified a tax on vacant homes as a tool that should be considered. A vacant homes tax could help encourage property owners to sell unoccupied units or make them available to be rented. This could, in turn, increase housing supply and help promote affordability.

For this reason, the government is amending legislation to give Toronto broad authority to levy an additional property tax on vacant homes. The City will be responsible for the detailed design, implementation, and administration of the tax.

The government will work with other interested municipalities that are experiencing issues with homes being left vacant as a result of speculation.

Q: Why are you providing this power only to the City of Toronto?

A: On March 30, 2017, the Mayor of Toronto stated that he is open to exploring a tax on vacant properties, and that City staff had been asked to prepare a report on feasibility. He referenced recent Statistics Canada data to express concerns with the potentially large number of vacant homes in Toronto.

The City of Toronto is currently undertaking analysis on the implementation of a vacant homes property tax.

The government is also amending the Municipal Act to extend the authority impose an additional property tax on vacant homes to other interested municipalities through enabling regulation, and we will work with interested municipalities that are experiencing issues with homes being left vacant as a result of speculation.

Q: In the 2017 Budget, the government had indicated it would help municipalities unlock housing development by providing them with authority to impose a higher property tax rate on vacant land that has been approved for new housing. What is the status of that initiative?

A: The government committed to working with municipalities to ensure they have the tools they need to help encourage the supply of new housing. This could include permitting municipalities to impose a higher property tax rate on vacant land that has been approved for new housing.

The Ministry is undertaking consultations with municipal and development industry stakeholders to understand their diverse perspectives on this issue. We will be considering this feedback as we develop potential implementation options in the coming months.

Q. When will this new measure take effect?

A: A legislative framework to enable the creation of more flexible tools for municipalities was introduced through the 2017 Budget. The Province has since worked with stakeholders to understand the flexibility municipalities would need to address their local circumstances.

We will consider the feedback received from municipal and development industry stakeholders as we develop potential implementation options in the coming months.

It is anticipated that regulations to support these new flexible tools would be in place for adoption in 2018. However, the implementation of any new measures will be dependent on municipal decisions.

Provincial Affordable Housing Lands Program

Q: What is the Provincial Affordable Housing Lands Program?

A: The new Provincial Affordable Housing Lands Program will leverage surplus provincial land across the province to develop a mix of market housing and new, sustainable, affordable housing.

- The government announced the three pilot sites in Toronto under the program in September where up to 2,000 new purpose-built rental housing units, including much needed affordable and family-sized rental housing, will be created.
- The government recently announced a fourth site – the former Thistletown Regional Centre in Etobicoke.

The development on these sites will lead to thriving, mixed-income communities in areas close to transit and employment.

Together with municipalities in the Greater Toronto and Hamilton areas, the government is working to identify additional sites for this program.

Housing Forums

Q: What is the Housing Delivery Group?

A: The Housing Delivery Group, formed as part of Ontario's Fair Housing Plan, will help streamline the development process and tackle some of the challenges that prevent housing projects from being built.

The Group will work with various parties including developers and municipalities to reduce barriers for specific projects, with a focus on purpose built-rental projects and affordable ownership.

These projects will be geared towards ones that are family and senior friendly; and, ensuring complete communities that are accessible, livable, walkable and close to transit and other services.

Q: What is the Development Approval Roundtable?

A: As part of the 16-point Fair Housing Plan, the province has established a Development Approval Roundtable.

The Province established a Development Approval Roundtable to address concerns raised about the residential approval process.

Q: Who are the members of the Development Approval Roundtable?

A: The Roundtable is chaired by the Secretary of the Cabinet, the Vice-Chair is the Deputy Minister of Municipal Affairs, and it includes the Deputy Ministers from seven ministries involved in residential development approvals.

In addition to provincial representatives, the Working Group includes chief municipal planning officials from GTHA upper- and single-tier municipalities and senior representatives from the development, construction and real estate industries.

Q: What are the outcomes of the Development Approval Roundtable?

A: The purpose of the Roundtable is to work across ministries and sectors to identify opportunities to streamline the development approvals process.

Meetings have been focused on identifying and discussing opportunities to address systemic issues in the residential development approval process.

Through these discussions, the Roundtable identified opportunities that could improve the residential approval process and support more housing coming to market by leveraging IT, streamlining approval processes, and developing additional guidance materials. These actions have the potential to improve the approval process and support more housing coming to market.

One of the recommendations is that the Province look at how electronic permitting could be used to better integrate and streamline land and building approvals, recognizing that any action in this area would build upon existing provincial and municipal systems.

The Roundtable also recognized that it is necessary to have credible region-wide data on housing supply to inform policy analysis related to housing affordability. And so it created a working group that will continue to investigate how best to address this need and the province will be procuring a consultant to lead this work.

Q: What is the Housing Forum?

A: As part of our Fair Housing Plan, we established a multi-disciplinary Housing Forum that provides a venue for active dialogue between the government and housing partners about the state of the housing market, impact of the measures in the Fair Housing Plan, and any additional steps that could be needed.

The forum consists of economists, academics, developers, community groups, municipal representatives, and the real estate sector.

The forum has already met twice and it will continue to meet quarterly.

The most recent discussion at the forum focused on building more 'missing middle' housing in Ontario – medium density housing, including row homes, townhomes, multiplexes and low-rise apartments.

In recent months, there have been discussions about whether this type of housing has the potential to increase affordability while creating more complete communities that are walkable, transit supportive and make the best use of existing land and infrastructure.

Other Initiatives in the Plan

Q: What is the Development Charges Rebate program?

A: The Fair Housing Plan includes a new targeted program that will rebate development charges for eligible rental housing projects in areas most in need of rental housing.

More details about this program will be released in the coming weeks.

Contact: Alek Trpkovski
Branch: Division: Municipal Funding Policy Branch,
Provincial Local Finance Division

Non-Resident Speculation Tax (NRST)

Q: Despite your efforts to cool the housing market GTA house prices are going up and reports say the housing market is rebounding. How will you address this? Will you change the Fair Housing Plan?

A: Through the Fair Housing Plan, we are helping people find affordable homes across the province. House prices peaked in March, and have declined and stabilized since.

What we do know is that the housing measures are beginning to have the intended effect of making housing more affordable. We took these measures for stability and sustainability, and we will continue to monitor the impact of our policies closely.

The Non-Resident Speculation Tax (NRST) is one of the sixteen comprehensive measures we introduced as part of the Fair Housing Plan. The NRST was implemented to help address unsustainable demand in the Greater Golden Horseshoe Region and make housing more available and affordable, while ensuring Ontario continues to be a place that welcomes all new residents.

Q: What is the Non-Resident Speculation Tax, and who does it apply to?

A: The Non-Resident Speculation Tax (NRST) is a 15 per cent tax on the purchase or acquisition of an interest in certain residential property located in the Greater Golden Horseshoe Region by individuals who are not citizens or permanent residents of Canada or by foreign corporations (foreign entities) and taxable trustees.

The NRST applies in addition to the general land transfer tax in Ontario.

Q: How much revenue has the NRST generated since introduction?

A: We are closely monitoring the intake of the NRST. The amount of NRST received will fluctuate in the coming months based on how many rebates are applied for and granted. Overall, the NRST is expected to be revenue neutral.

Q: What types of residential properties does the NRST apply to?

A: The NRST applies to the transfer of land which contains at least one and not more than six single family residences.

Examples of land containing one single family residence include land containing a detached house, a semi-detached house, a townhouse or a condominium unit.

Examples of land containing more than one single family residence that are subject to the tax include land containing duplexes, triplexes, fourplexes, fiveplexes and sixplexes.

The NRST does not apply to other types of land such as land containing multi residential rental apartment buildings with more than six units, agricultural land, commercial land or industrial land.

Q: When did the NRST begin to apply?

A: The NRST became effective as of April 21, 2017.

Binding agreements of purchase and sale signed on or before April 20, 2017, and not assigned to another person after April 20, 2017, are not subject to the NRST.

Q: Where in Ontario does the NRST apply?

A: The NRST applies to the purchase or acquisition of an interest in certain residential property located in the Greater Golden Horseshoe Region, specifically the area of land comprised of the geographic areas of the following municipalities:

- City of Barrie, County of Brant, City of Brantford, County of Dufferin, Regional Municipality of Durham, City of Guelph, Haldimand County, Regional Municipality of Halton, City of Hamilton, City of Kawartha Lakes,

Regional Municipality of Niagara, County of Northumberland, City of Orillia, Regional Municipality of Peel, City of Peterborough, County of Peterborough, County of Simcoe, City of Toronto, Regional Municipality of Waterloo, County of Wellington, and Regional Municipality of York.

Q: Who is exempt from the NRST?

A: The NRST does not apply to the acquisition of a principal residence if the purchaser is:

- Conferred refugee protection (protected person);
- Nominated under the Ontario Immigrant Nominee Program and certifies they have or will apply to become a permanent resident of Canada (nominee); or
- Jointly acquiring the residential property with a spouse who is a Canadian citizen, permanent resident of Canada, protected person or nominee.

Q: Who is eligible for a rebate of the NRST?

A: The full NRST paid may be rebated if the purchaser occupies the property as a principal residence, and:

Obtains permanent resident status within four years of the date of purchase;

Legally works full-time under a valid work permit in Ontario for a continuous period of at least one year from the date of purchase; or

Is enrolled full-time in an approved institution at a campus in Ontario for a continuous period at least two years from the date of purchase.

Q: By providing rebates for people who can demonstrate that they have worked or studied in Ontario, aren't you just creating loopholes for people to avoid the tax? BC didn't have any exemptions.

A: The risk of creating loopholes to avoid the tax has been significantly decreased by requiring a high level of documentary evidence to qualify for the exemption or rebate.

On March 17, 2017, BC announced an exemption and rebate to its additional property transfer tax. This included an exemption for foreign nationals who received confirmation under the B.C. Provincial Nominee Program (similar to the Ontario Immigrant Nominee Program). Also, BC introduced a rebate for foreign nationals who became a permanent resident of Canada within one year of the date of purchase.

Fair Hydro Plan - Residential

Q: How is Ontario helping to lower electricity costs for residential consumers?

A: Ontario's Fair Hydro Plan (OFHP or the Plan) lowers household electricity bills by 25 per cent, on average, for residential consumers in the province. Approximately 500,000 small businesses and farms are also receiving a benefit. In addition, rate increases over four years will be held to the rate of inflation.

The 25 per cent reduction includes the 8 per cent Ontario Rebate for Electricity Consumers, which began on January 1, 2017, refinancing a portion of the Global Adjustment, and removing the cost of some programs (the Ontario Electricity Support Program and most of the Rural or Remote Rate Protection program) from electricity bills.

Ontario's Fair Hydro Plan also includes the following:

- Helping vulnerable electricity consumers by enhancing electricity support programs
- Eligible consumers will receive additional funding through the following assistance programs:
- The enhanced Distribution Rate Protection for residential customers served by the local distribution companies (LDCs) that have some of the highest rates. This broadens the support provided under the existing Rural or Remote Electricity Rate Protection (RRRP) program.
- An expanded Ontario Electricity Support Program (OESP), that increases participation and provides further assistance to eligible participants
- A newly established First Nations On-Reserve Delivery Charge Credit.
- The Affordability Fund, which was established to support Ontarians who do not qualify for low-income conservation programs and who are unable to undertake energy-efficiency improvements without support.
- Improving sector efficiency and modernizing Ontario's electricity market, in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

People with low incomes receiving OESP, and those living in eligible rural or remote communities, are receiving even greater reductions, as much as 40 to 50 per cent. On-reserve First Nation residential customers of licensed distributors will get a 100 per cent credit on the delivery line of their bills.

Additional measures

The government removed the Debt Retirement Charge (DRC) from residential users' electricity bills, as of January 1, 2016. This is saving a typical residential ratepayer about \$70 per year, and means ending the DRC earlier than otherwise provided for in the Electricity Act, 1988.

The Province has already taken significant steps to support Ontario families and seniors:

- Ontario Energy & Property Tax Credit – for 2017, up to \$1,023 in tax relief for non-seniors, \$1,165 in tax relief for seniors, or \$227 in tax relief if you live on a reserve or in a public long-term care home, to help with the sales tax on energy, including electricity, and property tax.
- Northern Ontario Energy Credit – for 2017, up to \$148 for single people in the north, or up to \$227 for families in the north, to help with their higher energy costs.
- The Strengthening Consumer Protection and Electricity System Oversight Act, 2015, passed on December 1, 2015 enhances the OEB's role to ensure that it continues to have a robust set of tools to protect consumers and regulate the energy sector.
- Energy Consumer Protection Act, 2010 – tough new rules to protect consumers from unfair practices in the retail energy sector.

Q: How are you changing the way programs are currently funded?

A: Programs designed to support customers that are most vulnerable to increasing electricity costs have been shifted from being funded by ratepayers through electricity bills to being government funded, recognizing that they are similar to other social assistance programs. The Ontario Electricity Support Program and most of the Rural or Remote Rate Protection program are now government-funded.

Q: The figure of 25 per cent savings is for a typical residential consumer. How much money will households actually save?

A: The reduction varies depending on a number of factors, including the level of consumption, and the local distribution company a consumer is connected to.

As of July 1, 2017, electricity bills have been reduced by 25 per cent on average, or about \$41 per month, for eligible households.

The table below provides examples of the ratepayer impact under Ontario's Fair Hydro Plan compared to what electricity consumers would otherwise have paid. This is based on information provided by the Ministry of Energy.

The estimates are illustrative examples, and not reflective of any “average” household. All the examples below assume that the consumers types in question have a typical time-of-use consumption profile and the savings “Percentage Reduction” noted include the 8% bill reduction equal to the provincial portion of HST, as well as the Global Adjustment, and expanded/enhanced Rural and Remote Rate Protection program and Ontario Electricity Support Program, where applicable.

Consumer Type (Who...?)	Estimated bill before 8% Rebate and FHP (\$/month)	Estimated Savings (\$/month)	Estimated bill after Savings (\$/month)	Percentage Reduction
Toronto Hydro residential customer consuming 750 kWh per month	160	~40	120	25%
Hydro One residential consumer, R2 rate class (low density area), heating with electricity and consuming 2,500 kWh per month	563	225	338	40%
Hydro One residential consumer, R1 rate class (medium density area), heating with electricity and consuming 2,500 kWh per month	500	200	300	40%
Low-income residential consumer in a household of 4 with a combined income less than \$28,000 connected to Alectra, consuming 750 kWh per month and currently receiving the basic OESP credit	120	60	60	50%
First Nations residential consumer connected to Hydro One as a R2 consumer, consuming 1,300 kWh per month , with current participation in RRRP, assumes the First-Nations On-Reserve Delivery Credit would reduce the delivery line to zero	292	175	117	60%

Q: Who is paying for the Fair Hydro Plan and how much will it cost? Will the government raise taxes to pay for this?

A: No, the government is not raising taxes to fund the Fair Hydro Plan. As a result of the government's prudent fiscal management, the government is able to take on these new measures to help ease electricity costs for Ontarians. The government is doing this by changing the way electricity costs are recovered and moving funding for assistance programs off of hydro bills.

In particular, a portion of the Global Adjustment costs of electricity is being shifted to the future for a fairer allocation of costs, among current and future consumers, reflecting the longer expected useful lives of recent generation investments in the electricity sector that can provide longer term benefits than their 20-year contract lengths.

In addition, a number of important electricity support programs are now funded by the Province rather than by ratepayers, which reduces electricity costs for all consumers. These new measures will cost up to \$2.5 billion over three years and include the following:

- Expanding the Ontario Electricity Support Program by increasing the on-bill credits by 50 per cent and expanding eligibility to more lower-income customers.
- Providing an enhanced Distribution Rate Protection program for residential customers served by the local distribution companies (LDCs) that have some of the highest rates in the province. The enhanced distribution rate protection broadens the support provided under the existing Rural or Remote Electricity Rate Protection.
- Establishing an Affordability Fund to help people who do not qualify for low-income conservation programs and who are unable to undertake energy-efficiency improvements without support.
- Reducing the monthly electricity bills for on-Reserve First Nation residential customers of licensed distributors by giving the customers a 100 per cent credit on the delivery line or service charge of their bills.

Q: Why is Ontario refinancing the Global Adjustment?

A: The much-needed rebuilding of an aging electricity system resulted in rapidly rising rates for many people across Ontario. The government recognized that present-day consumers should not be burdened with paying a disproportionate share of investments that can provide benefits for decades to come.

That is why the government announced Ontario's Fair Hydro Plan in March 2017. A portion of the Global Adjustment, which helps pay for investments in electricity supply and conservation, is being refinanced to spread the cost recovery from

ratepayers of electricity investments over a longer period of time. This refinancing and cost recovery from ratepayers in the future over a longer period, reflects the expected longer life cycle of existing facilities and is providing significant and immediate rate relief, helping to ensure intergenerational fairness.

Q: How can the government refinance over this longer period when existing generation contracts do not extend this far into the future? How can the government assume the plants will be available to operate over this longer period and at what price?

