

## Digital Media and Animation Incentives in Canada

Amount of incentive	Requirements	Fees and contacts
<b>ANIMATION INCENTIVES</b>		
<b>British Columbia Digital Animation or Visual Effects Tax Credit</b> 15% of qualified BC labour related to production of digitally-created motion picture images (production began after March 31, 2003).	<b>Entity:</b> Must be eligible for the Film Incentive BC basic tax credit or BC Production Services tax credit. <b>Content/Copyright:</b> No content restrictions. No copyright requirements. <b>Other:</b> This credit is claimed in conjunction with either the Film Incentive BC tax credit or the British Columbia Production Services Tax Credit. For details, see the "Film and Video Incentives in Canada" component of <i>The Big Table</i> .	No additional fees for this credit. www.bcfilm.bc.ca 604 736 7997
<b>Ontario Computer Animation and Special Effects Tax Credit</b> 20% of qualified Ontario labour (maximum: 9.6% of net cost of eligible computer animation and special effects activities prior to May 11, 2005).	<b>Entity:</b> Canadian taxable corporations that perform eligible computer animation and special effects activities for eligible productions and which have a permanent establishment in Ontario. <b>Content/Copyright:</b> No content restrictions. No copyright requirements. <b>Other:</b> This credit may be claimed in conjunction with either the Ontario Film and Television Tax Credit or the Ontario Production Services Tax Credit.	The greater of 0.06% of eligible activities and \$100 (maximum \$5,000). Payable to Ontario Media Development Corporation. www.omdc.on.ca 416 314 6858
<b>Québec Computer Animation and Special Effects Tax Credit</b> 10.2083% of qualified Québec labour (maximum: 5.1041% of production costs) for claims relating to Québec Film and Television Production Tax Credit (QFTPTC), and + 20% of qualified Québec labour for claims related to Québec Production Services Tax Credit (QPSTC).	<b>Entity:</b> Canadian taxable corporations that perform eligible computer animation and special effects activities for eligible productions and that have a permanent establishment in Québec. <b>Content/Copyright:</b> No content restrictions. No copyright requirements. <b>Other:</b> Claimed in conjunction with QFTPTC or the QPSTC. For details, see the "Film and Video Incentives in Canada" component of <i>The Big Table</i> .	No additional fees for this credit. www.sodec.gouv.qc.ca 514 841 2200 www.sodec.gouv.qc.ca/cinema_en.php (English)
<b>DIGITAL MEDIA INCENTIVES</b>		
<b>British Columbia New Media Venture Capital Program Tax Credit</b> Non-refundable tax credit: 30% of investment amount for <i>corporations</i> that purchase shares of an eligible business corporation (EBC) (no annual limit on tax credit). Refundable tax credit: 30% of investment amount for <i>individuals</i> who purchase shares of an EBC (maximum \$60,000 tax credit per taxation year).	<b>Eligible Investors:</b> Investors are BC residents or taxable corporations. <b>Entity:</b> Taxable corporation that is an EBC and is substantially engaged in a prescribed qualifying activity. The five prescribed qualifying activities are manufacturing, processing or export of value-added goods produced in BC; destination tourism; research and development of proprietary technology; development of interactive digital new media product; or community diversification outside of the Lower Mainland and the Capital Region. <b>Content/Copyright:</b> No content restrictions. No copyright requirements. <b>Other:</b> 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 equity of at least \$25,000. The interactive digital new media product must educate, inform or entertain and present information using at least two of text, sound and images.	<b>Filing:</b> Application for tax credit certificate should be made to the Investment Capital Branch of the Ministry of Economic Development. The shareholder should attach the tax credit certificate with the federal income tax return for the taxation year stated on the certificate. <b>Fees:</b> No fees for application or receipt of this credit. www.equitycapital.gov.bc.ca 250 952 0136 www.ecdev.gov.bc.ca 250 952 0152
<b>Ontario Interactive Digital Media Tax Credit (OIDMTC)</b> 30% of eligible Ontario labour expenditures (no maximum) and eligible marketing and distribution expenditures (capped at \$100,000 per eligible product) for "qualifying small corporations." (Companies that exceed the asset and revenue test can claim OIDMTC of 20% for expenditures incurred after March 23, 2006.)	<b>Entity:</b> Canadian corporation (both Canadian or foreign-controlled) with a permanent establishment in Ontario that develops an interactive digital media product. Qualifying small corporations for OIDMTC purposes cannot have assets in excess of \$10 million or total revenues in excess of \$20 million. <b>Content/Copyright:</b> No content restrictions. No copyright restrictions. <b>Other:</b> To be eligible, the interactive digital media product must educate, inform or entertain, and present information using at least two of text, sound and images. "Specified Products" (fee for service products) are now eligible for the OIDMTC if certain requirements are met.	<b>Filing:</b> Application for a certificate can be made to the Ontario Media Development Corporation (OMDC) once the eligible product has been completed and before the end of the taxation year. The tax credit claims should be made on the CT23 corporation income tax return. <b>Fees:</b> The greater of 0.1% of total final qualifying expenditures and \$100 (maximum of \$2,000) plus additional \$100 per product for a preliminary estimate. www.omdc.on.ca 416 314 6858
<b>Québec Production of Multimedia Titles Tax Credit</b> Category 1 titles: 30% of qualified labour expenditure + Premium for French 7.5% of qualified labour expenditure if in French language version.  Category 2 titles: 26.25% of qualified labour expenditure.	<b>Entity:</b> Taxable corporation with a permanent establishment in Québec that operates a multimedia title production business. Multimedia titles must be for commercial use, interactive and produced on electronic media. <b>Content/Copyright:</b> No content restrictions. No copyright restrictions. <b>Other:</b> Multimedia titles include three of the following types of data: text, sound, fixed images, and animated images. Multimedia titles must be for commercial use or part of a commissioned project. Category 1: Multimedia titles produced without receiving an order and intended for commercialization. Category 2: Other multimedia titles.	<b>Filing:</b> Application for an Initial Eligibility Certificate should be sent to Investissement Québec. In addition, the corporation must obtain an annual Eligibility Certificate for each fiscal year for which the corporation is entitled to claim the tax credit. The claim must be made on the form prescribed by Revenu Québec and must accompany the corporation's tax return within 18 months of the end of the fiscal year. <b>Fees:</b> Category 1: Application for Initial Eligibility Certificate is \$500 (\$0 if rejected). Annual application for an Eligibility Certificate is based on number of employees. Fees range from \$500 to \$50,000. Category 2: Application for Initial Eligibility Certificate is \$300 (\$0 if rejected). Annual application for an Eligibility Certificate is based on number of employees. Fees range from \$300 to \$10,000. www.investquebec.com/en 866 870 0437
<b>Manitoba New Media Production Grant</b> 45% of eligible Manitoba labour expenditures (no limit).	<b>Entity:</b> Taxable Canadian corporation, with a permanent establishment in Manitoba whose primary business is development of an eligible interactive new media product. <b>Content/Copyright:</b> No content restrictions. No copyright requirements. <b>Other:</b> Minimum of 25% of total wages and salaries must be paid to eligible Manitoba employees for work done in Manitoba. The project and labour costs that qualify for the New Media Grant cannot be eligible for the Manitoba Film and Video Production Tax Credit. Total assistance cannot exceed 100% of project costs.	<b>Filing:</b> Application to Manitoba Energy, Science and Technology (EST) for Certificate of Eligibility (Part A) before the start date of production. A Certificate of Completion (Part B) must be applied for within 12 months of the project's completion. <b>Fees:</b> No fee for application or receipt of this grant. www.gov.mb.ca/est 204 945 0589 www.gov.mb.ca/business
<b>Nova Scotia Digital Media Tax Credit</b> (to be introduced January 1, 2008) 35% of eligible Nova Scotia labour expenditures + 5% regional credit if qualifying expenditures made in eligible geographic location.	Details of the Digital Media Tax Credit will be introduced through Regulations.	Details of the Digital Media Tax Credit will be introduced through Regulations. www.gov.ns.ca/finance 902 424 7177 www.gov.ns.ca
<b>Prince Edward Island Innovation and Development Tax Credit</b> 35% refundable tax credit of 150% eligible PEI labour costs (maximum \$40,000 per year for labour costs to related parties).	<b>Entity:</b> A corporation with a permanent establishment in PEI that carries on business within a strategic industrial sector and from which it undertakes the development or commercialization of new or innovative products (i.e., interactive, information and communication technologies). <b>Content/Copyright:</b> No content restrictions. No copyright restrictions. <b>Other:</b> Only 2 years of eligible expenditures are claimable.	<b>Filing:</b> Application to PEI Department of Development and Technology for a Preliminary Certificate before the start date of production. A Final Certificate must be applied for within six months of the earlier of the estimated completion date of the project as set out in the Preliminary Certificate and the actual completion date. <b>Fees:</b> No fees for this credit. www.gov.pe.ca 902 368 6300 www.gov.pe.ca/development/ptrp/index.php3

