



A MENU OF OPPORTUNITIES

To Offset Ontario's Minimum Wage Increases

Summary of Opportunities:

- **Beverage Alcohol** – reduce the 6% to alleviate operational changes.
- **Ontario Youth Hiring Program** – develop a Youth Hiring Program with wage subsidies
- **Employer Health Tax (EHT)** - increase the EHT threshold to \$1.5 million and to lower the EHT rate from the current rate of 1.95%
- **Global Adjustment / Energy Costs** - develop energy reduction policies conducive to mid-size and small business.
- **Apprenticeship Training Tax Credit** - extend the benefits of the ATTC to businesses that hire a Red Seal recognized Baker or Cook apprentice
- **Small Business Tax Deductions** - drop in the small business deduction rate from 4.5 per cent to 3.5 per cent on Jan 1 2018 followed by a further reduction to 3 per cent on Jan 1 2019

Beverage Alcohol

There are approximately 17,500 licensee establishments in Ontario that can benefit from a reduction of the LCBO mark-up fee charged for licensee beverage alcohol purchases. Currently licensees do not receive a price reduction than the consumers and most pay around \$10 more for a case of beer than the consumer when ordering from The Beer Store (TBS). Licensees are not offered nor can they take advantage of any special discounts, rebates or in-case promotions given to home consumers from TBS. Furthermore licensees cannot take advantage of the 10 per cent approximate discount offered to LCBO agency stores located across the province.

Embedded in the full retail price of beverage alcohol is a complex regime of fees, levies, markups and taxes, both Federal and Provincial (e.g. Excise or Customs Duties and HST). The LCBO currently calculates licensee pricing by taking the base price of spirits and wine subtracting a 5 per cent discount for imported products and a 10 per cent discount for Ontario wines then adding a 6 per cent mark-up fee. (Beer and cider purchase calculations vary)

In 2016 Ontario's licensees purchased \$ 518,202,000 in total beverage alcohol products from the LCBO. Included in this amount is the 6 per cent mark-up fee which equals to \$20,455,344.

ORHMA requests the Ontario government to reduce the 6 per cent to alleviate the operational changes stemming from minimum wage increases.

Ontario Youth Hiring Program

The program would be applicable to any employee between the ages of 18 to 25 allowing employers to hire youth workers at a fifty per cent credit from the Province. Ontario's youth unemployment has been trailing the national average (National 14 per cent vs. Ontario at 13.1 per cent in 2016). Such program will support employment growth in youth within an industry that employees 35 per cent of this workforce.

ORHMA requests the provincial government to develop an Ontario Youth Hiring Program with wage subsidies to boost youth employment and support business growth and sustainment.

Employer Health Tax (EHT)

Under the Employer Health Tax Act (EHT) eligible employers in Ontario pay a health tax although over the first \$400,000 of payroll threshold. Prior to the minimum wage increases that were initiated in 2004 many small business employers were under the set threshold therefore were not eligible to pay the EHT. Since 2004 minimum wages have increased by 62 per cent yet the EHT minimum threshold amount has not moved up forcing small businesses to incur payments to the EHT.

ORHMA requests the Ontario government to increase the EHT threshold to \$1.5 million and to lower the EHT rate from the current rate of 1.95% this would support small business growth and sustainment.

Tax Rebate on Global Adjustment (GA) / Energy Costs

Our industry operates twenty four hours, seven days a week and both hotels and restaurants rank as the most energy intensive industry in the business and institutional sectors. The ORHMA has calculated the GA portion of an average hospitality business hydro bill at over 70% of the total. For further reference see ORHMA's 2017 Energy Paper prepared and previously send to the Minister of Energy.

ORHMA requests the Ontario government to develop energy reduction policies conducive to mid-size and small business.

Apprenticeship Training Tax Credit (ATTC)

Ontario's tourism and hospitality sector is facing well documented challenges in developing and retaining a skilled labour force in the face of a highly competitive international tourism industry. The growth in culinary tourism and place of origin trends create economic opportunities that are required to be delivered by a capable proficient culinary workforce. Incentivizing employers through apprenticeship programs have many merits.

The provincial Apprenticeship Training Tax Credit (ATTC) is currently available to employers who hire and train apprentices in certain skilled trades during the first 36 months of an apprenticeship program. The tax credit is based on salaries and wages paid to an apprentice. Qualifying businesses can claim 25 per cent of eligible expenditures (30 per cent for small businesses) made during the

first 36 months of an apprenticeship program. The maximum credit for each apprenticeship is \$5,000 per year. The maximum credit over the first 36-month period of the apprenticeship is \$15,000.

While the Federal Canada Apprenticeship Job Creation Tax Credit (AJCTC) for eligible apprentices includes the Red Seal Trades of Cook and Baker, Ontario's ATTC program exempts these positions from eligibility.

ORHMA requests the provincial government to extend the benefits of the ATTC to businesses that hire a Red Seal recognized Baker or Cook apprentice to support business growth, job hiring and develop skill talent.

Small Business Tax Deduction

There are a number of opportunities embedded in the small business and corporate tax rates and are effective tools to improve the bottom line.

Effective January 1st 2017 a corporation that qualified for the "Small Business Deduction" would pay income tax at the rate of 4.5 per cent in Ontario, while larger corporations of other types would pay tax at a rate of 11.5 per cent. The small business deduction is calculated by multiplying the corporation's Ontario small business income for the tax year by the small business deduction rate (7 per cent) for the year, resulting in a lower tax rate of 4.5 per cent. Businesses under \$10 million with taxable capital employed are eligible.

ORHMA requests a drop in the small business deduction rate from 4.5 per cent to 3.5 per cent on Jan 1 2018 followed by a further reduction to 3 per cent on Jan 1 2019. The amount would soften the minimum wage increase to small business.