

2025 Ontario budget: Tax highlights

May 15, 2025

In brief

On May 15, 2025, Ontario's Minister of Finance, Peter Bethlenfalvy, presented the province's budget. The budget does not change corporate or personal income tax rates, but does:

- temporarily enhance and expand the Ontario made manufacturing investment tax credit
- introduce the Ontario shortline railway investment tax credit
- provide details on the new Ontario fertility treatment tax credit
- make the gasoline and fuel (diesel) tax rate reductions permanent

This *Tax Insights* discusses these and other tax initiatives outlined in the budget. Due to the uncertainty around the timing and extent of US tariff policy changes¹ that could significantly affect Ontario's economy, the budget does present several "scenarios" to account for these US tariffs and Canadian retaliatory measures.

In detail

Business tax measures

Corporate income tax rates

Ontario's corporate income tax rates have not changed and will remain as shown in the table below. The table also shows combined federal/Ontario corporate tax rates.

Federal and Ontario corporate rates		Ontario		Federal + Ontario	
		2024	2025	2024	2025
General income		11.5%		26.5%	
M&P income		10%		25%	
Canadian-controlled private corporations (CCPCs)	Active business income to \$500,000	3.2%		12.2%	
	Investment income	11.5%		50.17%	

¹ To help your business navigate this current tariff situation, see our:

- [Tariffs and Trade Policy Resource Centre](#) for information to help your business assess and manage these tariffs (including our *Tax Insights*)
- [Tariff relief: Unlocking government support](#) for Canadian federal and provincial/territorial tariff-related support programs

Ontario made manufacturing investment tax credit (OMMITC)

As previously announced, the budget temporarily:

- increases the OMMITC rate to 15% (from 10%)
- expands eligibility for the OMMITC to non-CCPCs as a non-refundable tax credit

for eligible buildings and equipment, used in manufacturing and processing (M&P) in Ontario, that are acquired and become available for use after May 14, 2025 and before January 1, 2030.

To be eligible for the expanded credit, a non-CCPC must have a permanent establishment in Ontario. Any unused non-refundable tax credits could be carried forward and applied against taxes payable in up to 10 subsequent taxation years.

The budget also amends the OMMITC to require repayment of the credit when the eligible capital property for which the credit was claimed is, after May 14, 2025, sold, converted to non-M&P use or removed from Ontario within five years. The repayment amount would be the lesser of:

- the total value of the credit
- the credit amount relative to the value of the property at the relevant time

Ontario shortline railway investment tax credit (OSRITC)

The budget introduces the OSRITC, a 50% refundable tax credit for capital property (included in capital cost allowance classes 1, 3 or 13) and labour expenditures on railway-related maintenance made after May 14, 2025 and before January 1, 2030 by qualifying corporations. A qualifying corporation must be licensed either provincially under the *Shortline Railways Act (Ontario)* or federally (class II & III) under the *Railway Safety Act* and must have a permanent establishment in Ontario.

Personal tax measures

Personal income tax rates

The budget does not change Ontario personal income tax rates. Top combined federal/Ontario personal income tax rates are shown below. These rates apply to individuals with taxable income above \$253,414 in 2025 (\$246,752 in 2024).

Top combined federal/ Ontario rates		2024	2025
Ordinary income & interest		53.53%	
Capital gains		26.76%	
Canadian dividends	eligible	39.34%	
	non-eligible	47.74%	

Ontario fertility treatment tax credit

Starting with the 2025 taxation year, the budget introduces the Ontario fertility treatment tax credit, which will provide a refundable tax credit equal to 25% on up to \$20,000 of eligible fertility- and surrogacy-related expenses (annual maximum tax credit of \$5,000). Eligible expenses are the same as those eligible for the existing medical expense tax credit (METC), and the same expenses can be claimed for the refundable Ontario fertility treatment tax credit and the non-refundable federal and Ontario METCs. Eligible expenses must be for goods or services provided entirely in Canada.

Other tax measures

Provincial tax deferral

The budget reminds us that businesses may defer payment of select provincially administered taxes (e.g. employer health, fuel, gas, mining) for six months, from April 1, to October 1, 2025. Penalties will not apply for missed payments during this period, but there is no deferral of tax return filing deadlines.

Gasoline and fuel tax

As recently announced, the budget makes permanent the rate reduction in:

- gasoline tax, by 5.7¢ per litre
- fuel (diesel) tax, by 5.3¢ per litre,

so that the fuel tax rates remain at 9¢ per litre. The previously temporary reductions were scheduled to end on June 30, 2025.

The budget also eliminates the tax on propane used in licensed road vehicles, effective July 1, 2025.

Alcohol taxes and small beer manufacturers' tax credit (SBMTC)

The budget proposes to amend the *Liquor Tax Act, 1996*, effective August 1, 2025, to reduce:

- the spirits basic tax rate from 61.5% to 30.75%
- the beer basic tax rates that apply to beer made by Ontario microbrewers (transitional rules apply), from:
 - 35.96¢ per litre to 17.98¢ per litre for draft beer
 - 39.75¢ per litre to 19.88¢ per litre for non-draft beer

In addition, the refundable corporate SBMTC will be amended by reflecting the proposed new beer basic tax rates for microbrewers (see above). This will provide enhanced relief to qualifying corporations in respect of eligible sales occurring after July 31, 2025.

Let's talk

For a deeper discussion of how these tax measures affect you or your business, please contact:

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