

ANIMATION	Amount	Requirements	Fees and contacts
British Columbia Digital Animation or Visual Effects Tax Credit 17.5% of qualified BC labour directly attributable to digital animation or visual effects activities (no maximum).		Entity: Must be eligible for the Film Incentive BC basic tax credit or BC Production Services tax credit. Content/copyright: No content restrictions. No copyright requirements. Other: Claimed with either the Film Incentive BC tax credit or the British Columbia Production Services tax credit.	No additional fee for this credit. www.rev.gov.bc.ca www.bcfilm.bc.ca 250 387 3332 604 736 7997
Ontario Computer Animation and Special Effects Tax Credit 20% of qualified Ontario labour (no maximum).		Entity: Canadian taxable corporation (Canadian or foreign-controlled) that performs eligible computer animation or special effects activities for eligible productions and has a permanent establishment in Ontario. Content/copyright: No content restrictions. No copyright requirements. Must be the producer or contract with the producer. Other: May be claimed with either the Ontario Film and Television Tax Credit or the Ontario Production Services Tax Credit. Only costs incurred in Ontario are eligible.	Greater of 0.06% of eligible labour and \$100 (maximum \$5,000). Payable to Ontario Media Development Corporation. www.omdc.on.ca 416 314 6858
Quebec Computer Animation and Special Effects Tax Credit For the Quebec Film and Television Production Tax Credit: 10% of qualified Quebec labour (maximum: 5% of production costs). For the Quebec Production Services Tax Credit: 20% of the "qualified Quebec labour cost."		Entity: Must be eligible for Quebec Film and Television Production Tax Credit or Quebec Production Services Tax Credit (except if did not qualify because of minimum cost restrictions) and must perform eligible computer animation and special effects activities or shoot in front of a chromatic screen. Content/copyright: No additional content restrictions. No additional copyright requirements. Other: Claimed with Quebec Film and Television Production Tax Credit (maximum combined credit: 65% of qualified Quebec labour) or the Quebec Production Services Tax Credit.	No additional fee for this credit. www.sodec.gouv.qc.ca 514 841 2200
DIGITAL MEDIA			
British Columbia Interactive Digital Media Tax Credit 17.5% of qualified BC labour directly attributable to interactive digital media activities.		Entity: Taxable Canadian corporation with a permanent establishment in BC whose principal business is to develop interactive digital media products. Content/copyright: No content restrictions. No copyright requirements. Other: Wages and salaries must be paid to BC residents. Minimum cost restrictions apply. Interactive digital media product must educate, inform or entertain, and present information in at least two of: text, sound or images. Companies that claim the BC SR&ED tax credit or register as an eligible business corporation are not eligible.	Filing: Application to certify eligible corporations must be made to the Ministry of Finance. Tax credits must be claimed on the corporation's tax return within 18 months of the fiscal year end. Fee: \$1,000, \$2,500 or \$5,000 depending on number of employees. www.rev.gov.bc.ca www.bcfilm.bc.ca 250 387 3332 604 736 7997
British Columbia Investment Capital Program Tax Credit (New Media Venture Capital) Non-refundable credit: 30% of investment for <i>corporations</i> that purchase shares of an eligible business corporation (EBC) (no annual limit on credit). Refundable credit: 30% of investment for <i>individuals</i> who purchase shares of an EBC (maximum: \$60,000 tax credit per taxation year).		Eligible investors: BC residents or taxable corporations. Entity: Taxable corporation that is an EBC and is substantially engaged in a prescribed qualifying activity (e.g., developing interactive digital new media products). Content/copyright: No content restrictions. No copyright requirements. Other: EBC must have no more than 100 employees; pay at least 75% of its wages to BC residents (50% if in export); be substantially engaged in prescribed activity; and have at least \$25,000 equity. Interactive digital media product must educate, inform or entertain, and present information in at least two of: text, sound or images.	Filing: Application for tax credit certificate should be made to the Investment Capital Branch of the Ministry of Jobs, Tourism and Innovation. The shareholder should attach the tax credit certificate with the federal income tax return for the taxation year stated on the certificate. Fee: No fee for application or receipt of this credit. www.equitycapital.gov.bc.ca 250 952 0136 or 800 665 6597
Manitoba Interactive Digital Media Tax Credit 40% of eligible labour (maximum credit: \$500,000 for each project) for prototyping and product development.		Entity: Taxable Canadian corporation with a permanent establishment in Manitoba. Content/copyright: No content restrictions. No copyright requirements. Other: Minimum of 25% of total wages and salaries must be paid to employees who were Manitoba residents in the project period. Wages and salaries cannot be claimed for both this credit and the Manitoba Film and Video Production Tax Credit.	Filing: Application to Manitoba Innovation, Energy and Mines (IEM) for: Certificate of Eligibility (Part A) before production starts; and Certificate of Completion (Part B) within 12 months of project completion. Fee: No fee for application or receipt of tax credit. www.gov.mb.ca/stem 204 945 0723
New Brunswick Digital Media Tax Credit New Brunswick intends to create this credit, but no details have been announced.			