A: The policy objective of the Ontario's Fair Hydro Plan in refinancing the global adjustment is to more fairly allocate the cost to the ratepayers over the useful life of the generation plants or facilities, not the contractual terms of the asset. The key objective is to ensure that the costs borne by the beneficiaries of the electricity system, the ratepayers, fund the costs of these assets over the life of the assets.

The government is working to ensure that a flexible energy system and innovative technologies are in place to meet electricity demand at reasonable prices over the medium to long term. The 2017 Long-Term Energy Plan (LTEP) notes that while the demand for electricity is expected to remain steady, Ontario will be developing a flexible energy system that can meet possible future outlooks, using both existing generation assets as well as assets that would be coming on-line over time. The LTEP also indicated that a shortfall in capacity is expected beginning in the early-to-mid 2020s and additional resources would need to be procured to meet the base case demand scenario.

The 2017 LTEP projects that the residential price for electricity will remain below the outlooks published in the 2010 and 2013 LTEPs. The projected electricity prices for large consumers will, on average, be in line with inflation over the forecast period. This is the result of previous investments that delivered a cleaner and more reliable energy system, anticipated benefits from Market Renewal, and cost-reduction measures.

Q: Why is OPG involved in financing the Global Adjustment? The FAO reported this financing mechanism will add \$4 billion in interest costs. Is this not adding more costs to ratepayers?

A: The policy objective of Ontario's Fair Hydro Plan (OFHP) is to more fairly allocate the cost to ratepayers over the useful life, not the contractual term, of electricity generating assets. Therefore, it was a primary policy objective to ensure that the costs are borne by the beneficiaries of the electricity system – the ratepayers – not the tax-base.

We believe it is appropriate for ratepayers to pay for the financing of electricity assets. The rate-base has a different risk profile than the tax-base, which would be reflected in different interest costs. Having the rate-base pay interest costs is

not a new policy, for example Hydro One has borrowed in the capital markets since the early 2000s.

The \$4 billion figure in the Office of the Auditor General's report was sourced from the FAO's May 2017 report and is important to note, that the FAO's calculation was based on preliminary estimates of the program when peak debt estimates for the thirty year program were substantially higher and interest costs were forecast to be higher than current projections.

Q. How would a rise in interest rates affect your GA financing plan?

A. The Global Adjustment refinancing plan will be robust and take into account managing potential interest rate increases over the life of the initiative.

Q. How will this affect the province's credit rating?

A. The Province continues to be committed to a balanced budget for 2017–18.

As usual, the rating agencies will review the Province's finance's as presented in the Budget, Public Accounts and Fall Statement, including the impact of the Fair Hydro Plan, as well as the economic outlook and fiscal plan.

Q. Why not reduce costs by directing benefits towards those who really need them?

A. As part of Ontario's Fair Hydro Plan, people with low incomes and those living in rural communities are benefitting from additional reductions to their electricity bills.

- The Province provides enhanced distribution rate protection for residential customers served by LDCs that have some of the highest rates. About 800,000 customers now benefit from the enhanced Distribution Rate Protection program.
- Ontario expanded the OESP by increasing the on-bill credit by 50 per cent. Single and low-income consumers who receive the lowest credit amount can get an increase from \$30 to \$45 per month (\$540 per year, an increase of \$180), and the lowest credit for consumers who are either Indigenous, use electric heat or have certain medical devices will increase from \$45 to \$68 (\$816 per year, an increase of \$276).
- The Province has followed through with the First Nations On-Reserve Delivery Credit funded by provincial revenues, saving them an average of \$1,020 per year.

In October 2017, the Province announced the launch of the \$100 million Affordability Fund, designed to help people who do not qualify for low-income conservation programs and who are unable to undertake energy-efficiency

improvements without support. The Fund will support free installation of energy saving LED light bulbs, power bars, improved insulation and energy-efficient air conditioners and refrigerators.

Q. Are you not doing an apples and oranges comparison comparing 2017 LTEP monthly electricity bill forecast using 750 kWh consumed per month to 2013 and 2010 monthly bill forecasts using 800kWh?

A. LTEP 2017 and the notes to Chart 1.6 fully disclose that between the late-2009 and mid-2016 period, the Ontario Energy Board (OEB) defined the typical residential customer as a household that consumed 800kWh. This has changed as of May 2016 when the OEB changed its typical residential consumption to 750 kWh per month, due to declining household consumption.

As 750 kWh per month is reflective of the current average consumption used by the OEB, it is appropriate to be consistent with that in the LTEP projection on residential monthly electricity bills. It also is an indication that Province's conservation program are working.

If pressed on whether bills would be higher at 800 kWh:

750 kWh is reflective of the current average consumption used by the OEB and therefore is the appropriate. Typical residential bills have been reduced by 25 per cent under Ontario's Fair Hydro Plan. Consumers in eligible rural areas and low-income consumers are seeing even greater reductions of 40 to 50 per cent.

Ontario Electricity Support Program

Q. What changes has the government made to the OESP under the Fair Hydro Plan?

A. The government has expanded the eligibility for OESP so that more Ontarians can receive the credit. The government has also increased OESP credits by 50 per cent. Here is what that it means for people in common situations:

- Single, low-income consumers who receive the lowest credit amount currently receive \$30 per month (\$360 per year). They will now receive \$45 per month (\$540 per year).
- Some customers cannot avoid using more power because their home is electrically heated or they rely on an approved medical device that consume a lot of electricity. For a single, low-income customer eligible for the enhanced credit, the amount has grown from \$45 per month (\$540 per year) to \$68 per month (\$816 per year).

- A family of four which uses electric heat will see their credit climb from \$55 per month (\$660 per year) to \$82.50 per month (\$990 per year).

The OESP is now funded by the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers.

Enhanced Distribution Rate Protection and Rural or Remote Rate Protection program

Q: What is the Rural or Remote Rate Protection program, and what changes has the government made to the Rural or Remote Rate Protection (RRRP) program under the Fair Hydro Plan?

A: The Rural or Remote Rate Protection (RRRP) program provides a rate subsidy to residential customers in eligible rural or remote communities.

Prior to enhancements, the RRRP program provided relief to approximately 350,000 rural Ontario residential customers, but has since expanded distribution charge relief to about 800,000 customers, served by local distribution companies (LDCs) with the highest rates.

Ontario's Fair Hydro Plan provides enhanced distribution rate protection for residential customers served by LDCs that have some of the highest rates. This will let eligible customers save as much as 40 to 50 per cent on their electricity bills. The enhanced distribution rate protection broadens the support provided under the existing RRRP.

For example:

- A Hydro One R2 customer (residential, low density) consuming 2,500kWh a month has their distribution cost reduced by about \$75.
- A Hydro One R1 customer (residential, medium density) consuming 1,000kWh a month has their distribution cost reduced by about \$18.
- An InnPower customer consuming 1,000kWh a month has their distribution cost reduced by about \$12.

In addition, the Province has moved most of the funding of the RRRP program from electricity bills to provincial revenues, thereby reducing regulatory charges for all Ontario ratepayers.

Q: What is the distinction or difference between the Distribution Rate Program compared to the Rural or Remote Rate Program?

A: The Rural or Remote Rate Protection (RRRP) program provides a rate subsidy to residential customers in eligible rural or remote communities. Prior to the proposed enhancements announced in March 2017, the RRRP program provided relief to approximately 350,000 rural Ontario residential customers. With the Distribution Rate Program, distribution charge relief is expanded to about 800,000 customers.

Ontario's Fair Hydro Plan provides enhanced Distribution Rate Protection (DRP) for residential customers served by LDCs that have some of the highest rates. This will let eligible customers save as much as 40 to 50 per cent on their electricity bills. The enhanced distribution rate protection broadens the support provided under the previously existing RRRP.

A consumer who falls into any of the following categories is eligible for the Distribution Rate Protection (DRP) program:

- A consumer with a residential-rate classification with any of the following distributors:
 - Atikokan Hydro Inc.
 - InnPower Corporation.
 - Chapleau Public Utilities Corporation.
 - Sioux Lookout Hydro Inc.
 - Northern Ontario Wires Inc.
- An Algoma Power Inc. consumer that falls within the R1 residential-rate classification, if he or she resides continuously at the service address for at least eight months of the year.
- A Hydro One Networks Inc. consumer that falls within the R1 or R2 residential-rate classification, if he or she resides continuously at the service address at least eight months of the year.
- A Lakeland Power Distribution Ltd. Consumer that falls within a residential-rate classification, within the former Parry Sound Power service area.

In addition, the Province has moved most of the funding of the RRRP program from electricity bills to provincial revenues, thereby reducing regulatory charges for all Ontario ratepayers.

Affordability Fund

Q. What is the Affordability Fund?

- A. For those most in need, the low-income Home Assistance Program provides energy efficiency upgrades in homes at no cost to the customer to help reduce future electricity bills.

The government recognizes that there are other electricity customers who are in need but do not meet the Home Assistance Program eligibility criteria. As part of Ontario's Fair Hydro Plan, the Province has established an Affordability Fund to help Ontarians who do not qualify for low-income conservation programs to make energy efficiency improvements to their homes, improvements that could not otherwise be done without the support.

The \$100 million Affordability Fund provides an additional tool to help customers who are not eligible for low-income conservation programs and who are unable to undertake energy efficiency improvements without support. The Fund would provide support for energy efficiency improvements to help customers reduce future electricity bills and avoid future disconnections.

There are three levels of support available:

- **Level 1:** Receive a Home Energy Kit with upgrades that you can easily install yourself. This may include ENERGY STAR® light bulbs, a power bar and/or faucet aerators along with energy-saving tips.

The equipment that can be offered at this level includes: Block heater timer, smart power bar, efficient shower heads, aerators, hot water pipe insulation and LED light bulbs.

- **Level 2:** Receive an in-home visit from a professional Home Energy Advisor, a Home Energy Plan and upgrades that may include ENERGY STAR® appliances.

The equipment that can be offered at this level includes: Refrigerators, freezers, window air conditioners, dehumidifiers and programmable thermostats.

- **Level 3:** For electrically heated homes only: receive an in-home visit from a professional Home Energy Advisor, a Home Energy Plan and upgrades that may include insulation and/or an ENERGY STAR® heat pump.

The equipment that can be offered at this level includes: Heat pumps, comprehensive draft proofing, attic insulation and wall insulation.

First Nations On-Reserve Delivery Charge Credit

- Q. What has the government done to reduce electricity bills for First Nations people living on reserves?**
- A. Through Ontario's Fair Hydro Plan, the government is providing additional support for people who live on First Nations reserves. The government has reduced the monthly electricity bills for on-reserve First Nation residential customers of licensed distributors by giving the customers a 100 per cent credit on delivery line or service charge of their bills. This provides eligible customers with an average monthly benefit of \$85 (\$1,020 per year). This benefits approximately 21,500 residential customers living on reserves.
- Q. Who is eligible to receive the First Nations On-Reserve Delivery Credit and how much will the average household receive?**
- A. An on-reserve consumer who is a member of a band within the meaning of the Indian Act (Canada) is eligible to receive a delivery credit from a licensed distributor with which the on-reserve consumer holds an account that falls within a residential-rate classification. Eligible customers would receive an average of \$85/month through the First Nations On-Reserve Delivery Credit.

First Nations customers do not need to apply for this First Nations On-Reserve Delivery Credit, if their local distribution company already exempts them from HST. It will automatically be applied on to their bill.

Other Related Qs and As

Reliable and Clean Energy Supply

Q: What has the government done to ensure a reliable and clean supply of energy?

A: A clean, reliable and affordable supply of electricity is a critical element for sustainable job creation and economic development.

Since 2003, the government has made significant progress transforming the electricity system into one that Ontarians can count on for reliability and clean energy, while creating health and environmental benefits.

Nearly \$70 billion has been invested in Ontario's electricity system since 2003.

In 2016, Ontario produced more than 50 per cent of its electricity from nuclear, with renewable resources providing about 30 per cent and emitting generation providing less than 10 per cent. Conservation reduced energy consumption by about nine per cent.

Reducing Electricity Costs for Businesses

Q: Why has the government expanded the Industrial Conservation Initiative? How will this expansion of ICI help businesses with their electricity costs?

A: The Industrial Conservation Initiative (ICI) provides an incentive for large electricity consumers to reduce their electricity costs by reducing their demand during peak hours. Reducing consumption during peak hours benefits companies financially and benefits the electricity system by deferring the need for new peaking generation.

The program started in 2010 with a demand threshold of five MWs. The government has since expanded eligibility several times to allow more businesses to take advantage of the program, including, most recently, the following:

- On January 1st, 2017, regulation came into effect for the Industrial Conservation Initiative (ICI) to be expanded by reducing the demand threshold for eligibility to one megawatt (MW) and opening the program to all sectors, thereby including more than 1,000 newly eligible customers.
- In addition, as part of Ontario's Fair Hydro Plan, effective July 1, 2017, Ontario expanded the ICI program by reducing the eligibility threshold from one MW to 500 kilowatts (kW) for targeted manufacturing and industrial sectors. The newly expanded ICI targets manufacturing sectors with NAICS

codes commencing with the digits "31", "32", and "33", as well as NAICS code 1114, which includes greenhouses.

- Other Provincial, existing actions to reduce electricity costs for businesses include the following:
- Providing ongoing annual support totalling up to \$120 million through the Northern Industrial Electricity Rate (NIER) program to qualifying large industrial facilities in northern Ontario to help maintain competitiveness.
 - A rebate of two cents per kilowatt-hour is provided to NIER participants on eligible electricity consumption.
 - Participants for the NIER program are required to develop and implement an energy management plan to manage their energy usage and reduce costs.
- Ending the debt retirement charge (DRC) for commercial, industrial and all other electricity users as of April 1, 2018.

Protecting Consumers

Automobile Insurance

Q: What has the government done to lower auto insurance rates?

A: Over the past decade, the government has made a number of important and necessary reforms, including anti-fraud measures, changes to deductibles, and increased oversight of the towing industry.

Previous changes resulted in short-term decreases in auto insurance rates, only to see rates increase again in the longer term.

Recognizing that more needed to be done, the government appointed David Marshall as advisor on auto insurance in 2016 and asked him to recommend ways to make auto insurance more affordable and to improve health outcomes for those who are hurt in auto collisions.

Q: How much have auto insurance rates gone down (compared to the 15% rate reduction target)?

A: On average, rates have decreased 6.6 per cent since August 2013.

Significant reforms came into effect in June 2016, and the full impact of these reforms on rates will not be realized for several years.

Q: What is the status of the government's ongoing review of David Marshall's April 2017 Report?

A: Mr. Marshall's report was released in April 2017.

In August and September 2017, the government consulted with stakeholders on Mr. Marshall's report recommendations.

In the coming weeks, the government will announce new measures aimed at transforming important aspects of Ontario's auto insurance system to create a more efficient system focused on timely care for those who are hurt in collisions and sustained savings for consumers.

Q: What new measures is the government proposing?

A: The government has identified short-term and longer-term reforms that need to be made to Ontario's auto insurance system.

In the short term, the government is proposing legislative amendments that will modernize the process through which insurance companies receive approval of their auto insurance rates.

In the coming weeks, the government will announce new measures aimed at transforming important aspects of Ontario's auto insurance system to create a more efficient system focused on timely care for those who are hurt in collisions and sustained savings for consumers.

Q: What actions is the government proposing regarding David Marshall's recommendations on contingency fees?

A: It is expected that the Law Society of Upper Canada (LSUC) will soon be releasing a report on contingency fee arrangements.

MOF staff will review this LSUC report, when released, and will work with the Ministry of the Attorney General on any proposed changes.

Q: Why is the government taking these actions now?

A: The government appointed David Marshall as advisor on auto insurance because we recognized that more needed to be done to improve health outcomes for people who are hurt in collisions and to make auto insurance more affordable.

In the coming weeks, the government will announce new measures informed by Mr. Marshall's report, aimed at transforming important aspects of Ontario's auto insurance system, to create a more efficient system focused on timely care for those who are hurt in collisions and sustained savings for consumers

Q: How are these actions going to bring down insurance rates?

A: The government's goal is to provide more affordable auto insurance rates for Ontario's approximately 10 million drivers, and a more efficient, effective regulatory framework for Ontario's auto insurance system. The proposed actions would address significant structural issues by increasing operational efficiency and reducing fraud in the system.

Q: When will the reforms take effect?

A: The government is proposing legislative amendments that will modernize the process through which insurance companies receive approval of their auto insurance rates.

Furthermore, in the coming weeks, the government will announce new measures aimed at transforming important aspects of Ontario's auto insurance system, to create a more efficient system focused on timely care for those who are hurt in collisions and sustained savings for consumers.

Proposed FSRA Rule-Making Authority

Q: What is the significance of FSRA having rule-making authority for auto insurance rate setting? How will this change how auto insurance rates are set?

