

Digital Media and Animation Incentives in Canada

See also the “Film and Video Incentives in Canada” component of *The Big Table*.

Amount of incentive	Requirements	Fees and contacts
ANIMATION INCENTIVES		
British Columbia Digital Animation or Visual Effects Tax Credit 15% of qualified BC labour related to production of digitally-created motion picture images (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 fees for this credit. www.bcfilm.bc.ca 604 736 7997
Ontario Computer Animation and Special Effects Tax Credit 20% of qualified Ontario labour (no maximum).	Entity: Canadian taxable corporations (Canadian or foreign-controlled) that perform eligible computer animation and special effects activities for eligible productions and which have a permanent establishment in Ontario. Content/Copyright: No content restrictions. No copyright requirements. 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 activities 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 10.2083% of qualified Quebec labour (maximum: 5.1041% of production costs) for claims relating to Quebec Film and Television Production Tax Credit + 20% of qualified Quebec labour for claims related to Quebec Production Services Tax Credit.	Entity: Canadian taxable corporations that perform eligible computer animation and special effects activities, and that shoot in front of a chromatic screen, for eligible productions and that have an establishment in Quebec. Content/Copyright: No content restrictions. No copyright requirements. Other: Claimed with Quebec Film and Television Production Tax Credit or the Quebec Production Services Tax Credit.	No additional fees for this credit. www.sodec.gouv.qc.ca 514 841 2200 www.sodec.gouv.qc.ca/cinema_en.php (English)
DIGITAL MEDIA INCENTIVES		
British Columbia New Media Venture Capital Program Tax Credit 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 (i.e., 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 the Lower Mainland and the Capital Region). 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 equity of at least \$25,000. Interactive digital media product must educate, inform or entertain and present information using at least two of text, sound and images.	Filing: 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. Fees: No fees for application or receipt of this credit. www.equitycapital.gov.bc.ca 250 952 0136 www.gov.bc.ca/ecdev 250 952 0152
Manitoba New Media Production Grant 45% of eligible Manitoba labour expenditures (no limit); replaced by the Manitoba Interactive Digital Media Tax Credit after April 9, 2008	Same as Manitoba Interactive Digital Media Tax Credit , below.	Same as Manitoba Interactive Digital Media Tax Credit , below.
Manitoba Interactive Digital Media Tax Credit 40% of eligible labour (maximum credit: \$500,000 for each project) for prototyping and product development beginning after April 9, 2008, and before 2011.	Entity: Taxable Canadian corporation with a permanent establishment in Manitoba whose primary business is to develop interactive digital media projects. Content/Copyright: No content restrictions. No copyright requirements. Other: Minimum of 25% of total wages and salaries must be paid to eligible Manitoba employees for work done in Manitoba. Project and labour costs cannot be eligible for the Manitoba Film and Video Production Tax Credit.	Filing: Application to Manitoba Science, Technology, Energy and Mines (STEM) for Certificate of Eligibility (Part A) before production starts. A Certificate of Completion (Part B) must be applied for within 12 months of project completion. Fees: No fee for application or receipt of tax credit. www.gov.mb.ca/stem 204 945 0589 www.gov.mb.ca/business
Nova Scotia Digital Media Tax Credit Lesser of: • 50% of eligible Nova Scotia labour (35% if incurred before 2008 and after June 30, 2007) + Regional credit: 10% of qualifying expenditures for productions outside the metro Halifax zone (5% if incurred before 2008 and after June 30, 2007); or • 25% of total Nova Scotia expenditures (17.5% if incurred before 2008 and after June 30, 2007) + Regional credit: 5% of qualifying expenditures for productions outside the metro Halifax zone (2.5% if incurred before 2008 and after June 30, 2007).	Entity: Taxable Canadian corporation with a permanent establishment in Nova Scotia, whose primary purpose is development of 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 users, and must achieve this by presenting information in at least two of: text, sound or images.	Filing: An application for a 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. Fees: No fee for application or receipt of this credit. www.gov.ns.ca/finance 902 424 2411
Ontario Interactive Digital Media Tax Credit (OIDMTC) 30% of eligible Ontario labour (no maximum) and eligible marketing and distribution expenditures (maximum: \$100,000 per eligible product) for “qualifying small corporations.” (For companies that exceed the asset and revenue test, 25% of eligible expenditures; 20% if incurred before Mar. 26, 2008.)	Entity: Canadian taxable corporations (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 exceeding \$10 million or total revenues exceeding \$20 million. Content/Copyright: Eligible interactive products must be developed all, or substantially all, by the applicant. No copyright restrictions. Other: 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 eligible if certain requirements are met.	Filing: 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. Tax credit claims should be made on the CT23 corporation income tax return. Fees: 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
Prince Edward Island Innovation and Development Tax Credit 35% of 150% eligible PEI labour (maximum: \$40,000 per year for labour costs to related parties).	Entity: Corporations 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). Content/Copyright: No content restrictions. No copyright restrictions. Other: Only 2 years of eligible expenditures are claimable.	Filing: 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 and actual completion dates. Fees: No fees for this credit. www.gov.peibusinessdevelopment.com 902 368 6300 www.gov.pe.ca/development/ptrp/index.php3
Quebec Production of Multimedia Titles Tax Credit Category 1 titles: 30% of eligible labour. + Premium for French: 7.5% of qualified labour if in French language version. Category 2 titles: 26.25% of eligible labour.	Entity: Taxable corporations with a permanent establishment in Quebec that operates a multimedia title production business. Multimedia titles must be for commercial use, interactive and produced on electronic media. Content/Copyright: No content restrictions. No copyright restrictions. Other: 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.	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 must accompany the corporation's tax return within 18 months of the end of the fiscal year. Fees: Category 1: Application for Initial Eligibility Certificate is \$102 (\$0 if rejected). Annual application is based on number of employees. Maximum fee is \$3,060. Category 2: Application for Initial Eligibility Certificate is \$102 (\$0 if rejected). Annual application is based on number of employees. Maximum fee is \$51,000. www.investquebec.com/en 866 870 0437

1. Proposed change, awaiting royal assent.

The Big Table*

Digital Media and Animation Incentives in Canada

Our forecasts show that the “Internet advertising wired and mobile” segment continues to be the fastest growing segment in Canada, growing at a 21.1% compound annual rate to US\$3.4 billion in 2012.¹ Dynamic in-game ads will boost Canadian video game advertising, with 17.9% compound annual growth expected. The video game sector will expand to US\$2.1 billion in 2012, a compound annual growth rate of 9.2%.

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

1. Global Entertainment and Media Outlook: 2007–2011

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

Innovative digital media may qualify for SR&ED ITCs. The table below summarizes incentives available in 2008.^{2,3} Please contact a PwC professional to determine whether these incentives apply in your circumstances.

		Rate	Refundable?
Federal	CCPC	35% up to expenditure limit 20% thereafter	Yes
	Non-CCPC	20%	Possibly
British Columbia	CCPC	10%	Yes
	Non-CCPC		No
Manitoba		20%	
New Brunswick			
Newfoundland and Labrador		15%	
Nova Scotia			
Ontario ¹	Innovation	10%	Yes
	Business Research Institute	20%	
Quebec	Research and Development wages	17.5% to 37.5%	
	CCPC	17.5%	
	Non-CCPC	17.5%	
	University, public research centre and research consortium, private partnership	35%	
Saskatchewan			No
Yukon		15%	Yes

2. Alberta will provide a 10% refundable tax credit commencing 2009.

3. Ontario will also provide a 4.5% non-refundable tax credit starting taxation years ending after 2008.

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