2026 Ontario Pre-Budget Proposal

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Canadian Taxpayers Federation

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Photo credit: Dave Xu

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. Today, the CTF has hundreds of thousands of supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive Action Update emails. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2023-24 fiscal year, the CTF raised $6.3 million on the strength of 74,858 donations. Donations to the CTF are not deductible as a charitable contribution. The CTF does not accept foreign funding.

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Introduction

Now is the time for the Ontario government to restore order to the province's finances and wipe out Ontario's projected $7.8 billion deficit while delivering substantive tax relief.

Ever increasing government spending isn't the answer. This approach has been tried repeatedly by successive governments and has not resulted in substantial economic growth. Since 2006-07, the Ontario government has increased the debt every year but one. That's because government spending has risen dramatically. As a result, the Ontario government has tripled the provincial debt to $459 billion.

Taxpayers are paying the price for their government's plunge into debt. Debt interest charges have risen 89 per cent since 2008-09. This is all while Ontario's real GDP-per-capita has grown at an average annual rate of 0.5 per cent. The government spending has not produced economic growth, but has instead driven up the government's debt burden and created economic inefficiencies.

The government needs to allow individuals and businesses the freedom to take greater control of their future by leaving more money in their pockets and restoring a prudent and responsible approach to handling public finances. This means paying down the provincial debt and delivering substantive tax relief.

The government needs to pay down debt to reduce interest charges and free up more money for tax relief. Tax relief is critical as Ontarians deal with an affordability crisis. Just over half of Ontario residents say they are $200 or less away from being unable to make ends meet. Not being able to cover monthly expenses means Ontarians can't spend, save, invest, and help grow the economy.

Lowering taxes can help to solve the affordability crisis and fuel economic growth. Lowering the cost of doing business helps Ontario's businesses remain competitive with their American counterparts, attract investment and expand to new markets. Ontario can realize this competitive advantage by lowering taxes for the entire economy, rather than doling out billions of dollars in corporate welfare.

This report outlines a plan to pay down debt and providing tax relief. Key recommendations include:

1. **Ending corporate welfare**
2. **Reducing government all spending, other than in the health, education, and post-secondary education sectors, by 15 per cent**
3. **Scrapping the Building Ontario Fund**
4. **A three percentage-point cut to the corporate tax rate**
5. **A two percentage-point cut to the sales tax**
6. **Ending tax-on-tax charges at the gas pumps**
7. **Ending sales taxes on used goods**

These recommendations will deliver the most ambitious tax reductions Ontario has seen in generations. Ending corporate welfare will end the private sector's dependence on taxpayer support while providing Ontario businesses with much needed tax relief.

Reducing spending on Ontario's growing bureaucracy while avoiding cuts to core services allows the government to deliver a substantial cut to the provincial portion of the HST and end tax-on-tax charges at the pump.

The billions of extra dollars in the pockets of residents and businesses will help to spur economic growth and ease the cost of living crunch many Ontarians are experiencing. These measures can be achieved all while the government tables a balanced budget, reduce debt and reduces taxes.

2026-2027 budget projection			
	Revenue	**Expenses**	**Budget surplus/deficit**
Fall fiscal update	$229.6 billion	$237.3 billion	**$7.8 billion**
CTF proposal	$210.3 billion	$209.9 billion	**$0.4 billion**

Proposed fiscal impact		
Costed measures	**Tax Relief**	**Budgetary Savings**
Two percentage point HST cut	$10.4 billion	
Three percentage point corporate tax cut	$7.44 billion	
Ending tax-on-tax charges on gas	$498 million	
Ending sales taxes on used goods	$929 million	
Ending corporate welfare		$11.9 billion
Reducing government all spending by 15 per cent (excluding health and education)		$10.5 billion
Scrapping the Building Ontario Fund		$5 billion

PART 1:

Tax Relief

The Progressive Conservatives originally pledged to reduce the heavy tax burden on Ontario families in 2018. The government has made some progress by repealing the Wynne government's cap-and-trade carbon tax and cutting the gas tax by 5.7 cents a litre.

However, more must be done.

Ontarians were hit hard by the inflation crisis. While inflation isn't increasing as fast now, Ontarians are left with the lingering effects of higher prices. Food inflation is nearly double the base inflation rate, disproportionately hurting lower and middle-class residents. While inflation hurts Ontario's most vulnerable, the provincial government benefits in the form of higher sales tax revenue. Meanwhile, Ontario's economy continues to stagnate as the province's real per-capita GDP remains near 2019 levels. This means that Ontarians are being saddled with higher prices while failing to see their standard of living improve.