A: Providing the Financial Services Regulatory Authority of Ontario (FSRA) with rule-making authority to determine the process for auto insurance rate approvals is intended to:

- Modernize the rate approval process and reduce regulatory burden.
- Attract innovators and market disruptors to enable competition and more product innovation / options for consumers.
- Give insurers greater flexibility to respond more quickly to changes (e.g., new technology/products such as fully usage-based or pay-as-you-drive insurance).
- Encourage insurers to improve underwriting and pricing processes and enable insurers to better compete on price.

Auto Insurance Electronic Document Discount

Q: What is the status of the government's 2017 Budget commitment for an auto insurance electronic document discount? How will it help provide savings for Ontario drivers?

A: The government is continuing to move forward with the 2017 Budget commitment to provide a discount for policyholders who choose to receive auto insurance documents electronically. The government will be consulting with the public before moving forward with proposed amendments.

Regulating Financial Planners

Q: What is the status of the government's review of the regulation of financial planners?

A: In Ontario, consumers seeking the services of financial planners must currently navigate a multitude of titles and credentials, making the process of receiving qualified financial planning services unreasonably complex.

The government has been working with financial services regulators to review recommendations proposed by the Expert Committee in their final report. The government plans to develop legislation to regulate financial planners in Ontario. The proposed framework would introduce proficiency requirements for individuals seeking to use the title 'Financial Planner' and also restrict similar titles to reduce consumer confusion.

Q: How will the government consult with stakeholders?

A: The government will consult extensively with stakeholders as we shape the proposed framework. Stakeholder input will play an important role as we work to build a stronger regulatory framework to ensure the long-term financial well-being of Ontarians.

Q: How will current financial planners be affected by these changes?

A: There is widespread industry support for the regulation of financial planning. The proposed changes will help reduce consumer confusion and strengthen trust in the financial planning industry as a whole. Moving forward, the proposed framework would require individuals to meet specified proficiency standards in order to use the title 'Financial Planner'.

CHAPTER II: CREATING OPPORTUNITIES FOR EVERYONE

Strengthening Ontario's Small Businesses

Strengthening Ontario's Small Businesses

Q: What is included in the \$1.9B over three years to support small businesses?

A: The figure includes:

- The direct financial benefits to small businesses of new and recent measures to lower costs, starting in 2018
 - More than \$800 million in estimated total savings from Workplace Safety and Insurance Board average premium rate reductions over three years
 - Cutting the small business CIT rate from 4.5 per cent to 3.5 per cent, effective January, 2018
 - Enhancing support for youth employment
 - Support for small and medium-sized fruit and vegetable farming businesses

The last three items are part of more than \$500 million in new initiatives, over three years on a fiscal basis.

- Other new initiatives that are supporting small business growth, on a fiscal basis:
 - Investing in main street
 - Increasing access to capital
 - Easier access to government services and supports
 - Procurement opportunities for small businesses
- More than \$400 million in recently announced Provincial measures, over the next three fiscal years (2017-18 to 2019-20) such as:
 - The Small Business Innovation Challenge
 - The Scale-Up Voucher Program

Q: When will fruit and vegetable farming businesses receive their payments and how much will each one get?

A: Eligible producers of locally grown fruits, vegetables, berries, herbs and spices, mushrooms, nuts, honey and maple products will receive payments for two years based on their allowable net sales.

Additional details on this and the other new initiatives to support small businesses will be communicated in the weeks following the Fall Statement by the Ministries responsible for the programs.

Support for Youth Employment in Small Businesses

Q: Why are businesses rewarded for hiring/retaining youth? What about other groups struggling with access to the labour market (e.g. underrepresented groups)?

A: We know that young people have higher unemployment and face real barriers in finding employment compared to other age groups and we are working on breaking those barriers down.

By linking together youth with our small businesses, we can help prepare young workers while, at the same time, lowering costs and supporting growth for businesses. In addition, employment supports for youth through the Youth Job Connection program would benefit youth who experience multiple and/or complex barriers to employment.

Q: What is Youth Job Connection?

A: Youth Job Connection (YJC) is part of a comprehensive and targeted suite of youth employment programming to better help youth improve their skills and find work. The YJC program serves youth aged 15 to 29 who experience multiple and/or complex barriers to employment by providing more intensive supports beyond traditional job search and placement opportunities.

Supports for this program include: paid pre-employment training to promote job-readiness; job matching and paid job placements, with placement supports for participants and hiring incentives for employers; mentorship services; and education and work transitions supports.

YJC consists of two components:

- A year-round component, which provides intensive employment supports for youth aged 15 to 29 who are not in employment, education or training and who experience multiple barriers to employment.
- A summer component – Youth Job Connection: Summer – which provides summer, part-time and after-school job opportunities to high school students, aged 15 to 18, who are facing challenging life circumstances.

Supporting Investments that Create Jobs

Jobs and Prosperity Fund

Q: In this year's Fall Economic Statement, why are the leveraged investment and jobs created/retained figures for the Jobs and Prosperity Fund less than the 2017 Budget?

A: The jobs figure in the 2017 Fall Economic Statement includes the impact of agreements that have been signed since the launch of the Jobs and Prosperity Fund (JPF) in early 2015. This provides an overview of the program's accomplishments since its launch.

The 2017 Budget included all projects currently under the JPF portfolio, including the agreements that were signed before the launch of the JPF.

Q: What are the total jobs and investment figures for the Jobs and Prosperity Fund?

A: Since January 2013, the government has announced 32 projects that are now administered under JPF. Government commitments totaling approximately \$650 million have leveraged over \$6.8 billion in private sector investment. This has helped to create and retain over 40,000 jobs. (Note: This includes several projects signed under previous programs that are now funded through the JPF.)

Regional Economic Development

Q: Why do the regional economic development funds have more job and investment activity than the Jobs and Prosperity Fund (JPF)?

A: The 2017 Fall Economic Statement highlights the success of the regional economic development funds from 2013 to present. This includes an additional two years' worth of job and investment activity when compared to the JPF, which was launched in early 2015.

The JPF also generally deals with a smaller number of projects, but they are significantly larger in size than the regional funds, in both total investment amounts and job creation/retention targets. These projects take more time to review and approve due to their size and risk profiles. Projects also may change and evolve through the approvals process, adding more time and reducing the number of projects approved each year.

Investing in People's Talents and Skills

Boosting On-the-Job Learning Opportunities

Q: What are Specialist High Skills Majors?

A: Specialist High Skills Majors let students focus on a career path that matches their skills and interests while meeting the requirements of the Ontario Secondary School Diploma (OSSD). Students receive the SHSM seal on their diploma when they complete a specific bundle of 8-10 courses in the student's selected field; earn valuable industry certifications including first aid and CPR qualifications; and gain important skills on the job through cooperative education placements.

It is intended for Grade 11 and 12 students who are heading for apprenticeship training, college, university or the workplace or want to identify, explore and refine their career goals and make informed choices.

Q: What is the Career Ready Fund?

A: Part of the Career Kick-Start Strategy, the Career Ready Fund helps publicly-assisted colleges and universities, employers, and other organizations create more experiential learning opportunities for postsecondary students and recent grads.

Experiential learning is “hands on learning” in a real or simulated workplace that helps prepare students for the transition to work. It also helps employers connect students and new graduates with skills they need.

There are two streams available as part of the Career Ready Fund:

- Employer and Regional Partnerships - provides funding to develop and expand innovative and sustainable partnerships that create experiential learning opportunities. Partners can include employers, publicly-assisted colleges and universities, and others that create experiential learning opportunities.
- New Grad Career Bridge - This stream provides funding to: place recent grads in internships or similar experiences; develop open license curriculum to help graduates develop job-ready skills or support programs that promote and facilitate internships and opportunities for new graduates

Rolling Out a New Ontario Student Assistance Program (OSAP)

Q: What do we mean by “free tuition”?

A: “Free tuition” means OSAP grants would equal or exceed:

- Actual tuition for a regular college diploma program at an Ontario college; or
- Actual tuition for an undergraduate arts and science program at an Ontario university; or
- Average tuition for a regular college or undergraduate arts and science program for a student in a high-cost program (examples include dental hygiene or engineering).
- Tens of thousands of students will have free tuition because the amount of their total OSAP grants will exceed the amount of their tuition.

Helping New Canadians Find Employment

Q: What changes has the government initiated to the Ontario Immigrant Nominee Program to make it easier and faster for employers to recruit and retain highly skilled immigrants?

A: Ontario has enhanced the program with changes to the following streams:

- Ontario's Express Entry Skilled Trades Stream: This new stream was launched under the OINP for workers in the skilled trades, which will help employers meet their identified need for workers in the province's booming construction and agriculture industries.
- Employer Job Offer Stream: This part of the program was streamlined to make it easier and faster for employers to recruit and retain highly skilled foreign workers and qualifying international students for permanent, full-time jobs.
- Entrepreneur Stream: This stream was updated to help attract foreign entrepreneurs who wish to implement a new business idea or buy an existing business in Ontario, to support economic growth. The minimum language requirement for this stream was adjusted to avoid unnecessarily restricting Ontario's ability to attract foreign investment and compete with other provinces.

Expanding International Trade

Expanding Ontario's International Footprint

Q: What is the Government doing to help small businesses export more and perform better in international markets?

A: Building on the Budget 2017 commitment to expand Ontario's footprint in key international markets. On October 19th, the Province announced Ontario's Global Trade Strategy that will take the next steps to help Ontario businesses grow and diversify exports. The Strategy will help to expand the province's international trade footprint through building stronger relationships and increasing the Government's capacity to help provincial businesses expand globally. It also reinforces Ontario's interest in ensuring that free trade agreements reflect and protect the interest of Ontario's businesses and workers.

Q: As the renegotiation of the North American Free Trade Agreement is well underway, what are some of Ontario's negotiation objectives?

A: As the economic driver of Canada's economy, Ontario is well prepared to represent its interests during the NAFTA renegotiation. We have regular and open lines of communication with the federal government at all levels to feed into their approach on NAFTA and advocate for the province's interests. Our province views the renegotiation of NAFTA as an opportunity to look at how the existing agreement could be modernized to provide further benefits for Ontario workers and businesses. We will continue to work closely with the federal government, other provinces, and Ontario businesses and workers to ensure our economic interests are represented at the negotiating table.

Q: How are the negotiations progressing, does Ontario have any concerns at this point?

A: We are actively engaging with political and business leaders across the U.S. to underscore the critical role free trade and open borders play in North America's economic well-being. Ontario's message is clear — free trade and cross-border partnerships drive job creation and economic growth for everyone. There is a need to maintain market access for goods and services under NAFTA so that the gains achieved will not be undone.

Advancing a Low-Carbon Economy

Low Carbon Economy

- Q. Ontario has already raised \$1.5 billion in carbon market proceeds through auctions this year. With one more auction to be held in 2017, does the government have a plan for investing the additional money if actual proceeds exceed the \$1.8 billion projection (as indicated in Budget 2017)?**
- A.** Proceeds raised through Ontario auctions are being invested responsibly and transparently in new programs as guided by the Province's five-year Climate Change Action Plan. As set out in the Climate Change Mitigation and Low-carbon Economy Act, 2016, carbon allowance proceeds must be used for initiatives that are "reasonably likely to reduce or support the reduction of greenhouse gas". These planned investments are subject to the availability of carbon allowance proceeds and evaluation of the greenhouse gas reduction potential by the Minister of Environment and Climate Change.

Supporting Ontario's Dynamic and Competitive Business Environment

Reducing Administrative Costs in the WSIB System

Q: Why has the government indicated it intends to name the newly established WSIB JSPP in regulation as exempt from solvency funding requirements?

A: In 2013, the government asked the WSIB to actively engage with employees to make the WSIB pension plan more sustainable, including the option to convert from a single employer pension plan to a jointly sponsored pension plan or JSPP.

In response, the WSIB and the Ontario Compensation Employees Union (OCEU) have agreed to convert the WSIB pension plan to a JSPP, conditional on the government providing a permanent exemption from future solvency funding.

The conversion of the pension plan to a JSPP will require the consent of all types of members entitled to benefits under the plan, and the approval of the Superintendent of Financial Services.

If the conversion takes place and a request is made by the newly established WSIB JSPP, the government intends to exempt the plan from solvency funding requirements, consistent with other broader public sector solvency exempt JSPPs.

Q: Why is the government not waiting for the consent vote before indicating its intention to name the newly established WSIB JSPP in regulation as exempt from solvency funding requirements?

A: The government is signaling its intention now to allow members to make an informed decision when considering if they will consent to the plan's conversion to a JSPP.

Q: What is the estimated cost savings to the WSIB as a result of the proposed conversion to a JSPP?

A: As part of agreeing to convert their plan to a JSPP, WSIB employees would be agreeing to contribute half of the cost of the pension, and would be accepting a lower level of guaranteed indexation. This will reduce costs to the WSIB since the WSIB currently contributes more than 50% of the cost of the pension.

By converting to a JSPP, the WSIB could potentially save an estimated \$340 million over 25 years, starting in 2019.

Q: How is the government addressing concerns raised by WSIB retirees about the proposed conversion?

A: Recognizing that JSPPs are different from SEPPs in a number of important ways, legislative amendments to the Pension Benefits Act (PBA) were implemented to create a framework that ensures in a pension plan conversion:

- Specific information is disclosed to beneficiaries;
- Retiree pensions are replicated under the JSPP, meaning that there are no changes to benefits permitted;
- The value of member benefits is preserved; and,
- The consent of plan beneficiaries and the Superintendent of Financial Services is required.

The WSIB has signaled its interest in converting to a JSPP, but has not yet undergone the conversion process. They are required to meet all legislative requirements before a conversion can occur.

Additionally, the WSIB has been engaged with retirees to discuss their concerns more fully.

Embracing Financial Technology (FinTech)

Q: How does the Ontario government support the FinTech sector in the province?

A: The Ontario government recognizes the importance and contribution of the FinTech sector to the province's economy. The government is currently developing a provincial FinTech strategy to help FinTech businesses to form and grow in Ontario.

As a first phase of the FinTech strategy, the Ontario government is moving forward with two initiatives:

- The Regulatory Super Sandbox will help FinTech businesses test innovative products, services, business models and delivery mechanisms in the real market with real consumers on a time-limited and small-scale basis.
- The Ontario FinTech Accelerator Office will strive to work with both provincial and federal partners in helping firms navigate the regulatory framework and provide support on matters of business formation and growth.

Q: How is the Ontario FinTech Accelerator Office different from existing government initiatives to support businesses in the province?

A: FinTech businesses may not have experience operating in a regulated industry and this could potentially jeopardize their ability to do business. The Ontario FinTech Accelerator Office will help FinTech firms navigate regulatory requirements, form partnerships and access important resources. The Office will complement, rather than substitute or compete with, the existing business support programs offered by the government.

Q: What is a Regulatory Super Sandbox?

A: A regulatory sandbox is a regulatory mechanism designed to bring innovative financial products and services to market more quickly, while ensuring consumer protection.

Operated by the current Ontario regulators, the Regulatory Super Sandbox will help businesses in Ontario test innovative product, services, business models and delivery mechanisms in the real market with real consumers on a time-limited and small-scale basis.

Trillium Trust / Asset Optimization

Trillium Trust

Q: What projects are being funded through the Trillium Trust?

A: The government will allocate up to \$400 million this year from the Trillium Trust to support investments in public transit, transportation and other priority infrastructure projects, based on planned expenditures in the 2017 Budget.

This builds on last year's allocation of \$262 million to support key investments across the province, such as GO Regional Express Rail, Hurontario Light Rail Transit, the Ontario Community Infrastructure Fund and the Small Communities Fund.

Q: Isn't the government just selling assets to improve the path to balance?

A: The government has restored balance through targeted, measured and fiscally responsible decisions to manage growth in program spending and foster job creation and economic growth.

The government's plan to eliminate the deficit does not depend on the revenues from asset sales. Maximizing the value of these assets is part of the government's economic plan for Ontario. The net revenue gains from these transactions are helping the government to deliver on its plan by investing in infrastructure.

The Trillium Trust Act, 2014, provides for the dedication of net revenue gains to the Trillium Trust associated with the sale of designated assets. By law, the Trillium Trust can only be used to support investments in infrastructure.

The government will allocate up to \$400 million this year from the Trillium Trust to support investments in public transit, transportation and other priority infrastructure projects, based on planned expenditures in the 2017 Budget.

This builds on last year's allocation of \$262 million to support key investments across the province, such as GO Regional Express Rail, Hurontario Light Rail Transit, the Ontario Community Infrastructure Fund and the Small Communities Fund.

Q: If the Trillium Trust has been credited with over \$5 billion, why did the government only draw down \$262 million in 2016-17 and is projecting to draw up to \$400 million in 2017-18?

A: Like most large infrastructure investments, initial spending on projects is focused on planning, design, property acquisition and other activities to get projects construction-ready.

As this preliminary work is completed and construction activity gets underway, further project requirements will be identified that will be funded from the Trillium Trust in subsequent years.

The government is committed to investing the full amount from the Trillium Trust to support public transit, transportation and other priority infrastructure.

