

The Big Table

Digital Media and Animation Incentives in Canada (2009)

Part 2 of 2

ANIMATION	Amount	Requirements	Fees and contacts
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 or special effects activities for eligible productions and which have 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% ¹ of qualified Quebec labour (maximum: 5% of production costs). For the Quebec Production Services Tax Credit: • Other than qualified low budget productions: 5% ¹ of qualified Quebec production expenditures (if main photography is completed before June 13, 2009, 20% of qualified Quebec labour). • Qualified low budget productions: 20% of qualified Quebec labour.		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 fees for this credit. www.sodec.gouv.qc.ca www.sodec.gouv.qc.ca/cinema_en.php (English) 514 841 2200
DIGITAL MEDIA			
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 (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; community diversification outside the Lower Mainland and the Capital Region; or commercialization of clean technologies). 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 Small Business, Technology and 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 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 beginning 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 employees who were Manitoba residents in the project period. 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 www.gov.mb.ca/business 204 945 0723
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 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 2412
Ontario Interactive Digital Media Tax Credit (OIDMTC) 40% ¹ of eligible Ontario labour (no maximum) and eligible marketing and distribution expenditures (maximum: \$100,000 per eligible product); for eligible expenditures before March 27, 2009, 30% for "qualifying small corporations" (for companies that exceed the asset and revenue test, 25%). + Specified (fee-for-service) products: 35% ¹ of eligible Ontario labour (no maximum); for eligible expenditures before March 27, 2009, 25%.		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 gross revenues exceeding \$20 million in the preceding year. 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 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. Tax credit claims should be made on the corporation income tax return. Fees: Greater of 0.1% of total final qualifying expenditures and \$100 (maximum of \$2,000). 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 www.gov.pe.ca/development/ptrp/index.php3 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 corporations with an 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. 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 must accompany the corporation's tax return within 18 months of the end of the fiscal year. Fees: General component: Application for Initial Eligibility Certificate is \$104 (\$0 if rejected). Annual application is based on production expenses. Maximum fee is \$3,121. Specialized corporations: Annual application is based on number of employees. Maximum fee is \$52,020. www.investquebec.com/en 514 873 4375 or 866 870 0437

1. Proposed change, awaiting royal assent.

The Big Table*

Digital Media and Animation Incentives in Canada (2009)

For pre-2009 editions of *The Big Table*, see www.pwc.com/ca/bigtable.

As digital migration accelerates, digital spending will remain the entertainment and media industry's main engine of growth throughout the next five years, making further major inroads into all segments and claiming a rising share of overall industry revenues. As a result, digital spending in Canada will rise from 20% of total industry revenues in 2008 to 32% in 2013.¹

Dynamic in-game ads will boost Canadian video game advertising, with 13.9% compound annual growth expected from 2009 to 2013. The video game sector in Canada will expand to over US\$2 billion in 2013, a compound annual growth rate of 6.2%.

Canada has numerous tax incentives available for companies that develop digital content, including video games. PricewaterhouseCoopers' team of dedicated entertainment and media professionals has the specialized expertise to help you navigate and maximize 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 a PricewaterhouseCoopers professional near you to find out how we can assist your company.

Tracey Jennings
Canadian Leader, Entertainment and Media Practice

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 2009. 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%	
New Brunswick Newfoundland and Labrador		15%	Yes
Nova Scotia			
Ontario	Innovation	10%	
	Business Research Institute	20%	
	Research and Development	4.5%	No
Quebec	Research and Development wages	17.5% to 37.5%	Yes
	CCPC	17.5%	
	University, public research centre and research consortium, private partnership	35%	
Saskatchewan		15%	Yes ² /No
Yukon			Yes

1. Global Entertainment and Media Outlook: 2009–2013
2. Saskatchewan's credit is fully refundable for qualifying expenditures made after March 18, 2009.

Tax News Network

Tax News Network (TNN) provides subscribers with Canadian and international information, insight and analysis to support well informed tax and business decisions. Try it today at www.ca.taxnews.com.

National Leader

Tracey Jennings tracey.l.jennings@ca.pwc.com

Halifax/East

Donald Flinn donald.m.flinn@ca.pwc.com

London

Kevin Robertson kevin.c.robertson@ca.pwc.com

Montreal/Quebec

Denis Langelier denis.langelier@ca.pwc.com
Guy LeBlanc guy.leblanc@ca.pwc.com
Rémi Tremblay remi.tremblay@ca.pwc.com

Ottawa

Jennifer Smart jennifer.f.smart@ca.pwc.com
Kent Smith kent.b.smith@ca.pwc.com

Toronto/Central

Spencer McDonnell spence.n.mcdonnell@ca.pwc.com
Dean Morrison dean.morrison@ca.pwc.com
Gino Scapillati gino.scapillati@ca.pwc.com
John Simcoe john.b.simcoe@ca.pwc.com

Vancouver/Western

Rick Griffiths rick.m.griffiths@ca.pwc.com
Warren Nimchuk warren.w.nimchuk@ca.pwc.com

Waterloo

Jay McLean jay.mclean@ca.pwc.com

Windsor

Giancarlo Dimaio giancarlo.dimaio@ca.pwc.com

To reach us by telephone, call 416 863 1133. From within North America, call 866 842 3792, toll free. Get connected to a global network with insight. Our publications are available at www.pwc.com/ca/em.