

# The Big Table

## Digital Media and Animation Incentives in Canada (2010)

## Part 2 of 2

ANIMATION	Amount	Requirements	Fees and contacts
<b>British Columbia Digital Animation or Visual Effects Tax Credit</b> 17.5% of qualified BC labour directly attributable to digital animation or visual effects activities (no maximum): 15% if principal photography begins before March 1, 2010.		<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> Claimed with either the Film Incentive BC tax credit or the British Columbia Production Services tax credit.	No additional fees for this credit. www.sbr.gov.bc.ca 604 736 7997
<b>Ontario Computer Animation and Special Effects Tax Credit</b> 20% of qualified Ontario labour (no maximum).		<b>Entity:</b> Canadian taxable corporations (Canadian or foreign-controlled) that perform eligible computer animation or special effects activities for eligible productions and have a permanent establishment in Ontario. <b>Content/Copyright:</b> No content restrictions. No copyright requirements. Must be the producer or contract with the producer. <b>Other:</b> 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
<b>Quebec Computer Animation and Special Effects Tax Credit</b> 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." <sup>1</sup>		<b>Entity:</b> 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. <b>Content/Copyright:</b> No additional content restrictions. No additional copyright requirements. <b>Other:</b> 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 514 841 2200
<b>DIGITAL MEDIA</b>			
<b>British Columbia Interactive Digital Media Tax Credit</b> 17.5% of qualified BC labour directly attributable to interactive digital media activities, incurred after August 31, 2010.		<b>Entity:</b> Taxable Canadian corporation with a permanent establishment in BC whose principal business is to develop interactive digital media products. <b>Content/Copyright:</b> No content restrictions. No copyright requirements. <b>Other:</b> 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.	<b>Filing:</b> 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. <b>Fees:</b> At the publication date, fees had not been announced. www.rev.gov.bc.ca www.bcfilm.bc.ca 604 736 7997
<b>British Columbia Investment Capital Program Tax Credit (New Media Venture Capital)</b> 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).		<b>Eligible Investors:</b> BC residents or taxable corporations. <b>Entity:</b> Taxable corporation that is an EBC and is substantially engaged in a prescribed qualifying activity (e.g., developing interactive digital new media products). <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 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.	<b>Filing:</b> 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. <b>Fees:</b> No fees for application or receipt of this credit. www.equitycapital.gov.bc.ca 250 952 0136 or 800 665 6597
<b>Manitoba Interactive Digital Media Tax Credit</b> 40% of eligible labour (maximum credit: \$500,000 for each project) for prototyping and product development.		<b>Entity:</b> Taxable Canadian corporation with a permanent establishment in Manitoba. <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 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.	<b>Filing:</b> 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. <b>Fees:</b> No fee for application or receipt of tax credit. www.gov.mb.ca/stem 204 945 0723
<b>Nova Scotia Digital Media Tax Credit</b> 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.		<b>Entity:</b> 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. <b>Content/Copyright:</b> No content restrictions. No copyright requirements. <b>Other:</b> 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.	<b>Filing:</b> 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. <b>Fees:</b> No fee for application or receipt of this credit. www.gov.ns.ca/finance 902 424 2412
<b>Ontario Interactive Digital Media Tax Credit (OIDMTC)</b> 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).		<b>Entity:</b> Canadian taxable corporations (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. <b>Content/Copyright:</b> 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. <b>Other:</b> 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.	<b>Filing:</b> 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. <b>Fees:</b> Greater of 0.1% of total final qualifying expenditures and \$100 (maximum of \$2,000). www.omdc.on.ca 416 314 6858
<b>Prince Edward Island Innovation and Development Labour Rebate</b> 37.5% of eligible PEI labour.		<b>Entity:</b> Corporations 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). <b>Content/Copyright:</b> No content restrictions. No copyright restrictions. <b>Other:</b> Only one year of eligible expenditures is claimable. Wages and salaries must be paid to PEI residents (that do not have an ownership interest) for incremental full-time positions with an annual minimum gross wage of \$30,000 per position.	<b>Filing:</b> Application to Innovation PEI before start of project for pre-approval. <b>Fees:</b> No fees for this rebate. www.innovationpei.com 902 368 6300
<b>Quebec Production of Multimedia Titles Tax Credit</b> 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.		<b>Entity:</b> 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. <b>Content/Copyright:</b> No content restrictions. No copyright restrictions. <b>Other:</b> Multimedia titles (and "eligible related titles" <sup>1</sup> ) include three of: text, sound, fixed images or 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.	<b>Filing:</b> 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. <b>Fees:</b> General component: Application for Initial Eligibility Certificate is \$106 (\$0 if rejected). Annual application is based on production expenses. Maximum fee is \$3,184 per eligible title. Specialized corporations: Annual application is based on number of employees. Maximum fee is \$53,060. www.investquebec.com/en 514 873 4375 or 866 870 0437