Q: The government previously credited the Trillium Trust with a non-cash deferred tax benefit resulting from the Hydro One IPO. How can the government use a non-cash amount to invest in infrastructure?

A: The Trillium Trust Act, 2014, provides for the dedication of net revenue gains to the Trillium Trust.

The deferred tax benefit provided an up-front revenue gain to the Province through consolidation of the Province's portion of Hydro One's net income in the Public Accounts. This also increases the book value of Hydro One's shares and reduces the accounting gains for subsequent sales for a given amount of gross sale proceeds. This does not affect the total cash the Province receives.

By dedicating to the Trillium Trust the net revenue gains to the Province from the deferred tax benefit, the government is ensuring that the full benefit of the value created from broadening Hydro One ownership is dedicated to the Trust to support investments in public transit, transportation and other priority infrastructure.

Q: The Ontario Energy Board recently determined that Hydro One will not record the full benefits from its deferred tax asset. How will this affect the amounts credited to the Trillium Trust?

A: Hydro One has submitted a motion to the OEB to Review and Vary the OEB decision with respect to the benefit of the deferred tax asset.

Hydro One has also submitted a notice of appeal to the Ontario Divisional Court regarding the OEB decision.

The Province will continue to monitor Hydro One's response and financial reporting on the OEB decision.

If pushed:

The matter is in front of the regulator and the courts. It would not be appropriate for the Province to comment.

Q: When will the Province credit the Trillium Trust with the net proceeds from the sale of OPG's headquarters and May 2017 offering of Hydro One shares?

A: The Province is committed to dedicating the net proceeds generated from these sales to the Trillium Trust.

The net proceeds credited to the Trillium Trust are derived from the gross proceeds, less fees/expenses incurred and less the book value of the asset sold. Appropriate due diligence is necessary to ensure that the full value created from the asset optimization initiative are credited to the Trust. The government will move forward with regulations to credit the Trillium Trust once this work has been completed.

Q: Why is there no mention of the government's progress on its \$5.7B asset optimization target? Does that mean that the government does not think it will meet its goal?

A: The government's asset optimization initiative remains on track to meet its target to dedicate \$5.7 billion to the Trillium Trust.

As of October 31, the government has credited the Trillium Trust with \$5.3 billion. This amount includes net revenue gains from the sale of the Province's shares in GM, broadening Hydro One ownership in 2015 and 2016 and the sale of the Liquor Control Board of Ontario (LCBO) head office lands.

The government has also filed a regulation to credit the Trillium Trust with the net proceeds from the sale of Hydro One Brampton and is currently moving forward with regulations to credit the Trillium Trust with the net proceeds from the sale of OPG's headquarters and the May 2017 offering of Hydro One shares.

Revenue Outlook

Q: The government is reporting that increases in Other Non-Tax revenue over the medium-term are partially offset by the projected net impact of the Province's planned asset optimization strategy. Is the government's strategy not generating revenues as expected?

A: As this is a multi-year strategy, there will be fluctuations in expected net revenue gains year over year.

To date, the government has made significant progress on its multi-year asset optimization initiative. And as disclosed in the 2015 Budget, most of the funds from the asset optimization initiative to be credited to the Trillium Trust was projected to be generated in the first few years of the initiative. The Province also completed its final public offering of Hydro One shares in May 2017.

The government remains on track to meet its target to dedicate \$5.7 billion to the Trillium Trust to help fund investments in public transit, transportation and other priority infrastructure.

Broadening Hydro One Ownership

Q: Has the Province made any progress on providing the Ontario Electricity Financial Corporation (OEFC) with a financial benefit from broadening Hydro One ownership?

A: In accordance with section 50.3 of the Electricity Act, the Province paid OEFC a financial benefit of about \$172 million in connection with the Province's sale of Hydro One common shares in 2015. OEFC also received a subsequent financial benefit of \$411 million related to the April 2016 secondary offering of Hydro One shares.

These payments were made by remitting debt that OEFC owed to the Province.

The Province is also committed to providing OEFC with a financial benefit from final public offering of Hydro One shares in May 2017 and the sale of Hydro One Brampton, as provided for under Section 50.3 of the Electricity Act.

The Province has also paid OEFC approximately \$3.2 billion related to the book value of Hydro One shares sold in 2015 and 2016 and the pre-IPO special dividend.

Q: The Ontario Energy Board recently determined that Hydro One will not record the full benefits from its deferred tax asset. How does this affect the Province's ability to meet its \$4 billion commitment for net revenue gains from broadening Hydro One ownership?

A: Hydro One has submitted a motion to the OEB to Review and Vary the OEB decision with respect to the benefit of the deferred tax asset.

Hydro One has also submitted a notice of appeal to the Ontario Divisional Court regarding the OEB decision.

The Province will continue to monitor Hydro One's response and financial reporting on the OEB decision.

If pushed:

The matter is in front of the regulator and the courts. It would not be appropriate for the Province to comment.

Realizing Value from Ontario's Real Estate Assets

Q: If the sale of the Ontario Power Generation (OPG) head office properties is now complete, why hasn't the Province communicated how much was raised from the sale? Shouldn't the Province know how much it received?

A: As reported by OPG, the sale resulted in an estimated after payments-in-lieu of tax gain of approximately \$280 million.

The government is committed to crediting the Trillium Trust with the net proceeds from the transaction. The Province is working with OPG to assess various elements of the transaction to be able to calculate the net proceeds that would be dedicated to the Trillium Trust under the Trillium Trust Act. The government will be able to provide more details once this review is complete.

Q: The 2017 Budget states that the Province is also moving forward with its plans to unlock value from other real estate assets, including the Seaton and Lakeview lands? What exactly does this mean? Is the Province looking at other real estate assets?

A: The Province is moving forward with the sale of the Seaton Lands. The lands will be marketed to prospective purchasers to support a new urban development in the City of Pickering. By selling approximately 830 acres of employment lands and 370 acres of residential and mixed-use lands, upon completion Seaton will be a sustainable community that will be home to 61,000 people and support 30,500 jobs.

Ontario Power Generation (OPG) has begun the process to sell the former Lakeview generating station lands in south Mississauga and adjacent lands. The Province proceeded with a staged sale process, which closed September 8, 2017. The Province is focused on realizing the potential of the Lakeview lands, with an opportunity to create a new and sustainable, mixed-use community along Mississauga's eastern waterfront, with arts and culture districts, housing, employment, and retail and recreational uses.

The government identified the LCBO head office lands, OPG's head office building, and the Seaton and Lakeview lands as part of its asset optimization strategy in 2014-15. The government has not included any other real estate assets in the asset optimization initiative. The Province is focused on realizing the potential from these real estate assets and is committed to dedicating the net revenue gains generated from these sales to the Trillium Trust.

CHAPTER III: ONTARIO'S ECONOMIC AND FISCAL STRENGTH

Ontario's Economic Outlook

Economic Outlook

Q: How can you claim that Ontario's economy is doing well?

A: A number of indicators show that Ontario's economy continues to grow and create jobs at a solid pace.

Over the 2014-16 period, Ontario's real GDP growth outpaced that of all G7 countries.

Employment in Ontario increased strongly since the recession, with 800,000 net new jobs created.

The unemployment rate continues to steadily decline. At 5.9 per cent in October 2017, it remains below the national average for 31 consecutive months. Also, the unemployment rate has remained below 6 per cent for three consecutive months for the first time since 2000.

Q: The forecast for real GDP is below the private sector average but your nominal GDP is the same as the private-sector average. Doesn't this mean your nominal GDP forecast is too optimistic?

A: A nominal GDP forecast that is in line with the private-sector average is a balanced and reasonable measure for planning purposes.

There is uncertainty around the forecast for nominal GDP growth given the large swings recently experienced in both the Canadian dollar and commodity prices.

It should be noted that over the last three years, nominal GDP growth in Ontario has significantly outperformed expectations. This outperformance was due, in part, to the positive impact from these external factors. There is a reasonable chance this could continue.

As a result, a planning assumption that is in line with the average of private-sector economists is a balanced and reasonable measure for planning purposes.

Q: Compared to the Budget, the outlook for 2017 in the FES has improved generously while outer years remain relatively unchanged. What are the factors at play for an improved outlook for this year?

A: The Ministry of Finance is forecasting growth in Ontario's real GDP of 2.8 per cent in 2017, higher than the 2017 Budget assumption of 2.3 per cent. This is in line with changes in the private-sector average outlook for Ontario.

The improved outlook for 2017 reflects relatively strong economic growth recorded in Ontario in the first half the year. Household spending, buoyed by solid employment gains and income growth, experienced stronger-than-expected growth in the first half of 2017. As well, Ontario's housing market recorded stronger-than-expected growth in the first quarter of the year. After recording lower activity in the second quarter, residential investment is expected to improve modestly in the second half of 2017. Responding to solid demand prospects, businesses also increased investment in machinery and equipment and are expected to continue to do so in the second half of the year.

Over the remainder of the forecast period, Ontario's economy is expected to continue to grow at a solid but moderating pace. Rising interest rates are expected to shift growth from interest rate sensitive sectors, such as household consumption and housing. Growth is expected to be supported by an advancing global and U.S. economy, while the combination of still low oil prices and a competitive Canadian dollar will continue to broaden economic growth in Ontario.

Q: Why does the forecast for real residential investment decline in 2018 following such strong growth in 2017? Why is it expected to resume in 2019?

A: Ontario's rapidly advancing housing market led to much stronger-than-expected growth in residential investment in the first quarter of 2017. After a period of lower activity in the second quarter, residential investment is expected to modestly improve during the second half of 2017, but remain below the exceptionally robust level of activity in the first quarter. The exceptionally strong start to the year set up a solid annual growth rate for overall residential investment in 2017 while the subsequent slowing contributes to an annual decline in 2018.

Over the 2019-20 period, solid demand supported by steady population gains is expected to result in increases in residential investment.

Q: Why is real export growth so weak in 2017?

A: The slowdown in export growth to 0.8% in 2017 from 2.5% in 2016 reflects some unexpected weakness across key merchandise exports sectors such as automotive, consumer goods and electronic and electrical equipment.

The outlook for Ontario's export performance remains positive, reflecting solid global and U.S. GDP growth, as well as the impacts of the still-low Canadian dollar.

Q: How does Ontario's outlook compare to that of other domestic and international jurisdictions?

A: Over the past three years, Ontario's economy has grown faster than Canada's and that of all G7 countries. Ontario's economy will continue to benefit from an advancing global and U.S. economy, a competitive Canadian dollar and low oil prices.

Since the start of 2017, Canada's economic outlook has improved significantly and the gap between the economic performance of the provinces is expected to narrow. Notably, Alberta's economy has returned to solid growth after the negative impact of last year's wildfire, while B.C.'s economy continues to perform well with strong consumer spending trends and recovering housing market activities. Quebec's economy is also expected to accelerate with a strong labour market performance.

Economists expect that Ontario's economy will be among the provincial growth leaders over the 2017-20 period. Over the same period, private sector economists expect Ontario's economy to perform slightly better than that of Canada's and the United States, and comfortably better than all other G7 countries.

Q: There is a great deal of uncertainty surrounding the global economic outlook. Why do you remain positive about Ontario's economic prospects?

A: The external environment remains supportive for the Ontario economy. Growth in the U.S., our largest trading partner, is expected to remain solid over the next few years while activity in the rest of Canada has returned to solid growth.

What's more, a competitive Canadian dollar will support export activity as will improving economic fortunes across the rest of Canada. Finally, oil prices are expected to rise at a modest pace but remain low by historical standards, which should help support Ontario's consumers and businesses.

Q: What are the risks facing the Ontario economy?

A: Key external risks relate to the uncertainty surrounding U.S. policies. Overly restrictive changes to U.S. trade and immigration policy represent significant downside risks. However, modernized trade linkages and enhanced clarity on immigration policy could also improve the outlook. The Government's recently announced Global Trade Strategy will help increase Ontario's trade performance over the next five years.

Domestically, high levels of household debt have left Ontario households more sensitive to rising interest rates while Ontario's housing market is in the process of rebalancing. Faster-than-expected interest rate increases could lead to a more significant slowing in consumer spending and housing activity.

Ontario Housing Market

Q. Is the housing market headed for a correction?

A: Ontario's resale market advanced rapidly over 2015-16 and into early-2017, supported by low borrowing rates, steady employment gains and growth in the number of households.

Ontario's Fair Housing Plan introduced a comprehensive package of measures to help more people find affordable homes, increase supply, protect buyers and renters, and bring stability to the real estate market.

Housing market activity has cooled following the introduction of the Fair Housing Plan. Since reaching a peak in March, the number of home resales and the average resale price moved lower over the next few months. However, since then Ontario's housing market activity has stabilized, with resales and prices recording modest gains in September. Looking ahead, housing market activity is expected to be moderate, as rising interest rates, historically high valuations and mortgage debt temper healthy demand.

The recent announcement by OFSI regarding changes to mortgage rules in the uninsured space of the Canadian housing market is also expected to have a dampening effect on the Ontario housing market.

Q. Given the recent volatility in the Ontario housing market and changes to the regulatory backdrop, is there a risk that the Ontario housing market will crash?

A: A housing market crash is unlikely given the outlook for continued household income gains and growth in the number of households. Furthermore, while interest rates are expected to increase gradually over the outlook period, they are still expected to remain at historically low levels. Moderate growth in the supply of new housing suggests there currently is little in the way of overbuilding in the Ontario housing market, which was a notable contributing factor behind the early 1990s sharp housing market downturn.

The new housing policies introduced by the Ontario government in April represent a balanced, multi-faceted plan to address Ontario's rising housing costs. Taken together, the new measures will help stabilize the market while mitigating the potential for a market crash.

However, household debt loads are elevated as resale home price appreciation has outpaced income gains in recent years, fuelling mortgage debt accumulation. High levels of debt combined with elevated resale prices leave Ontario households potentially vulnerable in the event of an adverse economic shock.

Transforming Statistics to Support Policy Development

Q: The Document states that it is establishing the Ontario Statistics Office, what statistical information will the Office publish and what data will it be collecting?

A: The Ontario Statistics Office will be implemented through a phased approach and key functions of the Office will be assumed by the Ministry of Finance within its existing resource allocation on an interim basis. As part of the first phase in modernizing the province's statistics services, Ontario Statistics Office will act as the official coordinating body for Ontario Public Service ministries, making it easier for Ontario to network and manage statistical and data activities across the organization. The Ontario Statistics Office will work with its Ontario Public Service partners to collect and publish statistical information at a later phase.

Q: Why is Ontario the only province without an official statistics program?

A: The Ontario Ministry of Finance provides leadership, advice and analysis on the use of statistics and the province's statistics policy, including responsibility over the Statistics Act. Presently, there is a decentralized approach to statistics within the province, allowing decision makers to rely on the knowledge and expertise within individual ministries to produce statistics connected to each ministry's mandate. Recognizing the importance of data and statistics to support evidence-based decision-making, Ontario is moving forward on enhancing how government collects, uses, and disseminates data. Understanding that accurate and credible statistics are critical for supporting policy development, improving social outcomes, and fostering an innovative and dynamic business climate, the government is developing options for effective, efficient and transparent business models to enhance the collection, use, and dissemination of data.

Q: What will the cost be to set-up a statistics program for the Province?

A: The Ontario Statistics Office will be implemented through a phased approach and key functions of the Office will be assumed by the Ministry of Finance within its existing resource allocation on an interim basis. Future costs are being determined through the development of business model options for an official statistics program. The government is evaluating how to better serve the public by ensuring credible statistics are produced to help put relevant and timely information in the hands of decision makers in both the public and private sectors to support the development of policies, programs and services, to create jobs, grow our economy, and help people in their everyday lives. By making an investment in modernizing and transforming the way we use information, Ontario we will provide better value for money by reducing burden and streamlining government processes.

Q: What amendments to the statistics legislation is the province considering?

A: The ministry is developing options and is planning to make proposals to modernize the Statistics Act to provide appropriate authority to the Ontario Statistics Office to collect, use and share information for statistical purposes; and to work with other Ontario Public Service ministries to better collect, use, and disseminate data.

Q: How will a statistics program ensure that my personal information is protected?

A: Protecting personal information is of the utmost importance to the government, which is why the government will continue to work with the Information and Privacy Commissioner, other privacy experts and Statistics Canada to ensure that privacy and security are built into the business model the government determines is the right model to meet Ontario's statistics needs.

Revenue Outlook

2017-18 In-Year Change from 2017 Budget

Q: Land Transfer Tax revenues in 2017-18 are \$270 million lower than Plan. Are you expecting continued weakness in the housing market?

A: The weakness in Land Transfer Tax revenue is expected to continue in 2018-19 with a shortfall of \$0.4 billion, followed by \$0.3 billion in 2019-20. LTT is lower reflecting the decline in housing resales activity since the spring.

Q: Compensation of Employees forecast has increased, so why is 2017-18 Personal Income Tax (PIT) and Ontario Health Premium (OHP) combined revenue reduced \$1,832 million from Budget 2017? [Are you cutting taxes?]