To make Ontario more affordable, the Ontario government must leave more money in the pockets of taxpayers. To do this, the government should reduce the provincial portion of the HST by two percentage points to save Ontario taxpayers $10.4 billion.

Recommendation: Cut the provincial portion of the HST from eight per cent to six per cent (-$10.4 billion).

In 2022, the Ford government honoured its commitment to cut gas taxes by 5.7 cents per litre. That saved the average two-car Ontario family more than $1,000 since the tax cut took effect on July 1, 2022. However, Ontario is one of the few provinces in the country to charge sales tax on top of other fuel taxes. This tax-on-tax is unfair — governments should never charge tax on another tax. The Ontario government should end the practice of charging sales tax on top of gas taxes immediately, saving taxpayers about $498.6 million.

Recommendation: End the practice of charging sales tax on provincial and federal excise taxes on gasoline and diesel (-$498.6 million).

One of the most effective ways to save on consumer goods is by shopping in the second-hand market. However, with limited exceptions, taxpayers are forced to pay sales tax whenever they buy used vehicles or used goods from a retailer. This means that taxpayers are forced to pay sales tax on a given item multiple times when it is resold. Double taxation makes shopping for used goods less affordable. The CTF estimates that the Ontario government collects $929 million in sales tax revenue from the sale of used retails goods and used vehicles. Eliminating sales taxes on all used goods would collectively save taxpayers hundreds of millions of dollars while spurring growth and new employment opportunities in the second-hand goods market.

Recommendation: Eliminate the provincial portion of the HST on used goods (-$929 million).

CTF tax relief measures	
Two percentage point cut to provincial portion of the HST	$10.4 billion
Three percentage point cut to the corporate tax rate	$7.44 billion
Ending tax-on-tax charges on gas	$498 million
Ending sales taxes on used goods	$929 million

PART 2:
Spending reductions

The Ontario government does not have a revenue problem; it has a spending problem. The Ontario government has grown its revenue for decades, with few exceptions.

Since 2006-07, the government's revenue has increased 129.7 per cent. The substantial and sustained rise in government revenues should have allowed the Ontario government to stop borrowing, shrink the province's debt, and leave more money in the pockets of taxpayers. However, the Ontario government has squandered the opportunity and instead has consistently outspent revenue, nearly tripling total provincial debt in 20 years.

The Ontario government must forge a stronger economic future that allows the government to fund core services while paying down government debt and delivering desperately needed tax relief.

To compensate for decades of overspending, the CTF is calling for an across-the-board 15 per cent cut to government spending, with the exception of the health care, education, and post-secondary education sectors. The proposed cut would result in $10.4 billion of savings that can be used to wipe out the budget deficit, with billions to spare.

Recommendation: Reduce government spending, other than in the health, education, and post-secondary education sectors by 15 per cent ($10.5 billion).

Two years ago, the Ford government announced plans to create an Ontario Infrastructure Bank, now known as the Building Ontario Fund. It is based on the federal government's failed attempt to create a Canada Infrastructure Bank, which has wasted billions of taxpayer dollars. The province should not get into the banking business. Last year, the province allocated $5 billion to the infrastructure bank.

Recommendation: Scrap the Ontario Infrastructure Bank (Building Ontario Fund) ($5 billion).

CTF spending cuts	
Ending corporate welfare	$11.9 billion
Reducing all government spending by 15 per cent, besides health, education, and post-secondary education	$10.5 billion
Scrapping the Building Ontario Fund	$5 billion

PART 3:
A different approach to supporting businesses

The Ontario government needs to take a new approach to supporting the province's businesses that does not rely on spending billions of taxpayer dollars on corporate welfare. Instead, the government needs to liberate businesses to provide the goods and services that Canadians and those around the world need.

In 2013, the Ontario government distributed $2.9 billion in corporate subsidies, far less than the $4.3 billion the Quebec government dished out that year. However, by 2017-18, this dynamic changed, as corporate welfare shot up by nearly 90 per cent in just one year, reaching $6.4 billion.

Prior the 2018 election, Conservative leader Doug Ford promised he would eliminate corporate welfare. He said it's unfair to give taxpayer dollars to select businesses the government has deemed worthy of their grants. Unfortunately, the Ford government has not only failed to reduce corporate welfare, but expanded the corporate welfare regime to the largest it has ever been. Ontario eclipsed Quebec as the number one corporate welfare benefactor in Canada.