1. Proposed change, awaiting royal assent.

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For previous editions of *The Big Table*, see [www.pwc.com/ca/bigtable](http://www.pwc.com/ca/bigtable).

Current advances in digital technologies and shifts in consumer behaviour are unprecedented in both their speed and their simultaneous impact across all segments of the entertainment and media market.

The next five years will see digital spending in Canada rise to 30% of total industry revenues.<sup>1</sup> The online and wireless game market will continue to expand at rates of 9.0% and 7.5%, respectively, supported by social gaming and increased access to new games via smart phones and other devices. Dynamic in-game ads will boost Canadian video game advertising, with 12% compound annual growth expected from 2009 to 2014. The video game sector in Canada will surpass US\$2 billion in 2014, 6.6% compound annual growth.

Canada has numerous tax incentives available for companies that develop digital content, including video games. The team of dedicated entertainment and media professionals at PricewaterhouseCoopers (PwC) has the specialized expertise to help you navigate and maximize these incentives.

Our Entertainment and Media Practice 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 PwC professional near you to find out how we can help your company.

*Tracey Jennings*  
Canadian Leader, Entertainment and Media Practice

### Scientific Research and Experimental Development (SR&ED) Investment Tax Credit (ITC) Rates – 2010

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

1. Global Entertainment and Media Outlook: 2010–2014

#### Tax News Network

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#### National Leader

Tracey Jennings [tracey.l.jennings@ca.pwc.com](mailto:tracey.l.jennings@ca.pwc.com)

#### Halifax/East

Donald Flinn [donald.m.flinn@ca.pwc.com](mailto:donald.m.flinn@ca.pwc.com)

#### London

Kevin Robertson [kevin.c.robertson@ca.pwc.com](mailto:kevin.c.robertson@ca.pwc.com)

#### Montreal/Quebec

Denis Langelier [denis.langelier@ca.pwc.com](mailto:denis.langelier@ca.pwc.com)  
Guy LeBlanc [guy.leblanc@ca.pwc.com](mailto:guy.leblanc@ca.pwc.com)  
Rémi Tremblay [remi.tremblay@ca.pwc.com](mailto:remi.tremblay@ca.pwc.com)

#### Ottawa

Jennifer Smart [jennifer.f.smart@ca.pwc.com](mailto:jennifer.f.smart@ca.pwc.com)  
Kent Smith [kent.b.smith@ca.pwc.com](mailto:kent.b.smith@ca.pwc.com)

#### Toronto/Central

Spencer McDonnell [spence.n.mcdonnell@ca.pwc.com](mailto:spence.n.mcdonnell@ca.pwc.com)  
Dean Morrison [dean.morrison@ca.pwc.com](mailto:dean.morrison@ca.pwc.com)  
Gino Scapillati [gino.scapillati@ca.pwc.com](mailto:gino.scapillati@ca.pwc.com)  
John Simcoe [john.b.simcoe@ca.pwc.com](mailto:john.b.simcoe@ca.pwc.com)

#### Vancouver/Western

Rick Griffiths [rick.m.griffiths@ca.pwc.com](mailto:rick.m.griffiths@ca.pwc.com)  
Ian Heine [ian.d.heine@ca.pwc.com](mailto:ian.d.heine@ca.pwc.com)

#### Waterloo

Jay McLean [jay.mclean@ca.pwc.com](mailto:jay.mclean@ca.pwc.com)

#### Windsor

Giancarlo Di Maio [giancarlo.dimaio@ca.pwc.com](mailto: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](http://www.pwc.com/ca/em).