A: PIT and OHP combined revenue is reduced by \$1,832 million, primarily due to lower revenues indicated by 2016 tax returns processed. This is partially offset by slightly higher projected growth in compensation of employees in 2017 and 2018.

Q: Is some of the decline in PIT revenue due to tax planning behaviour of individuals to recognize income in the 2015 tax year before the new 33 per cent tax rate came into effect in 2016, as mentioned by the federal government in some of their public documents?

A: Yes. At the time of the 2017 budget, a one-time downward adjustment of \$500 million was made to 2016-17 PIT revenue estimates to account for the impact of potential tax planning by high income individuals.

Information on the 2016 taxes assessed was not available until after the release of the 2017 Budget. As more information is received, it is possible that Ontario's estimates of the one-time adjustment may be more negative than initially assumed. This would lower the base upon which growth is applied in forecasting PIT revenues for future years.

Other provinces also experienced a decline in PIT revenues for 2016-17. For example, the federal government reported that their PIT revenues decreased by \$1.2 billion, or 0.8% between 2015-16 and 2016-17, stating that this "largely [reflects] the impact of tax planning by high-income individuals to recognize income in the 2015 tax year before the new federal 33 per cent tax rate came into effect in 2016. This behaviour raised revenues in 2015-2016 but lowered them in 2016-2017."

Q: Why is Tobacco Tax down \$61M in 2017-18 relative to the 2017 Budget?

A: The Tobacco Tax revenue decline reflects actual collection experience for the April to September period. The decline likely reflects a combination of reduced smoking, increased illegal market activities and the rise in consumption of other products such as e-cigarettes.

Q: Your revenue outlook shows that Government of Canada transfers are projected to increase by \$145 million in 2017-18. Would you please explain why this increase is taking place, given the federal government's huge spending plan in its 2017 budget?

A: The increase in federal transfer in 2017-18 reflects new funding for early learning and childcare as a result of a bilateral agreement between Ontario and the federal government. The revenue increase has a corresponding matching increase in expenses

This new funding was previously reported in the 2017-18 First Quarter Finances.

Q: Why are revenues from Government Business Enterprises up by \$200 million in 2017-18 compared to plan?

A: The \$200 million increase to net income projections of the Government Business Enterprises reflects higher net income from the Ontario Lottery and Gaming Corporation reflecting stronger 2017-18 year-to-date performance.

Medium-Term Revenue Outlook

Q: Why is the boost to Ontario's revenue from stronger economic growth projected to taper off from \$0.9 billion in 2017-18 to \$0.7 billion in 2019-20?

A: This is consistent with the revision to Ontario's economic growth with an upward revision to 2017 growth followed by modestly lower growth over the next two years.

Q: Why doesn't higher HST revenue in 2017-18 carry over into the medium term and hence is not reflected in the medium term change table?

A: Higher HST revenue in 2017-18 does carry over and is included in the impact on Ontario's overall revenue due to an upward revision to the province's economic growth.

Q: Why does the growth in Taxation revenue fall from 5.8 per cent in 2017-18 to 5.3 per cent and 4.8 per cent in 2018-19 and 2019-20, respectively?

A: This is consistent with the revision to Ontario's economic growth with an upward revision to 2017 growth followed by modestly lower growth over the next two years. Taxation revenue projection also reflects the net impact of tax measures in 2018-19 and 2019-20.

Q: Revenue from Government Business Enterprises is projected to be higher over the medium term. Where is this revenue coming from?

A: The increase in net income from Government Business Enterprises over medium term mainly reflects stronger 2017-18 year-to-date performance of the Lottery and Gaming Corporation.

This strong 2017-18 performance is assumed to carry forward over the medium term.

Key Changes since the 2017 Budget

Q: How can taxation revenue be lower than the 2017 Budget while economic growth is stronger?

A: The Ontario outlook reflects weaker-than-expected taxation revenue for 2016 which lowers the outlook for all future years. Specifically, PIT for 2016 are lower than expected with partial offset from CIT as indicated by the latest result from on-going tax return processing. Also, LTT revenue is projected to be lower due to a moderation in the housing market. This weakness is expected to be only partially offset by the impact of stronger economic growth.

Q: Compensation of Employees forecast has increased, why are Personal Income Tax (PIT) lower than forecast at Budget 2017? [Are you cutting taxes?]

A: Since the 2017 Budget, information from on-going processing of Ontario PIT tax returns for the 2016 tax year has lowered the revenue base upon which growth is applied in forecasting PIT revenues for future years. This is only partially offset by the impact of a higher forecast for compensation of employees growth since Budget 2017.

Q: Why are transfers from Government of Canada projected to be higher in the medium term compared to 2017 Budget?

A: The higher medium-term outlook for Government of Canada transfers is due to new funding for early learning and childcare as a result of a bilateral agreement between Ontario and the federal government that took place in June 2017.

Federal Fall Update Questions

Q: Why is the average growth in total revenue higher in Canada than in Ontario?

A: This is mainly due to different components of Non-Tax Revenue. For example, over the forecast period, Ontario is projected to receive less federal funding for infrastructure projects, a decline in Equalization payments, and lower other non-tax revenue from the removal of the debt retirement charge beginning in 2018-19.

Q: Why is Ontario's average growth for Taxation revenues of 5.2% over the forecast period stronger than for federal Taxation revenue of 4.6%?

A: This reflects Ontario's higher average nominal GDP growth rate of 4.5% compared to 4.3% for Canada. Also, the yield from Taxation Revenue from Nominal GDP growth is higher for Ontario than Canada.

Fairness for Workers – Minimum Wage Increase

Q: What is the impact of increasing the minimum wage on government revenues?

A: The net revenue impacts are likely to be insignificant. Any additional revenues from EHT, PIT and OHP are likely to be largely offset by lower CIT revenues.

The minimum wage policy does not create new income in the economy and its net income distribution effects are not expected to have significant net revenue impacts.

Section C: Fiscal Outlook

Ontario Municipal Partnership Fund (OMPF)

Q: Why is there an increase of \$1.3 million to the OMPF when comparing the 2017–18 Current Outlook amount of \$506.3 million to the 2016–17 Actual amount of \$505 million?

A: As announced in the 2017 Fall Economic Outlook and Fiscal Review, the total OMPF envelope is being increased by \$5 million beginning in 2018. This translates to a \$1.3 million increase to the first quarterly payment of the 2018 program year.

It is important to note that the OMPF program year reflects the municipal budget cycle running from January to December, while the provincial budget year follows the fiscal year cycle from April to March.

Contact: Nancy Kutas

Branch, Division: Municipal Funding Policy Branch, Provincial Local Finance Division

Section D: Reducing Ontario's Electricity Sector Stranded Debt

Reducing Ontario's Electricity Sector Stranded Debt

Q: What is the status of the OEFC's unfunded liability for 2016-17 as well as the plan to pay down the unfunded liability?

A: The OEFC unfunded liability is \$3.2 billion as at March 31, 2017, a decrease of \$1.2 billion from March 31, 2016. This is the thirteenth consecutive annual decline in the unfunded liability and over \$16 billion below the level as at April 1, 1999.

Q: The DRC will be eliminated as of April 1, 2018. Does that mean the residual stranded debt has been eliminated?

A: Prior to the Budget Measures Act, 2015, the Electricity Act, 1998, allowed for the DRC to be paid by consumers until the retirement of the residual stranded debt.

The government continues to dedicate revenues it receives from the electricity sector to the OEFC. All OEFC revenues, including the debt retirement charge (DRC) paid by certain electricity users up to March 31, 2018, are used to service and retire its debt and other obligations, as provided for under the Electricity Act, 1998.

The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depended on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption.

The end date for the DRC is no longer tied to the retirement of the residual stranded debt.

The government introduced legislation, passed on December 10, 2015, in the Budget Measures Act, 2015 to legislate a fixed end-date for the DRC of April 1, 2018, for commercial, industrial and other users.

The government has already removed, as of January 1, 2016, the DRC cost from residential electricity users' electricity bills. The residential rate class accounts for about a third of electricity load subject to the DRC.

Also as part of the Budget Measures Act 2015 amendments to the Electricity Act, 1998, all reference to the "stranded debt" and "residual stranded debt", including the regulation-making authority of Ontario Regulation 89/12, were repealed. This included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete. On February 11, 2016, the government filed O. Reg. 20/16 revoking O. Reg. 89/12.

Following the end of the DRC, OEFC will continue to receive other dedicated revenues, such as PILs, the amount equal to Hydro One Inc.'s provincial corporate income taxes, and the gross revenue charge paid to the OEFC to help service and pay down its unfunded liability.

Ending the DRC – Residential and Business Users

Q: What will be the impact on the Ontario Electricity Financial Corporation / fiscal impact of removing the DRC cost from commercial, industrial and all other users' electricity bills?

A: Removal of the DRC from commercial, industrial and all other users' electricity bills on April 1, 2018 would reduce OEFC revenues by about \$620 million (and for the Province, on consolidation of OEFC in Public Accounts).

The earlier removal of the DRC from residential electricity bills in January 2016 reduced revenues by about \$330 million.

Q: How much will customers save from removing the DRC costs from electricity bills?

A: As part of its commitment to reduce electricity cost pressures, the government has removed the DRC cost from residential users' electricity bills as of January 1, 2016. This is saving a typical residential user almost \$70 per year.

The DRC is levied at the rate of 0.7 ¢/kWh on the consumption of electricity in Ontario. Savings from removing the DRC for commercial, industrial and all other users on April 1, 2018 would depend on electricity consumption.

- A large industrial using 3,000 megawatt-hours (MWh) per month could save \$21,000 per month.
- A small business using 20,000 kilowatt-hours (kWh) per month could save \$140 per month.

Borrowing and Debt Management

General

Q: Why is total long-term public borrowing \$25.8 billion in 2017–18 when the Province is forecasting a balanced budget?

A: Even with a balanced budget, long-term public borrowing is still necessary, primarily to refinance debt maturities and fund the Province's investments in capital assets. Total borrowing for 2017–18 is now forecast to be \$0.6 billion less than the forecast in the 2017 Budget as a result of higher pre-borrowing in 2016–17 and lower debt maturities.

Q: Why does the Net Debt-to-GDP ratio decrease to 37.3 per cent at the end of fiscal 2017–18, compared to the 37.5 per cent forecast in the 2017 Budget?

A: The decrease in the Net Debt-to-GDP ratio to 37.3 per cent is mainly as a result of lower net investment in tangible capital assets in 2016–17 and a stronger GDP growth forecast in 2017–18.

Q. The 2017 Budget forecast that the net debt to GDP ratio will decline from 2017–18 onwards. How will this be achieved?

A: The balanced budgets from 2017–18 onwards will limit the increase in net debt to net investments in capital assets. These investments will contribute to the economy growing at a faster rate than net debt allowing the Government to reduce net debt-to-GDP ratio to its pre-recession level of 27 per cent.

Q: The Province is projected to borrow \$25.8 billion in 2017–18. That's approximately \$1,817 for every person in Ontario. When will the Province eventually run into a debt wall and be forced to raise taxes and cut services?

A: There is strong demand for Ontario bonds in both the domestic and international markets. Last fiscal year Ontario was able to borrow \$27.0 billion in long-term debt while our spread, or the margin that we have to pay over the equivalent Government of Canada bond, tightened, indicating ongoing strong demand for Ontario bonds. We expect that the liquidity of Ontario benchmark bonds and continuing confidence in the value of Ontario debt will allow us to cost-effectively complete the 2017–18 borrowing program. As at November 14, 2017 the Province has completed \$24.2 billion of its \$25.8 billion borrowing requirement for 2017–18.

Q: Has it been difficult to complete the Province's borrowing program?

A: The Province continues to see strong demand for its bond issues in both the domestic and international markets. As of November 14, 2017, the Province had completed \$24.2 billion of its \$25.8 billion borrowing requirement for 2017–18, meaning that Ontario had completed 94 per cent of this fiscal year's borrowing program after only seven and a half months.

Q: What does non-cash adjustments of \$6.7 billion in 2017–18 represent?

A: Non-cash adjustments convert accounting accruals into cash requirements. Cash and accruals primarily differ due to accrued expenses that do not result in a cash outlay. These include the reserve of \$0.5 billion, and \$3.5 billion in Alternative Financing Procurements (AFPs) funded by third parties, partly offset by substantial completion payments to be made in 2017–18 for prior AFP projects. Another significant adjustment is amortization that is currently over \$5.5 billion but is partly offset by general timing adjustments that always arise between the Province's inflows and outflows on a cash versus accrual basis. A notable example of the latter is the variance between the net incomes of the Government Business Enterprises and the dividends they pay to the Province.

Q: Is the Province planning to issue any more Green Bonds in the future?

A: The Green Bond program is an ongoing program of the Province of Ontario. To date, Ontario has issued three Canadian dollar Green Bonds. The Province plans to issue its fourth Green Bond before the end of fiscal 2017–18.

On October 2, 2014, Ontario successfully launched a Green Bond program, with an inaugural global Canadian dollar bond of \$500 million. On January 22, 2016, Ontario launched a second global Canadian dollar bond of \$750 million and a third on January 27, 2017 of \$800 million.

Interest on Debt (IOD)

Q: What is the impact on IOD of a \$1.0 billion change in deficit?

A: The 2017–18 impact is forecast to be approximately \$30 million.

Q: What is the impact on IOD of a one percentage point change in interest rates?

A: The 2017–18 impact is forecast to be approximately \$300 million over a full year.

Q: What are your interest rate assumptions in the 2017–18 IOD budget for the FES in comparison to the 2017 Budget?

A: In line with the forecast changes to the 90-day and 10-year Government of Canada rates, we assume that 10-year interest rates decline from 3.0 to 2.9 per cent and 90-day rates increase from 0.7 to 1.2 per cent.

Q: Will IOD costs crowd out other expenditures as interest rates rise and debt continues to climb? How can you address this problem?

A: The declining IOD-to-revenue ratio since the early 1990's indicate the IOD costs have not crowded out other expenditures. For example, the 2010 Budget forecasted that, by 2017–18, the Province would have to spend 11.3 cents of every revenue dollar received on interest. The current forecast is 3.1 cents lower, at 8.2 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period to 2019–20.

Credit Ratings

Q: What are the Province's current credit ratings?

The Province is rated:

	<u>Long-Term</u>	<u>Short-Term</u>
Moody's Investors Service:	Aa2	P-1
Standard & Poor's:	A+	A-1
DBRS:	AA (low)	R-1 (mid)
Fitch	AA-	F1+

Q: How will the credit rating agencies respond to the 2017 Fall Statement?

A: Ontario currently maintains a double-A rating with three of its four credit rating agencies. Ontario is projecting a balanced budget in 2017–18, and continued balance in 2018-19 and 2019-20, consistent with the plan laid out in the 2017 Budget.

We continue to update the rating agencies on a regular basis on economic and fiscal developments.

Q: How have the rating agencies responded to the qualified opinion on the public accounts and the recent report from the Auditor General noting that the government's plans obscure the financial impact of the Electricity Rate Cuts?

A: The Province's financial results in Public Accounts for 2016-2017 showed that the government had once again beaten its annual deficit targets. Ontario is projecting a balanced budget in 2017-18, and continued balance in 2018-19 and 2019-20, consistent with the plan laid out in the 2017 Budget.

The rating agencies make their own assessment of the province's finances. However, there were no credit rating implications either this year or last when the Province received a qualified audit opinion on its Public Accounts. Qualified opinions by the Auditor Generals of British Columbia and Quebec have been made in their respective provinces in the past, with no negative impacts on their province's credit ratings.

CHAPTER IV: WORKING WITH OUR PARTNERS

Working in Partnership with Municipalities

Support to Municipalities

Q: What is the government doing to put municipalities on a financially sustainable footing?

A: The Province has a very strong record of supporting and working in partnership with municipalities to ensure they are able to provide the services their communities need.

In 2017 alone, the Province is providing municipalities with ongoing support of more than \$4 billion. Provincial support is projected to grow to approximately \$4.2 billion by 2018 — nearly four times the level of funding provided in 2003.

This means municipalities will have more financial flexibility to invest in local priorities, such as roads, transit and economic development.

This support has helped to put municipalities on a financially sustainable footing. Going forward, the government will focus on investing in infrastructure, which will benefit communities across Ontario.

Provincial support to municipalities includes:

- Funding to small, rural and northern communities through the Ontario Community Infrastructure Fund (OCIF). OCIF funding will increase to \$300 million per year by 2018–19 to support the construction and renewal of critical road, bridge, water and wastewater infrastructure.
- Unconditional funding under the Ontario Municipal Partnership Fund (OMPF). Beginning in 2018, the Province will provide an additional \$5 million through the Northern Communities Grant component, increasing the total OMPF envelope to \$510 million.
- A predictable source of funding from the Provincial Gasoline Tax for municipalities to improve and expand transit services. Ontario will increase the share of revenue municipalities receive from the Provincial Gasoline Tax from \$334 million in 2016–17 to an estimated \$642 million by 2021–22. This will be achieved by doubling the municipal share of the gas tax from two cents to four cents per litre by 2021–22.
- Removing more than \$2 billion in costs from the municipal property tax base by uploading social assistance benefit costs, as well as court security and prisoner transportation costs.