\*connectedthinking

# The Big Table\*

## Digital Media and Animation Incentives in Canada

Our forecasts show that Internet advertising leads the “Internet Advertising and Access Spending” segment forecasted to grow at 23.5% compound annual growth rate to US\$2 billion in 2011.<sup>1</sup> The penetration in broadband will be propelling the video game market in Canada. This sector will expand to US\$1.4 billion in 2011, a compound annual growth rate of 9.4%.<sup>1</sup> Both online and wireless games are showing strong double digit growth.

Canada has numerous tax incentives available for companies developing digital content, including video games. PricewaterhouseCoopers’ team of dedicated entertainment and media professionals has the specialized expertise to help you navigate these incentives.

The Entertainment and Media Practice of PricewaterhouseCoopers provides global, national and middle market companies with unparalleled breadth of experience and a comprehensive range of professional services. We welcome the opportunity to put our industry expertise and resources to work for you. Please contact the PricewaterhouseCoopers professional nearest you to find out how we can assist your company.

*Tracey Jennings*  
Canadian Leader, Entertainment and Media Practice

<sup>1</sup> Global Entertainment and Media Outlook: 2007–2011

### Scientific Research and Experimental Development (SR&ED) Investment Tax Credit (ITC) Rates

#### Relevant Provincial Comparison

Innovative digital media may qualify for SR&ED investment tax credits. The table below summarizes these incentives across Canada and you are encouraged to consult a PwC professional to determine whether these incentives apply in your circumstances.

		Rate	Refundable?
Federal	SR&ED	CCPC	35% up to expenditure limit
		Non-CCPC	20% thereafter
British Columbia	SR&ED	CCPC	Yes
		Non-CCPC	Possibly
Ontario	SR&ED	Innovation	No
		Business Research Institute	Yes
Quebec	SR&ED	Research and Development (R&D) wages	10%
		University, public research centre and research consortium	20%
		Dues/fees paid to research consortium	37.5% (CCPC)
		Private partnership	17.5% (Non-CCPC)
Manitoba	R&D	35%	Yes
Nova Scotia	R&D	20%	No
		15%	Yes

#### National Leader

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