Nova Scotia Digital Media Tax Credit Lesser of: • 50% of eligible Nova Scotia labour + Regional credit: 10% of qualifying expenditures for productions outside the metro Halifax zone; or • 25% of total Nova Scotia expenditures + Regional credit: 5% of qualifying expenditures for productions outside the metro Halifax zone.		Entity: Taxable Canadian corporation with a permanent establishment in Nova Scotia, whose primary purpose is to develop interactive digital media products. Must not be a prescribed labour-sponsored venture capital corporation. Content/copyright: No content restrictions. No copyright requirements. Other: Corporations may also receive a credit on marketing and distribution expenditures to a maximum of \$100,000 per product. These expenditures may be made outside the province. Interactive digital media product must educate, inform or entertain, and present information in at least two of: text, sound or images.	Filing: Application for tax credit certificate must be made no later than 30 months after the end of the taxation year in which expenditures for an eligible product were made. Fee: No fee for application or receipt of this credit. www.gov.ns.ca/finance 902 424 2412
Ontario Interactive Digital Media Tax Credit (OIDMTC) 40% of eligible Ontario labour (no maximum) and eligible marketing and distribution expenditures (maximum: \$100,000 per eligible product). + Specified (fee-for-service) products: 35% of eligible Ontario labour (no maximum).		Entity: Canadian taxable corporation (Canadian or foreign-controlled) with a permanent establishment in Ontario that develops an interactive digital media product, including certified game or digital game developers that incur at least \$1 million of labour expenditures over a specified period and meet other requirements. Content/copyright: Eligible interactive products must be developed all, or substantially all, by the applicant in Ontario. Minimal copyright restrictions; none for specified (fee-for-service) products. Other: The interactive digital media product must educate, inform or entertain, and present information in at least two of: text, sound or images. "Specified Products" (fee-for-service products) must meet certain requirements.	Filing: Application for a certificate can be made to the Ontario Media Development Corporation (OMDC) once the eligible product has been completed. Tax credit claims should be made on the corporation income tax return. Fee: Greater of 0.1% of total final qualifying expenditures and \$100 (maximum \$2,000). www.omdc.on.ca 416 314 6858
Prince Edward Island Innovation and Development Labour Rebate 37.5% of eligible PEI labour.		Entity: Corporation with a permanent establishment in PEI that carries on business within a strategic industrial sector and undertakes to develop new or innovative products (i.e., information and communication technologies). Content/copyright: No content restrictions. No copyright restrictions. Other: Only one year of eligible expenditures is claimable. Wages and salaries must be paid to PEI residents (who do not have an ownership interest) for incremental full-time positions with an annual minimum gross wage of \$30,000 per position.	Filing: Application to Innovation PEI to pre-approve the project. Fee: No fee for this rebate. www.innovationpei.com 902 368 6300
Prince Edward Island Video Game Labour Rebate 30% of eligible PEI labour (no maximum).		Entity: Corporation with a permanent establishment in PEI whose primary business is to develop video games. Content/copyright: No content restrictions. No copyright restrictions. Other: Wages and salaries must be paid to full-time employees that are resident in PEI and exclude amounts paid to taxpayers who own more than 5% of the company.	Filing: Application to Innovation PEI to pre-approve the project. Fee: No fee for this rebate. www.gameplan.ca 902 368 6300
Quebec Production of Multimedia Titles Tax Credit General component: Category 1 titles: 30% of qualified labour. + Premium for French: 7.5% of qualified labour if in French language version. Category 2 titles: 26.25% of qualified labour. Specialized corporations (credit is based on corporation's qualified labour, not production's qualified labour): If certificate states that minimum 75% of eligible multimedia titles produced are Category 1 titles or minimum 75% of gross revenues came from Category 1 titles: 30% of corporation's qualified labour. + Premium for French: 7.5% of corporation's qualified labour. Other: 26.25% of corporation's qualified labour.		Entity: Taxable corporation with an establishment in Quebec that operates a multimedia title production business. Content/copyright: No content restrictions. No copyright restrictions. Other: Multimedia titles (and "eligible related titles") include three of: text, sound, fixed images or animated images. Multimedia titles must be for commercial use or part of a commissioned project, and must be interactive and produced on electronic media. Category 1: Multimedia titles produced without receiving an order and intended for commercialization. Category 2: Other multimedia titles. Specialized corporation: 90% or more of business activities are to produce eligible multimedia titles. Can claim general component or specialized corporations.	Filing: Application for an Initial Eligibility Certificate should be sent to Investissement Quebec. Annual Eligibility Certificate must be obtained for each fiscal year the corporation is entitled to claim the tax credit. Claims must be made on prescribed form and accompany the corporation's tax return within 18 months of the fiscal year end. Fee: General component: Application for Initial Eligibility Certificate is \$108. Annual application is based on production expenses. Maximum fee is \$3,247 per eligible title. Specialized corporations: Annual application is based on number of employees. Maximum fee is \$54,122. www.investquebec.com/en 514 873 4375 or 866 870 0437