- Extending to municipalities a new authority to levy a hotel tax.
- Providing municipalities with new tools to help increase the supply of housing, including a Vacant Homes Property Tax to encourage property owners to sell unoccupied units or make them available to be rented.
- Increasing municipal flexibility to more effectively manage business property taxes.
- Investing up to \$100 million of proceeds from the Provincial carbon market in a new Municipal Greenhouse Gas (GHG) Challenge Fund in 2017–18.

Q: How will the increase to the OMPF affect my municipality's 2018 funding?

A: As announced in the 2017 Economic Outlook and Fiscal Review, the Province is increasing the total OMPF envelope to \$510 million. Beginning in 2018, the Province will provide an additional \$5 million through the Northern Communities Grant component to further support northern municipalities with their particular challenges.

As in previous years, we consulted with municipal representatives on refinements to the design of the 2018 program to ensure it reflects municipal priorities.

We will be announcing 2018 OMPF municipal allocations shortly to support municipal budget planning.

Q: Now that you have provided an additional \$5 million to the OMPF, will you continue to increase support provided through the program going forward?

A: Beginning in 2018, the Province is increasing the total OMPF envelope to \$510 million. The increase to the OMPF will provide an additional \$5 million through the Northern Communities Grant component to further support northern municipalities with their particular challenges.

We continue to work with municipal representatives to ensure the design of the OMPF reflects the long-term priorities of municipalities.

It is important to note that, in 2017 alone, the Province is providing municipalities with ongoing support of more than \$4 billion. Provincial support is projected to grow to approximately \$4.2 billion by 2018 — nearly four times the level of funding provided in 2003.

Going forward, the Province will focus on investing in infrastructure, which will benefit communities across Ontario. The government is making one of the largest infrastructure investments in Ontario's history, more than \$190 billion over 13 years, beginning in 2014–15.

This includes increasing provincial investments in municipal infrastructure through the Ontario Community Infrastructure Fund (OCIF), Connecting Links and the Provincial Gas Tax Program. These investments will strengthen Ontario's road, bridge, transit, water and wastewater infrastructure.

Contact: Nancy Kutas

Branch, Division: Municipal Funding Policy Branch, Provincial Local Finance Division

Partnering with Indigenous Communities

Moving Towards Community Based Regulation of Tobacco

Q: How is the government working with First Nation communities to address unregulated tobacco?

A: The government is committed to an ongoing dialogue with First Nation communities and leaders on mutually-beneficial solutions to address untaxed, unregulated tobacco.

The government continues to work closely with the Chippewas of the Thames First Nation and the Mohawk Council of Akwesasne on the self-regulation of tobacco on-reserve and revenue-sharing. On July 20th, the government signed a historic Agreement-in-Principle with the Chippewas of the Thames First Nation to lay out a path towards negotiating a tobacco agreement.

The government is also working with the Anishinabek Nation, representing 40 First Nation communities across Ontario, to develop a framework related to tobacco and gasoline sales on-reserve.

Based on the work of the pilot projects, the government is engaging other First Nations communities and organizations across the province. This includes discussing sharing a portion of overall tobacco tax revenue with communities that agree to regulate tobacco sales on-reserve.

Q. What changes to the Tobacco Tax Act is the government proposing regarding First Nation tobacco laws?

A: The government is proposing amendments to the Tobacco Tax Act to support the effective collaboration and integration of provincial legislation with First Nation tobacco laws. This will ensure the Minister of Finance has the legislative authority to implement agreements with First Nations regarding the sale, manufacture, and transportation of tobacco products.

Under the proposed amendments, the government would also have regulation-making authority to address how community-based tobacco laws will interact with the rules in the Tobacco Tax Act.

Q. What is the significance of Chippewas of the Thames First Nation Agreement in Principle on tobacco?

A: The Agreement in Principle with Chippewas of the Thames First Nation is an important step in Ontario's collaborative efforts with First Nations on tobacco. It represents the government's commitment to build relationships and trust, support economic development and diversification of First Nation communities, decrease uncertainty for on-reserve tobacco sales and support public health priorities.

Ontario Gas Card Modernization

Q: What progress has the government made with the modernization of the Ontario Gas Card?

A: In summer 2016, the Province launched an engagement process to seek advice from First Nation communities, and industry stakeholders representing gasoline wholesalers and collectors, on modernizing the Ontario Gas Card Program.

First Nation communities, on-reserve gasoline retailers, Political Territorial Organizations, and industry stakeholders, were invited by letter to participate and provide feedback in the engagement process.

Based on feedback received, the province will be proposing a regulation amendment to replace the Ontario Gas Card with a more secure card in 2018. The Province will also work with First Nations and industry stakeholders to identify and implement the best technological solution to make it easier and faster for authorized First Nation gasoline retailers to receive their refunds.

Prepared by: Evelyn Fernandes & Sean Dionne
Branch: Strategy, Stewardship and Program Policy Division

Updates on Federal-Provincial Partnerships

Preparing for the Legalization of Cannabis

Q: Is Ontario supportive of the \$1/gram tax on cannabis, and 50/50 split of revenues as proposed by the federal government? Will Ontario sign on to an agreement with the federal government for cannabis?

A: We understand the federal government has launched consultations on a proposed taxation system, as of November 10, 2017.

We agree with the federal government's objective of reducing the illicit market, and having an appropriate level of taxation is an important mechanism for this.

We are supportive of federal-provincial-territorial coordination on taxing cannabis. However, provinces and territories face significantly more costs than the federal government as a result of the federal government's decision to legalize recreational cannabis, including incremental costs related to enforcement, road safety, justice, health and education. Provinces and territories bear a majority of costs associated with legalization, and we need to see a share of revenue that reflects this.

Provincial and territorial Finance Ministers will be discussing this with the federal Minister of Finance at our upcoming meeting in December.

Decisions with respect to whether Ontario enters an agreement, pricing and taxation will be made after further discussions with the federal government and other provinces.

Q: How much revenue do you expect legalization of cannabis to generate for Ontario?

A: Provinces are not anticipating high cannabis revenues in the early years of legalization, as was indicated in the federal Parliamentary Budget Officer's report.

This is a price-sensitive product and the priority initially will be to eliminate the illicit market. There are many unknowns that will influence revenue, including the federal tax approach and market dynamics, including availability of supply from licensed producers and consumer demand through stores and online.

Q. How much will this system cost the government? Will building new stores make Ontario's system expensive?

A: We don't have an exact number for costs. A number of factors need to be determined to arrive at an exact cost, and we'll know better as we work through the details of designing the system.

At this time, we believe our retail model would require a modest up-front investment of between \$35 and \$45 million between now and July 2018. This investment would include the capital and start-up costs to establish 40 stores and an online channel and to set up the new corporation. There are many unknowns in this new marketplace, and we are focusing on creating an efficient and secure system for Ontarians across the province.

We expect to fully recover this up-front investment over time as revenue is realized. The new corporation's ongoing operating costs would also be funded from its revenues.

Q: How much will you charge? \$10/gram?

A: Decisions with respect to pricing and taxation will be made after further discussions with the federal government and other provinces.

Final decisions will be informed by focusing on the objective of finding a balance between public health considerations and eliminating the illegal market.

Q: Will you share tax revenues with municipalities?

A: Municipalities are critical partners in the implementation of the retail and distribution system. The Association of Municipalities of Ontario (AMO) has indicated an interest in revenue to address the costs of legalization.

The province will need to engage with municipalities to better understand their costs.

Revenue estimates are highly uncertain as there are many unknowns, including the federal tax approach, product pricing and supply and market conditions.

Provinces are not anticipating high cannabis revenues in the early years of legalization, as was indicated in the federal Parliamentary Budget Officer's report.

Initial engagement with municipalities will focus on locating the first 40 stores to be implemented by July 2018.

Q: Would there be revenue sharing with Indigenous communities?

A: Ontario recognizes the need to have meaningful consultation with Indigenous communities about cannabis legalization, including discussions regarding retailing and distribution. Initial discussions have been taking place between the province and Indigenous communities and organizations.

The province has engaged with and will continue to engage Indigenous communities to better understand the impacts of legalizing cannabis. Revenue estimates are highly uncertain as there are many unknowns, including the federal tax approach, product pricing and supply and market conditions.

Q. What are the key elements in Bill 174, the Cannabis, Smoke-Free Ontario and Road Safety Statute Law Amendments Act, 2017?

A. In response to the federal legalization of cannabis by July 2018, Ontario introduced the Ontario Cannabis Act that would, if passed, provide a safe and sensible way to regulate the use and distribution of cannabis within the province.

The proposed Ontario Cannabis Act would:

- Create a new provincial retailer, overseen by the Liquor Control Board of Ontario (LCBO), to ensure safe and socially responsible distribution of recreational cannabis through stand-alone stores and an online order service.
- Under the proposed approach, approximately 150 standalone stores will be opened by 2020, including 40 stores by July 2018 and rising to 80 by July 2019. Online distribution will also be available to service all regions of the province.
- Protect youth by setting a minimum age of 19 to use, buy, possess and cultivate cannabis in Ontario.
- Focus on harm reduction by allowing for the diversion of people under the age of 19 from the justice system into programs focused on education and prevention, avoiding unnecessary contact with the justice system.
- Ban the use of cannabis in public places, workplaces and motor vehicles, similar to alcohol.
- Regulate the smoking and vaping of medical cannabis under the proposed new Smoke-Free Ontario Act, 2017.
- Help eliminate the illicit market including illegal storefront dispensaries, by introducing new provincial offences with strict, escalating penalties.
- Keep Ontario roads safe by establishing even tougher drug-impaired driving laws, including a zero-tolerance approach for young, novice and commercial drivers.

Q. How do you plan to shut down illegal storefronts?

A. Current illegal cannabis storefronts are not and will not be legal retailers.

The proposed Cannabis Act will make it clear that dispensaries are and will continue to be illegal in Ontario. The Act would prohibit any person from selling or distributing cannabis, other than the Ontario Cannabis Retail Corporation or persons authorized under applicable federal law. The Act would also prohibit landlords from knowingly permitting such activities on their premises.

Individuals and corporations convicted of these offences would be subject to maximum fines of \$250,000 and \$1,000,000, respectively, upon first conviction. Additional fines would accrue for each day on which the offence occurs or continues on subsequent convictions.

Minimum fines would apply to corporations convicted of these offences and individuals may also face a potential jail sentence of up to two years less a day.

In order to address illegal storefronts, the Act would also provide an interim closure authority which would allow for the immediate closure, upon charges being laid, of premises that are suspected of being used for the illegal sale or distribution of cannabis.

In the lead-up to federal legalization, to help ensure public awareness of this transition and the new measures that will take effect, the province is planning a public information campaign, coordinated with the federal government, to raise awareness of this transition and the new measures.

Connecting Northwestern Remote Communities

Q: Why is connecting northwestern remote communities and the Wataynikaneyap Power project a priority?

A: Twenty-five remote First Nation communities in the province's northwest rely on diesel fuel to power their communities. The Province recognizes the distinct challenges they face and, because of the high cost of diesel fuel, there is a good economic case to connect many of those communities to Ontario's electricity grid. (2017 Long Term Energy Plan – LTEP)

In addition, communities cannot improve their housing, their water treatment systems or other community infrastructure if they do not have a reliable and adequate supply of electricity. (2017 LTEP)

Connection to Ontario's low-carbon electricity grid will improve the quality of life of these communities, enable their economic development, and reduce local pollution, greenhouse gas emissions, and the environmental risks associated with transporting and storing diesel fuel. (2017 LTEP)

The designation of the Wataynikaneyap (wah-tay-nik-in-ee-yap) Power project as a priority allows key transmission infrastructure to be considered without undergoing a 'needs' test by the OEB, ensuring that critical transmission infrastructure is built in a timely manner. (July 29, 2016 Ministry of Energy news release)

Wataynikaneyap Power is owned by a limited partnership of 22 First Nation Communities, which hold[s] a 51% share, and the remaining 49% is owned by Fortis. (www.wataypower.ca)

As Wataynikaneyap Power has indicated, its selection to execute this project brings First Nation communities closer to achieving the vision of owning major infrastructure and having meaningful participation in development on traditional homelands. (July 29, 2016 Ministry of Energy news release)

Q: What has the government done to connect these remote communities to-date?

A: The government selected Wataynikaneyap Power as the transmitter for connecting 16 of the remote First Nations in 2016. In addition, the Province has been in discussions with the federal government for a fair federal contribution to help in funding the project so it can proceed to construction. (July 29, 2016 Ministry of Energy news release, 2017 LTEP)

Q: How much will it cost to build the Wataynikaneyap Power project?

A: Wataynikaneyap Power has previously estimated a preliminary capital cost of \$1.35 billion, which is expected to be updated, subject to project planning, design and approvals progress. (www.wataypower.ca)

Q: When will construction on the Wataynikaneyap Power project start?

A: Of the 16 communities, Pikangikum First Nation is the closest to the provincial grid and will be the first to be connected. Construction on this power line will begin in 2017 with completion targeted for fall 2018. (www.wataypower.ca, Aug. 17, 2017 Indigenous and Northern Affairs Canada news release)

Q: Why is the federal government helping with connecting these remote communities?

A: Funding for the current diesel generation system is primarily provided by the Government of Canada and Ontario ratepayers. Consequently, connecting these communities to the grid will result in cost savings for the federal government. (Information from 2014 IESO report)

Q: How is the federal government helping with connecting these remote communities?

A: In August 2017, Indigenous and Northern Affairs announced up to \$60.2 million in funding for Wataynikaneyap Power to connect Pikangikum First Nation to the grid. (Aug. 17, 2017 Indigenous and Northern Affairs Canada news release)

Aside from the funding announced by Indigenous and Northern Affairs in August for the connection of Pikangikum First Nation, the Province has been in discussions with the federal government for a federal contribution towards the capital costs of the Project. (2016/2017 FES)

Q: There are 25 remote communities that rely on diesel and Wataynikaneyap Power will connect 16 of these communities – what about the remaining communities?

A: Ontario is interested in pursuing options for grid connection for five additional remote communities that are not currently part of the Wataynikaneyap Power project. Further steps will be taken to advance their connection when proposals are brought forward. (2017 LTEP)

Grid connection is not currently feasible for four of the 25 remote First Nations in Ontario. Each of these communities has begun the planning and development work to add sustainable technologies that will reduce their reliance on diesel. Projects that reduce diesel reliance could include renewable microgrids, battery storage, and other innovative technologies that meet identified community needs. (2017 LTEP)

CHAPTER V: A FAIR AND SUSTAINABLE TAX SYSTEM

Section A: Business Taxation

Ontario Small Business Deduction (SBD)

Q: What is the Ontario Small Business Deduction (SBD)?

A: The Ontario Small Business Deduction (SBD) reduces the general corporate income tax (CIT) rate to the lower small business CIT rate on the first \$500,000 of a Canadian-Controlled Private Corporation (CCPC)'s Ontario active business income.

Q: What changes is the government proposing to the small business corporate income tax rate?

A: The government is proposing to reduce the corporate income tax (CIT) rate for small businesses from the current 4.5 per cent to 3.5 per cent, effective January 1, 2018.

Q: What is the business limit for the purposes of the small business deduction (SBD)?

A: The business limit for Ontario's SBD is \$500,000.

Income eligible for the SBD would be taxed at the small business CIT rate on the first \$500,000 of active business income. Any income above the \$500,000 threshold would be taxed at the general CIT rate.

The \$500,000 business limit begins to phase-out when taxable capital exceeds \$10 million and becomes zero when taxable capital reaches \$15 million.

Q: What is the Ontario Credit Union Tax Reduction and how does it relate to the Ontario small business deduction (SBD)?

A: Ontario's credit unions are eligible for both the Ontario SBD as well as Ontario's Credit Union Tax Reduction (OCUTR).

The Ontario SBD reduces the general CIT rate to a small business CIT rate on the first \$500,000 of Ontario active business income for CCPCs. The OCUTR effectively extends this lower small business CIT rate to all of a credit union's taxable income, including amounts in excess of the SBD income threshold of \$500,000.

The province is proposing to reduce the small business CIT rate from 4.5 per cent to 3.5 per cent, effective January 1, 2018. The OCUTR would extend this 3.5 per cent rate to all of a credit union's taxable income.

Apprenticeship Training Tax Credit (ATTC)

Q: What is the Apprenticeship Training Tax Credit (ATTC)?

A: Introduced in 2004, the ATTC is a 25 per cent (30 per cent for small businesses) refundable tax credit available for employers who hire and train eligible apprentices in 125 designated trades. The ATTC is based on salaries and wages paid to an apprentice. The maximum amount an employer can claim for each eligible apprentice is \$5,000 per year for up to 36 months from the date of registration of the apprentice. The ATTC is estimated to provide \$130 million in support in 2017-18.

Q: Why is the government eliminating the ATTC and turning it into a grant program?