Governments should not be choosing which companies succeed or fail by handing out taxpayer-funded handouts. Furthermore, subsidizing companies limits their incentive to innovate which can make entire industries uncompetitive. Scrapping corporate welfare is the only way to keep businesses competitive while respecting taxpayers.

Cuts to corporate welfare need to be coupled with a business-boosting tax cut to help industries stay competitive. Such a tax cut isn't hard to execute. As the Ontario government scraps corporate welfare, the government can use most of those dollars to cut the corporations tax from 11.5 per cent to 8.5 per cent. That would leave Ontario businesses with more money to pay workers, upgrade equipment, conduct research, and drive innovation while eliminating a system of cronyism.

Recommendation: Scrap all corporate welfare ($11.9 billion) and cut the corporations tax from 11.5 per cent to 8.5 per cent (-$7.44 billion).

PART 4:
Additional savings

While broad-based savings are important, additional avenues for saving can be found.

The number of ministries and seats at the cabinet table have grown. Ford once recognized the importance of reducing the size of government beginning with the size of the premier's cabinet. However, since 2018, the size of the premier's cabinet has steadily grown, reaching a record-breaking 37 ministers and associate ministers. With each new seat at the cabinet, another MPP gains a significant pay raise funded by taxpayers. The government should work to consolidate ministries and eliminate several cabinet posts to return the size of cabinet to 21 posts.

Recommendation: Consolidate ministries and reduce the size of cabinet to 21.

In 2018, Premier Ford promised to eliminate both corporate welfare and political welfare. However, the Ford government has permanently extended political welfare in the form of the per-vote-subsidy program. Political parties can raise money by soliciting donations from Ontarians. Taxpayers should not be on the hook for millions of dollars each year to help prop up political parties. The Ontario government should take immediate action to eliminate the per-vote-subsidy.

Recommendation: Eliminate the per-vote-subsidy for political parties.

This spring, the Progressive Conservatives, Liberals New Democrats, and Greens teamed up to eliminate the cap on MPP pay and give MPPs a 35 per cent pay raise. They also created a new gold-plated pension plan like the pension given to federal MPs. This is all while Ontario workers has seen little growth in their incomes in recent years. Therefore, we recommend the government reverse the pay hike for MPPs.

Recommendation: Reverse the 35 per cent pay hike for MPPs.

PART 5:
Accountability reforms

While the government has made strides in improving accountability, there is much more work to do.

If politicians breach the public's trust, there is no mechanism that voters possess to hold them accountable between elections.

For example, Brant Haldimand Norfolk Catholic District School Board trustees kept their jobs despite wasting over $100,000 on an expensive trip to Italy to buy expensive art pieces. Their constituents must wait until 2026 to ultimately hold these elected officials to account. Allowing voters to recall elected officials at the provincial, municipal, and school board level would allow Ontario constituents to hold politicians accountable for their actions in office and encourage politicians to keep their promises to voters and serve with integrity.

Recommendation: Pass recall legislation for elected officials at the provincial, municipal, and school board levels.

There is far too much overlap in responsibilities between levels of government. For example, the province and municipalities are both funding social housing. However, this overlap makes it more difficult to hold politicians accountable. The province should clarify responsibilities to make the province fully responsible for some policy areas and municipalities for others.

Recommendation: The province should clearly set out policy areas to be solely funded by either municipalities or the province.

For years, the Ontario government has separated operating spending and capital spending as different components to the budget. However, the separation between operating spending and capital spending hides the true effect capital spending has on our growing provincial debt. The 2025 budget outlined a $14.6-billion deficit, but the debt increased by $31.6 billion, largely because of the large capital budget. Combining these two budgets would give Ontarians a clearer picture of how much their government is truly spending and borrowing and allow voters to make better informed choices at the ballot box.

Recommendation: Combine Ontario's operating and capital budgets.

Conclusion

The Ontario government must take bold and urgent action to restore order to the province's finances, reverse a decade of economic stagnation, and reinforce Ontario businesses from American tariffs.

This report outlines a clear plan towards achieving these goals by balancing the budget and cutting taxes to leave more money in the pockets of Ontarians. The government can help Ontario residents and businesses weather the storm of economic uncertainty by providing $19.3 billion in tax relief.

There is also a need to improve government transparency and accountability by clearly outlining how much the province is spending and allowing voters to recall their elected officials.