The big table

Digital media and animation incentives in Canada (2011)



Canadian businesses in the digital media and animation sector have tremendous opportunities for growth as markets continue to emerge and expand. Global console games, the largest category, with spending of \$28.1 billion in 2010, will expand at a 4.4% compound annual rate to \$34.8 billion in 2015.¹

The online market will benefit from increased penetration of broadband households combined with growing digital distribution of content. The increasing popularity of massively multiplayer online games (MMOGs), with their subscription fees and microtransactions, is also aiding the expansion of the market. Casual games and social network games are important components as well. In addition, smartphones and tablets—such as the iPad®—with improved graphic capabilities, will raise the bar for the quality of wireless games and drive demand. At the same time, new application stores will increase the number of gamers willing to purchase games. Burgeoning 3G/4G networks will enable wireless games to approach the quality of console games.

To meet this demand, digital media and animation companies can take advantage of credits and incentives from two broad categories. First, several provinces offer refundable interactive digital media tax credits, based on eligible labour expenditures and eligible marketing and distribution expenses claimed by qualifying corporations with respect to interactive digital media products. The other, generous tax incentives under Canada's scientific research and experimental development (SR&ED) program, reward companies advancing science or technology in the gaming industry.

PwC's Entertainment and Media practice helps global, national and middle-market companies navigate and maximize these incentives. Please contact us to learn how we can work with you.

1. Global entertainment and media outlook: 2011–2015

Tracey Jennings
Canadian Leader, Entertainment and Media
July 15, 2011

Scientific Research and Experimental Development (SR&ED) investment tax credit (ITC) rates – 2011

Innovative digital media may qualify for SR&ED ITCs, as summarized in the table below. Please contact a PwC professional to determine whether these incentives apply in your circumstances.

		Rate	Refundable?
Federal	CCPC	35% up to expenditure limit	Yes
	Non-CCPC	20% thereafter	Possibly
Alberta		20%	No
British Columbia	CCPC	10%	Yes
	Non-CCPC		No
Manitoba		20%	Yes/No
New Brunswick			
Newfoundland and Labrador		15%	
Nova Scotia			Yes
Ontario	Innovation	10%	
	Business Research Institute	20%	
	Research and Development	4.5%	No
Quebec	Research and Development wages	CCPC 17.5% to 37.5%	Yes
		Non-CCPC 17.5%	
	University, public research centre, research consortium and private partnership	35%	
Saskatchewan			
Yukon		15%	

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