A: The Ministry of Advanced Education and Skills Development (MAESD) is undertaking an apprenticeship modernization strategy to improve apprentice completion rates, create clearer pathways for apprenticeship, and increase opportunities for underrepresented groups including women, Indigenous peoples, francophones, people with disabilities, newcomers and visible minorities.

Part of the strategy includes transforming the Apprenticeship Training Tax Credit (ATTC) into a new grant, the Graduated Apprenticeship Grant for Employers (GAGE).

The GAGE is designed to encourage employers to help apprentices complete their training programs, by providing grants when the apprentice completes a level of training and when they attain certification. The GAGE also includes bonuses to businesses when the apprentice completes a level of training and when they attain certification when the apprentice belongs to an underrepresented group.

The GAGE will be available to apprenticeship trades currently eligible for the ATTC, plus an additional five service sector trades: Hairstylist, Cook, Horticultural/Landscape Technician, Baker/Pâtissier, Appliance Service Technician.

Q: What happens with the ATTC? How does the transition work exactly?

A: The government is proposing to replace the Apprentice Training Tax Credit (ATTC) with the new Graduated Apprenticeship Grant for Employees (GAGE).

Employers with eligible apprentices registered in an apprenticeship program after November 14, 2017 would be eligible for the new GAGE support, while the ATTC would be eliminated in respect of these apprentices.

The ATTC would still be available for up to 36 months for employers with apprentices already registered in an eligible apprenticeship program on or before November 14, 2017.

Q: What is the Graduated Apprenticeship Grant for Employers?

A: The Graduated Apprenticeship Grant for Employers (GAGE) is a new grant program designed to encourage employers to help apprentices complete their training and to improve participation rates for apprentices belonging to traditionally underrepresented groups.

The GAGE would provide the following employer grants:

- \$2,500 upon the apprentice's completion of level one and again at level two;
- \$3,500 upon the apprentice's completion of level three and again at level four;
- 4,700 upon the apprentice's attainment of certification (either through a certificate of apprenticeship or certificate of qualification if applicable).

To encourage increased apprenticeship opportunities for underrepresented groups such as women, Indigenous peoples, francophones, people with disabilities, newcomers and visible minorities, the GAGE would provide a \$500 bonus to each grant level described above when the apprentice belongs to an underrepresented group.

The GAGE would be available to all 125 trades that are currently eligible for the existing Apprenticeship Training Tax Credit, plus an additional five Red Seal service sector trades: hairstylist, cook, horticultural/landscape technician, baker/pâtissier and appliance service technician.

Employers with eligible apprentices who have registered their apprenticeship program after November 14, 2017 would be eligible for the new GAGE support.

Employer Health Tax (EHT)

Q: Why is Ontario reviewing the rules regarding the Employer Health Tax, and how will small businesses be affected?

A: Ontario is committed to treating taxpayers equitably, while supporting small businesses. As announced in the 2017 Budget, the government is reviewing the EHT to help ensure relief provided through the EHT exemption remains targeted to small Ontario employers.

In the coming months, the proposed changes will be published for public feedback. Final measures would not come into force before January 1, 2019.

In 2014, the EHT exemption was raised from \$400,000 to \$450,000 to provide greater relief for small employers. In 2017, it is expected that more than 80% of Ontario employers will not pay any EHT due to the EHT exemption.

The exemption is indexed for inflation every five years, with the next update in 2019. Increasing the exemption helps reduce payroll costs and compliance burdens for Ontario's small employers.

Q: In the wake of the federal changes to private corporations taxes, are you piling on to small business?

A: The proposed EHT changes are meant to better target relief to small Ontario employers and are not related to the 2017 federal white paper on taxation of private corporations.

Ontario is committed to supporting small businesses. We are announcing more than \$500 million in new initiatives over three years for small businesses that will lower costs and support growth.

Ontario has also increased EHT relief, reducing payroll costs and compliance burdens for small employers. In 2014, the EHT exemption was raised from \$400,000 to \$450,000. The EHT exemption is indexed for inflation every five years, with the next increase in 2019. In 2017, it is expected that more than 80% of Ontario employers will not pay any EHT due to the exemption.

These changes are not related to the 2017 federal white paper on taxation of private corporations.

Q: Will the changes made to the EHT Act in the 2017 Ontario Budget come into effect in 2018?

A: The government is not proposing to bring that provision into force for 2018. The result of the government's review, after public consultation, may replace the budget 2017 measure. Final proposed changes will not come into force before January 1, 2019.

Q: How will I know when the proposed changes are announced?

A: Please subscribe to the ministry's email-alert service.

Federal Private Corporations Taxation

Q: Aren't you worried about the tax increase on small companies and their ability to have enough capital to invest as a result of the federal changes? Are you working with the federal government to improve their proposals?

A: In proposing changes to the taxation of passive investment income, the federal government has attempted to strike a balance between giving business owners flexibility to accumulate savings within their corporations for future expenses, such as financing business expansion, and ensuring that private corporations cannot be used for unlimited tax-assisted savings by wealthy individuals. The federal government has committed to ensuring that investments already made by private corporations' owners, including the future income from such investment, are not affected by the proposal, and to including an annual income threshold of \$50,000 for new investments. There would be no tax increase on investment income below that threshold. In addition, the proposed decrease to the small business corporate tax rate would leave more after-tax earnings that could be used to finance business activities.

Ontario will work with the federal government to help assess the potential impacts of these proposals and whether any adjustments are needed to ensure they do not have unintended consequences.

Q: Will the federal changes simply drive up OHIP costs? What are you going to say to doctors?

A: Fair compensation for physicians is an issue that the government takes very seriously. However, it is important to note that the federal tax proposals do not target any particular industries or professions. The benefits of incorporation, and any consequences from the proposed tax changes, vary significantly based on the individual circumstances of each physician. In addition, physicians who are not incorporated, such as those who are salaried or in not-for-profit models, would not be affected.

Q: Will farmers be affected?

A: The federal government has committed to not move forward with proposals that would have changed the taxation of capital gains, which was a concern for many farmers. In addition, the federal government has committed to continue its outreach to farmers, fishers and other business owners to develop proposals to better accommodate intergenerational transfers of businesses while protecting the fairness of the tax system.

The federal government is proceeding with its “income sprinkling” and passive investment proposals. Incorporated farmers who distribute dividends to family members who do not contribute to the business, or who make passive investments in their corporations may be affected. However, the federal government has committed to not move forward with proposals that would have changed the taxation of capital gains, which was a concern for many farmers.

Q: The federal government is proposing to address tax planning using private corporations. Are you worried that the proposed changes will adversely affect Ontario businesses and their ability to invest in growth?

A: While certain tax benefits to private corporations could be reduced, the federal government has made significant changes to its initial proposals in response to public feedback.

The federal government has also committed to lowering taxes for small businesses and supporting owners to actively invest in the growth of their businesses. Our strategy to support small business, including a proposed cut to the Ontario small business corporate income tax rate, provides further support to small businesses in Ontario.

We value the contributions that small businesses make to our communities and our economy, and want to make sure that taxpayers are treated equitably. Ontario will continue to work with the federal government and other provinces to help ensure that there are no unintended consequences.

These proposals fall under federal responsibility, and under the Canada-Ontario Tax Collection Agreement, Ontario may be required to parallel the changes proposed by the federal government, once federal legislation has passed.

US Tax Reforms

Q: What is Ontario’s position on proposed tax reforms in the United States?

A: Ontario continues to monitor U.S. tax developments to ensure that the province’s interests are protected.

The government is committed to maintaining a competitive business tax system, and will work with the federal government and other provinces and territories on a coordinated response to U.S. tax measures.

Q: U.S. tax reform is going to make Ontario much less competitive. What will you do about Ontario’s high corporate and personal tax rates?

A: Ontario continues to monitor U.S. tax developments to ensure that the province’s interests are protected. Business tax reforms implemented by the government have lowered taxes and compliance costs, helping Ontario businesses become

more competitive globally and contributing to the creation of more jobs for Ontarians.

The Province's combined federal-Ontario general Corporate Income Tax (CIT) rate of 26.5 per cent is competitive within Canada and internationally.

Ontario's combined rate is lower than the comparable rate in any of the U.S. states and is lower than the average of Canadian provinces and the average of G7 member countries.

The government is committed to maintaining a competitive business tax system and will work with the federal government and other provinces and territories on a coordinated response to U.S. tax measures.

Ontario's progressive personal income tax system balances competitiveness and fairness, while raising revenue to fund public priorities such as healthcare and education.

General

Q: Your budget said you're going to address the problem of paper flipping. What have you done?

A: As we developed the Fair Housing Plan, we met with a variety of stakeholders, including economists and developers, who flagged paper flipping as a practice that was contributing to substantial price increases without full disclosure of earnings and appropriate level of taxation. The government has committed to working with the Canada Revenue Agency to better understand and tackle practices that may be contributing to tax avoidance and excessive speculation in the housing market such as paper flipping.

The Province is working with the Canada Revenue Agency to explore more comprehensive reporting requirements so that correct federal and provincial taxes, including income and sales taxes, are paid on purchases and sales of real estate in Ontario. The Province is working closely with the Canada Revenue Agency to ensure businesses are following the rules and not inappropriately reducing their taxes. In addition, Ontario is devoting additional resources to identify and address aggressive tax avoidance schemes that erode our tax base.

Dividend Tax Credit Change

Q: Why is Ontario proposing to decrease the dividend tax credit rate on non-eligible dividends to 3.2863% as opposed to 3.5%?

A: Ontario is proposing to reduce the small business corporate income tax rate by 1 percentage point from 4.5 per cent to 3.5 per cent, and reduce the non-eligible dividend tax credit by 1 percentage point from 4.2863% to 3.2863%. Reducing the non-eligible dividend tax credit rate by 1 percentage point parallels the small business corporate income tax rate change to maintain integration between corporate and personal income taxes.

New Tax Credits

Q: How many seniors have applied for the Seniors' Public Transit Tax Credit?

A: The credit is only available in respect of the use of eligible public transit beginning in July 2017, and seniors will start to claim the credit when they file their tax return for 2017, beginning in 2018. We want seniors across the province to take advantage of public transit, and our new refundable public transit tax credit for seniors is making it more affordable for them to do so.

The new credit provides a benefit of 15% of eligible public transit costs per year, and is expected to provide seniors with an annual benefit of approximately \$130, on average. The maximum credit is \$225 for 2017 and \$450 for subsequent years.

Since the credit is refundable, it also benefits lower-income seniors who have little or no tax payable.

Q: Why is Ontario proposing changes to the provincial infirm dependant and caregiver tax credits?

A: In their 2017 budget, the federal government proposed to replace its infirm dependant credit, caregiver credit, and family caregiver tax credit with a new Canada Caregiver Credit, beginning in the 2017 taxation year.

Similarly, the Ontario government announced in its 2017 Budget a new Ontario Caregiver Tax Credit to replace the current caregiver and infirm dependant tax credits. The legislative change to introduce this credit is being proposed to the Legislature as part of the 2017 Fall Bill.

This new, non-refundable provincial tax credit would simplify compliance, and streamline and extend support for individuals caring for infirm relatives starting in the 2017 taxation year.

The new credit would help more caregivers, including those who do not live with their infirm relatives. It would not be available in respect of non-infirm senior parents or grandparents.

The new Ontario Caregiver Tax Credit is expected to provide about \$43 million in tax relief in 2017, which is about \$8 million more in tax relief than what was provided under the existing credits in 2016.

Section B: Strengthening Ontario's Property Tax and Assessment System

Vacant Unit Rebate and Vacant/Excess Land Subclasses

Q: How many municipalities submitted a request for changes to the Minister?

A: In 2017, 30 upper- and single-tier municipalities submitted a request for changes to the vacancy and reduction programs. These changes range from modifying eligibility criteria for the vacancy rebate, to the phase-out and/or elimination of the programs over a period of time.

Q: What are some of the changes to the vacancy programs that were requested by municipalities?

A: Eighty per cent of municipalities that have decided to move forward with changes to the vacancy programs will phase out at least one of the programs by 2020. Other requested changes to the vacancy programs included:

- Adjusting the rebate and/or reduction rates to increase or decrease the value by class to reflect local circumstances;
- Applying declining rebate or reduction values for consecutive applications;
- Tailoring eligibility requirements for the rebate to include or exclude specific property uses, property types, and/or a property based on its adherence to local property standards by-laws.

Regulation amendments to implement requested changes to the programs are currently being drafted. Municipalities will then be notified once the regulation is filed.

Q: What is current status to the program changes requested by municipalities?

A: As announced in the 2016 Budget, the Province introduced a legislative framework to give municipalities broad flexibility to refine their vacancy rebate and reduction programs. The Ministry is currently in the process of drafting legislative and regulatory changes for each municipal request. These requested changes will be submitted to the Minister for his consideration. Municipalities will then be notified once the regulation is filed.

Q: Why is the Province reviewing approaches to the education property tax portion of the vacancy programs?

A: During consultations, some business stakeholders raised concerns that the Province would take an inconsistent approach across different regions of the Province in implementing program changes. Municipalities were also concerned that differing vacancy programs across municipalities could be confusing for taxpayers who own properties in different municipalities.

Currently, the Province mirrors any municipal property tax decision related to the vacancy and reduction programs. This means that the treatment of education property taxes may differ across the province.

As a result, the government will be reviewing approaches related to the education property tax component of these programs in consultation with municipalities and the business community. The objective will be to align the Province's approach with that of municipalities' while at the same time ensuring greater consistency across the province.

Q: What is the timing for these potential changes to the education property tax portion of the vacancy and reduction programs?

A: The Province will be reviewing approaches related to the education property tax component of these programs in consultation with municipalities and the business community. These discussions will take place over the coming months. The objective will be to align the Province's approach with that of municipalities' while at the same time ensuring greater consistency across the province. In the meantime, the Province will continue to mirror any municipal property tax decision related to the vacancy and reduction programs.

Contact: Katherine Chu/ Chris Broughton
Branch/Division: Property Tax Policy Branch, Provincial Local Finance Division
Provincial Land Tax (PLT)

Provincial Land Tax (PLT)

Q: What changes are being announced to PLT in the 2017 Fall Document?

A: The 2017 Ontario Economic Outlook and Fiscal Review announced measures related to the final phase of Provincial Land Tax (PLT) reform. These measures address the remaining issues raised as part of the ongoing review of the program. With these changes, PLT reform will be completed in 2021, and no further adjustments will be required.

These final measures, in addition to the PLT changes implemented since 2015, ensure that all property owners will contribute their fair share towards the cost of important services in unincorporated areas. With the completion of this final

phase of reform, the PLT in northern Ontario will be transformed into a fair and modern property tax system.

Q: What are PLT changes for 2018 and future years?

A: The 2017 Ontario Economic Outlook and Fiscal Review announced measures related to the final phase of Provincial Land Tax (PLT) reform. These measures address the remaining issues raised as part of the ongoing review of the program.

During consultations with northerners, in addition to concerns about inequities between municipalities and unincorporated areas, the Ministry of Finance also heard concerns about PLT rate inequities within unincorporated areas, between areas inside and outside school boards. Property owners in unincorporated areas also expressed the need for greater certainty about the end goal of the PLT reform.

The changes announced as part of the final phase of PLT reform include confirming that the tax rate for all unincorporated residential properties would be \$250 per \$100,000 of assessed value. This tax rate would apply to all residential properties, both inside and outside school board areas.

The 2017 Ontario Economic Outlook and Fiscal Review also confirmed that the remaining PLT rate adjustments would be phased-in over four years. This provides greater certainty and ensures that the remaining changes are manageable for property owners.

Annual changes to residential PLT rates over the next four years are outlined in the table below:

2018 – 2021 Changes to PLT Rates (per \$100,000 of Assessed Value)				
Residential Class	2018	2019	2020	2021
Inside School Board	\$5	\$5	\$5	\$3
Outside School Board	\$40	\$40	\$40	\$15

Once PLT reform is fully implemented in 2021, a single tax rate of \$250 per \$100,000 of assessed value would apply to all residential properties, both inside and outside school board areas.

Managed forest and farm properties will continue to be taxed at 25 per cent of the residential PLT rate

PLT rate changes for business properties will continue to be in line with the percentage change for residential properties in areas outside school boards.

Q: Why are PLT rates outside school board areas increasing by more than rates inside school board areas?

A: During consultations with northerners, in addition to concerns about inequities between municipalities and unincorporated areas, the Ministry heard concerns about the lower PLT rate for residential properties outside school boards compared to those inside school boards. When the review was announced in 2013, the PLT rate for residential properties in areas outside school boards was one-sixth of the PLT rate for areas inside school boards. This was the case even though both areas receive the same level of services that PLT contributes toward. In addition to lower PLT rates, areas outside of school boards also do not pay education property tax.

Throughout the PLT consultations, the majority of property owners in unincorporated areas indicated that this inequity should be addressed.

The changes announced in the 2017 Ontario Economic Outlook and Fiscal Review as part of the final phase of PLT reform include confirming that the tax rate for all unincorporated residential properties would be \$250 per \$100,000 of assessed value. This tax rate would apply to all residential properties, both inside and outside school board areas.

The current 2017 PLT rates for residential properties inside school boards are \$232 per \$100,000 of assessed value, and \$115 per \$100,000 of assessed value outside of school boards.

To ensure that these remaining changes are manageable for all property owners in unincorporated areas, the 2017 Ontario Economic Outlook and Fiscal Review also confirmed that the remaining PLT rate adjustments would be phased-in over four years.

Q: Why is the government increasing PLT rates - isn't this just a tax grab by the government?

A: PLT reform is about establishing a more equitable and modern PLT system. Prior to the changes announced in 2015, PLT rates had not been updated to increase revenues in over 60 years. As a result, significant inequities in the way services are paid for in unincorporated areas compared to northern municipalities had developed.

The 2017 Ontario Economic Outlook and Fiscal Review announced measures related to the final phase of PLT reform. These final measures, in addition to the PLT changes implemented since 2015, will ensure equity in how services are funded in the north between unincorporated areas and municipalities. With the completion of this final phase of reform, the PLT in northern Ontario will be transformed into a fair and modern property tax system.

Q: Will there be further increases to PLT after 2021? Will rates continue to increase after this?

A: Once the changes announced in the 2017 Ontario Economic Outlook and Fiscal Review are implemented in 2021, PLT reform will be completed and no further rate adjustments will be required.

These final measures, in addition to the PLT changes implemented since 2015, ensure that all property owners will contribute their fair share towards the cost of important services in unincorporated areas. With the completion of this final phase of reform, the PLT in northern Ontario will be transformed into a fair, equitable, and modern property tax system.

Q: What consultations have taken place so far?

A: When the PLT review was first announced in 2013, the government committed to consult with northerners and to address their concerns in a fair and balanced way. Since this time, the government has consulted extensively with unincorporated area property owners and representatives of local roads and services boards and held ongoing discussions with northern municipalities and businesses.

In 2014, the government consulted with northern Ontarians and held 21 sessions with representatives of local roads and services boards in locations across the north.

- A paper summarising the perspectives and concerns raised by local board representatives in unincorporated areas, businesses and northern municipalities was published in December 2014.

In 2015, the government launched the next round of consultations by holding 15 open houses across northern Ontario. These sessions provided property owners in unincorporated areas with the opportunity to hear about the 2015 and 2016 PLT changes announced in the 2015 Budget and to provide input.

- These sessions are summarised in a paper published by the Ministry of Finance in February 2016 which is available on the Ministry's website.

In 2016, the government sought further input from property owners in unincorporated areas through a PLT Consultation Questionnaire conducted in spring 2016. The questionnaire was based on the key issues raised by property owners at the PLT open houses.

- Responses to the questionnaire are summarized in the PLT Questionnaire Results, posted on the Ministry's website in August 2016.

In 2017 the Ministry of Finance held further consultations with local board representatives. A total of 5 sessions were held across northern Ontario in September 2017.

- A paper summarizing the input received during these discussions, which have helped to inform the final phase of PLT reform, will be released in November 2017.

Contact: Mary Iannaci/Nicholas Wellington
Branch/Division: Property Tax Policy Branch, Provincial Local Finance Division

Encouraging Small-Scale Agri-Food Business on Farms

Q: What is the government doing to encourage small-scale agri-food businesses on farms?

A: The Province is following through on its 2017 Budget commitment to provide municipalities with flexibility to reduce property tax rates for small-scale value-added and commercial activities on farms.

Currently, these types of activities on farms are taxed at industrial or commercial rates.

Starting in 2018, the Province will be providing municipalities with the flexibility to tax the first \$50,000 of assessed value of qualifying value-added and commercial activities on farms at a rate that is 75 per cent lower than the commercial or industrial tax rate that would otherwise apply. In order to support a level playing field with larger processors and off-farm businesses, this treatment will be limited to on-farm processing and commercial facilities that are assessed below \$1 million.

This is part of Ontario's plan to encourage job growth in the agriculture sector and support rural economies. Building a strong rural economy includes providing farmers with the support they need to engage in small-scale value-added activities as part of their farm operation.

Q: Will municipalities be required to apply a lower tax rate on small-scale value-added activities on farms?

A: No. This program will be optional for municipalities.

Q: How was the threshold level of \$50,000 determined?

A: The threshold reflects feedback received through the consultations with representatives from the agriculture and municipal sector. Stakeholders emphasized the importance of providing sufficient incentive for small-scale operators to grow while ensuring that larger operators do not reap too significant

a benefit that could create an un-level playing field between similar off-farm businesses.

Q: Do municipalities have the option to impose their own rate reduction level?

A: No. If the program is adopted by a municipality, the municipal tax rate reduction for the subclasses will be set at 75 per cent of the commercial or industrial tax rates that would otherwise apply.

This approach provides consistency and predictability for both farmers and municipal decision-makers when considering whether to choose this optional program for their community.

Q: How will this approach be implemented through the property tax system?

A: Two new optional subclasses are being created – one for the industrial property class and one for the commercial property class. These subclasses apply to the portion of the assessment of eligible properties relating to on-farm agricultural processing and commercial activities.

- The small-scale on-farm agri-food business subclass under the industrial class would include land used for processing or manufacturing agricultural products made as part of the farming business (e.g., cheese made from milk produced on the farm).
- The small-scale on-farm agri-food business subclass under the commercial class would include land used to sell agricultural products from the farm (e.g., apples grown on the farm, apple pies made on the farm).

Q: What approach is the Province taking to the education tax rate for properties in the new agri-food business subclasses?

A: As part of our efforts to encourage job growth in the agricultural sector, the Province will be applying a reduced education tax rate for all eligible properties within the agri-food business subclasses, regardless of whether the municipality chooses to adopt the subclasses in respect of its municipal taxes.

Q: When will the changes be implemented?

A: The legislative framework to support this initiative was enacted as part of Bill 127, the Stronger, Healthier Ontario Act (Budget Measures) 2017.

Regulations are being developed by the Ministry of Finance to support implementation of this initiative for 2018.

Contact: Murray Mann
Branch/Division: Assessment Policy and Legislation Branch, Provincial Local Finance Division

Section C: Addressing Underground Economy and Unregulated Tobacco

Underground Economy

Q: What is the size of the underground economy in Ontario?

A: In a 2016 report, Statistics Canada estimated the underground economy to be 2.4% of GDP in 2013, or \$45.6B, of which Ontario's share, based on Ontario's share of GDP (37%), is estimated at \$16.8B.

In 2013, three industries accounted for over half the total UE value added, residential construction (27.8%), retail trade (12.5%), and accommodation and food services (11.7%).

Q: What is Ontario doing to address the underground economy?

A: Since 2013-14, the government has taken concrete action to address the underground economy, and support a fair and efficient tax system. Some examples include:

- Enhanced compliance initiatives resulting in more than \$1.4 billion for Ontario to date - an increase of over \$165 million to the amount reported in the 2017 Budget;
- Making the use, manufacture and distribution of electronic sales suppression devices an offence under the Taxation Act, 2007;
- Requiring corporations to demonstrate federal and provincial tax compliance before receiving provincial government contracts;
- Establishing specialized audit teams in partnership with the Canada Revenue Agency, to target sectors at high risk of UE activity. These teams consist of specialized auditors who use innovative tactics to help ensure compliance with tax obligations;
- Moving forward on the recommendations made by former Parliamentary Assistant Laura Albanese in her report, "Addressing Ontario's Underground Economy in the Residential Construction Sector." This report was informed by extensive consultations during spring 2016 with the residential construction industry on issues related to the UE.

- Strengthened the Province's ability to identify and address industry sectors that are at high-risk for UE activity, including:
 - Amending the Ministry of Revenue Act (MoRA) in December 2016 to provide the ministry with discretionary authority to request business information (e.g., regulatory and compliance) from other ministries and public bodies including municipal and federal governments.
 - Proposing further legislative amendments in fall 2017 to expand applicability of the information sharing provisions to administrative entities (e.g., delegated administrative authorities).
 - Working to develop information sharing agreements to support enhanced analytics that will lead to better decision making and targeting of compliance and enforcement efforts that address high risk activities.
- Establishing the Sales Integrity Program Project Office, which will develop a pilot project in the retail and hospitality sectors to test security software, that will identify the use of electronic sales suppression technology.
- Launching a comprehensive communication campaign on social media to raise awareness and educate the public on the risks and potential liabilities associated with participation in the UE.

Q: Can you explain the \$1.4 billion figure for enhanced compliance initiatives? Where does it come from?

A: To date, over \$1.4 billion has been generated from enhanced compliance initiatives consisting of:

- The government's agreement with the federal government to address non-compliance with federally administered provincial taxes which has generated approximately \$1 billion since 2013-14; and
- Ontario's own enhanced compliance measures focused on provincially administered taxes, such as the Employer Health Tax, which have generated approximately \$430 million since 2013-14.
- When combined, these enhanced compliance measures have generated over \$1.4 billion since 2013-14.

Q: Has the government issued any penalties since amending the Taxation Act, 2007 to make the sale, use or distribution of electronic sales suppression devices an offence?

A: Since Ontario amended the Taxation Act, 2007 in 2015, the CRA has applied three penalties on behalf of the province.

This is in addition to several other cases in which federal penalties for sales suppression were applied prior to Ontario's legislation taking effect.

Q: What is the "Ask for a Contract or a Receipt" campaign and how will it help combat the underground economy?

A: According to Statistics Canada, \$16.7 billion worth of underground economic activity takes place in Ontario annually.

When products or services are purchased, consumers pay taxes to the government on each transaction. However, a seller or provider of a product or service that gives cash deals may not charge or remit taxes to the government. Additionally, other obligations such as obtaining valid insurance or reporting income may also be avoided. This gives illegitimate businesses an unfair and illegal advantage over compliant businesses, and can put consumers at risk.

Our research shows that many consumers have a low awareness about the risks they take when participating in the underground economy. For example, many are unaware that without a receipt or a contract, they could be left with no recourse if a worker is injured on the job with no receipt (under the table) or if the contractor doesn't complete the job satisfactorily.

In addition, asking for a contract or receipt can help protect workers and tax revenue as businesses issuing receipts are more likely to be following tax and other business regulations.

The "Ask for a Contract or a Receipt" campaign encourages consumers to protect themselves from potential personal and safety risks by ensuring they have proof of payment. This also helps to ensure taxes due to the government are paid on all transactions.

Q: Why is the Ministry of Finance amending the Ministry of Revenue Act to publish conviction information?

A: The Ministry of Finance is currently part of a multi-ministry undertaking to disclose serious conviction information to the public as part of the Communication for Compliance Public Disclosure Initiative.

Under the initiative, MOF is proposing to disclose Part III Provincial Offences Act (POA) conviction information of individuals and businesses under Ontario tax statutes on the government's internet site.

A similar amendment was made to the Tobacco Tax Act in Spring 2017. With clear legislative authority to publish conviction information, MOF will be able to fully participate in this important cross-government initiative, and encourage compliance by raising awareness of the consequences of failing to comply with Ontario's tax statutes.

Prepared by: Andrew Ogilvie, Ema Awe & Katherine Sauer
Branch: Strategy, Stewardship and Program Policy Division,

Unregulated Tobacco

Q: What are the benefits to the taxpayer of addressing unregulated tobacco?

A: The presence of low-cost, unregulated tobacco in Ontario undermines provincial health objectives, results in less tobacco tax revenue for critical public services and compromises public safety through links with organized crime.

Easy access to a large supply of unregulated tobacco products prevents tobacco taxes from being as effective as they should be, both as a health policy tool and a source of revenue to provide for important public services that benefit all Ontarians.

Q: What is the size of the unregulated tobacco market in Ontario?

A: By virtue of being illegal activity, it is difficult to precisely measure the size of the unregulated tobacco market in Ontario. However, a variety of reports typically estimate the size of the unregulated market to be between 20% and 40% of the Ontario tobacco market.

It is estimated that Ontario loses over \$500 million in tobacco tax revenues annually due to unregulated tobacco.

Q: What is the government doing about unregulated tobacco in Ontario?

A: Addressing unregulated tobacco is a priority for the government and requires a balance of partnerships and enforcement.

Enforcing Ontario's tobacco tax laws complements the Smoke-Free Ontario Strategy. Since 2008, provincial inspections have resulted in assessed penalties of more than \$41.6 million under the Tobacco Tax Act. In addition, the government has seized more than 263 million untaxed cigarettes, 4.1 million untaxed cigars, and 192 million grams of other untaxed tobacco products.

The government has established the Contraband Tobacco Enforcement Team in partnership with the Ontario Provincial Police to address the link between unregulated tobacco and organized crime. The Team has a number of ongoing

tobacco investigations targeting organized crime groups and has assisted other police forces in their major investigations.

The government is also moving forward to regulate cigarette filter components, such as acetate tow, effective January 1, 2018 and is proposing amendments to provide additional grounds for issuing, suspending and cancelling registrations issued under the Tobacco Tax Act.

With respect to First Nation engagement, the province is continuing to collaborate with First Nations on the self-regulation of tobacco and revenue sharing, and has signed a historic Agreement-in-Principle with the Chippewas of the Thames First Nation. In support of community based regulation, the government intends to introduce amendments to the Tobacco Tax Act that will assist the Province in implementing agreements with First Nations on the sale, manufacture and transport of tobacco.

Q: What have been the outcomes of the Contraband Tobacco Enforcement Team?

A: The Ontario Provincial Police, in partnership with the Ministry of Finance, has established a dedicated Contraband Tobacco Enforcement Team that focuses on addressing the link between unregulated tobacco and organized crime.

Tobacco smuggling and production is seen as a lucrative opportunity for organized crime. Links have been made between organizations involved in tobacco smuggling with other more serious illegal activity such as drug and weapons trafficking.

To date, the team has led or supported a number of tobacco investigations targeting organized crime groups, resulting in charges being laid under the Criminal Code and the Tobacco Tax Act, and has assisted other police forces with their major investigations.

Q: Why is the Province regulating cigarette filter components?

A: The proposed provincial oversight of cigarette filter components, such as acetate tow and cigarette filter rods, is intended to prevent these products from becoming available to the unregulated tobacco market.

The increased oversight of cigarette filter components will help reduce the presence of untaxed and unregulated tobacco products in Ontario.

Q: What are the new cigarette filter component requirements under the Tobacco Tax Act? When do they come into effect?

A: The Tobacco Tax Act was amended in May 2017 to:

- Require anyone who imports or possesses cigarette filter components in Ontario to be a registered manufacturer under the TTA, unless they meet exceptions prescribed under the regulation. The sale and transport of cigarette filter components is also regulated.
- Include fines, penalties, seizure and forfeiture provisions for non-compliance to the cigarette filter component regulation
- Extend current authorities (i.e. audit and inspection) under the TTA to cigarette filter components.

The cigarette filter component regulatory regime will come into effect January 1, 2018.

Q: What exceptions would the province consider acceptable?

A: The government understands that not all businesses who import materials such as acetate tow use it for the manufacture of cigarettes, and has posted a draft Regulation on the Ontario Regulatory Registry from September 28, 2017 to November 13, 2017 to provide an opportunity for feedback from stakeholders.

The draft regulation will establish what is considered a cigarette filter component for the purposes of the Tobacco Tax Act and provide exemptions to persons to the import and possession requirements.

Q: Will the oversight of cigarette filter components include a new tax or licensing requirements?

A: No. Cigarette filter components, such as acetate tow and cigarette filter rods, will not be subject to a tax under the Tobacco Tax Act. Provincial tobacco tax only applies to tobacco once it is in a state where it may be consumed by a purchaser.

Additionally, there will be no new licensing requirements for people already registered as tobacco manufacturers under the Tobacco Tax Act.

Q: How will the oversight of cigarette filter components impact First Nations and on-reserve tobacco manufacturers?

A: The intent of the recent legislative amendments and proposed regulation is to reduce the supply of cigarette filter components to unlicensed manufacturers and the unregulated tobacco market.

The government remains committed to continuing a dialogue with First Nation communities on tobacco. This includes discussions on self-regulation of tobacco on-reserve and revenue-sharing.

Q: What additional grounds for issuing, suspending and cancelling registrations is the government proposing under the Tobacco Tax Act? How will it help address unregulated tobacco?

A: The government is proposing amendments to the Tobacco Tax Act that would give authority to the Minister to refuse to issue a permit, designation or registration certificate to a person if there are reasonable grounds to believe that the applicant will not comply with the Act and the regulations.

Amendments are also being proposed that would allow the Minister to suspend or cancel a designation, registration certificate or permit if the registrant or a related party is convicted of an offence under federal or provincial legislation in relation to tobacco taxation and control.

These new authorities will provide additional grounds for the province to address compliance of new and existing registrants. This would also align with approaches taken by the federal and other provincial governments who have similar provisions.

Prepared by: Evelyn Fernandes
Branch: Program Policy & Analytics Branch, Strategy, Stewardship and Program Policy Division