

The *big* table

Digital media and animation incentives in Canada 2015 (part 2 of 2)



| Amount | Requirements | Fees and contacts |
|---|---|--|
| ANIMATION | | |
| British Columbia Digital Animation, Visual Effects and Post-Production Tax Credit 17.5% of qualified BC labour directly attributable to digital animation or visual effects activities and, for productions that begin principal photography after February 28, 2015, to post-production 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 BC Production Services tax credit. | Fee: No additional fee for this credit. www.creativebc.com 604 736 7997 |
| Ontario Computer Animation and Special Effects Tax Credit 18% of qualified Ontario labour directly attributable to eligible animation or visual effects for an eligible production (20% if expenditures incurred before April 24, 2015; in certain cases, before August 1, 2016) (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: For productions that start after April 23, 2015, must receive either the Ontario Film and Television Tax Credit or the Ontario Production Services Tax Credit. Only costs incurred in Ontario are eligible. | Fee: Greater of 0.06% of eligible labour and \$100 (maximum \$5,000). www.omdc.on.ca 416 314 6858 |
| Quebec Computer Animation and Special Effects Tax Credit For the Quebec Film and Television Production Tax Credit: 8% of qualified Quebec labour (maximum: 4% of production costs). For the Quebec Production Services Tax Credit: 16% 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 the Quebec Film and Television Production Tax Credit (maximum combined credit: 52% or 56% of qualified Quebec labour) or the Quebec Production Services Tax Credit. | Fee: 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.gov.bc.ca/incometaxes 250 387 3332 |
| British Columbia Investment Capital Program Tax Credit (New Media Venture Capital) Non-refundable credit: 30% of investment for corporations that purchase shares of an eligible business corporation (EBC) (no annual limit on credit). Refundable credit: 30% of investment for individuals who purchase shares of an EBC (maximum: \$60,000 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, Government of British Columbia. 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 for prototyping and product development and up to \$100,000 of eligible marketing and distribution expenses (maximum: \$500,000 credit per project). | 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 Jobs and the Economy 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/jec 204 945 3145 |
| Newfoundland and Labrador Interactive Digital Media Tax Credit 40% of eligible Newfoundland and Labrador labour (starting fiscal years beginning after 2014). | Details are forthcoming. | Details are forthcoming. |
| Nova Scotia Computer-assisted Labour Incentives (formerly 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. 25% of total Nova Scotia expenditures + Regional credit: 5% of qualifying expenditures for productions outside the metro Halifax zone. Plus: Animation incentive: 17.5% of up to \$150,000 of eligible animation labour (for productions starting after June 30, 2015). | Entity: Taxable Canadian corporation with a permanent establishment in Nova Scotia, whose primary purpose is to develop interactive digital media products (for digital animation incentive, must be a CCPC that produces film or video). 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. Digital animation productions must be broadcast, distributed or available for viewing within 24 months of completion. | 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.novascotia.ca/finance 902 424 4655 |
| Ontario Interactive Digital Media Tax Credit (OIDMTC) 40% of eligible Ontario labour directly attributable to interactive digital media products (no maximum) and eligible marketing and distribution expenditures (maximum: \$100,000 per eligible product). Or: "Specified products" (fee-for-service products): 35% of eligible Ontario labour directly attributable to interactive digital media products (no maximum). Or: Large game companies: 35% of eligible Ontario labour directly attributable to the development of eligible digital games (no maximum). | Entity: Canadian taxable corporation (Canadian or foreign-controlled) with a permanent establishment in Ontario that develops interactive digital media products. Large game companies can apply as a Specialized Digital Game Corporation (SDGC) or a Qualifying Digital Game Corporation (QDGC). Content/copyright: Eligible interactive digital media products (excluding claims made by SDGCs or QDGCs) requires certain percentages (80/25 test) of total labour costs to create a product to relate to eligible wages paid to individuals, personal services corporations or certain employees. ¹ Product restrictions. ² Relaxed copyright requirements; none for specified products, or for games claimed by SDGCs or QDGCs. Other: The interactive digital media product must entertain or educate children under age 12 ² , and present information in at least two of: text, sound or images. SDGC: must incur a minimum of \$1 million in eligible Ontario labour in the year and have either 80% of salaries and wages for services rendered in Ontario or 90% of annual gross revenue directly attributable to the development of eligible digital games. QDGC: must incur a minimum of \$1 million in eligible Ontario labour in any 36-month period that is directly attributable to the development of a single digital game under an arrangement with a purchaser corporation. | Filing: Application can be made to the Ontario Media Development Corporation (OMDC) once the eligible interactive digital media products are completed. SDGCs can apply at the end of their taxation year. QDGCs can apply after the 36-month period mentioned. Fee: Greater of 0.1% of qualifying expenditures and \$100 (maximum \$2,000). www.omdc.on.ca 416 314 6858 |
| Prince Edward Island Innovation and Development Labour Rebate 25% 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 (e.g. information and communication technologies). Content/copyright: No content restrictions. No copyright restrictions. Other: Can claim only one year of eligible expenditures. 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 |
| Quebec Production of Multimedia Titles Tax Credit General component: Category A titles: 30% (24% ³) of qualified labour. + Premium for French: 7.5% (6% ³) of qualified labour if in French language version. Category B titles: 26.25% (21% ³) 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 A titles or minimum 75% of gross revenues came from Category A titles: 30% (24% ³) of corporation's qualified labour. + Premium for French: 7.5% (6% ³) of corporation's qualified labour. Other: 26.25% (21% ³) 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. (Exceptions apply for titles intended for users with a disability). Multimedia titles must be for commercial use and must be interactive and produced on electronic media. The maximum annual qualified labour expenditures per eligible employee is \$100,000 (exceptions apply) if incurred after March 26, 2015. Category A: Multimedia titles intended for commercialization. Not vocational training titles. Category B: Other multimedia titles. Specialized corporation: At least 75% of business activities in Quebec must produce eligible multimedia titles. Can claim general component or as a specialized corporation. | Filing: Application for an Initial Qualification Certificate (general component only) should be sent to Investissement Quebec. Annual Specialized Corporation Certificate (specialized corporations only) and Production Work 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 Qualification Certificate is \$116. Annual application is based on production expenses. Maximum fee is \$3,483 per eligible title. Specialized corporations: Annual application is based on number of employees. Maximum fee is \$58,043. www.investquebec.com/en 514 873 4664 or 866 870 0437 |

1. For the OIDMTC, applies to all products awaiting certification after April 23, 2015. Previously, the product had to be developed all or substantially all (90% or more) by the applicant in Ontario.

2. For the OIDMTC, applies to expenditures incurred after April 23, 2015. Previously, the primary purpose of the product had to educate, inform or entertain, regardless of age.

3. For the Quebec Production of Multimedia Titles Tax Credit, the lower rates apply to qualified labour expenditures incurred before March 27, 2015.

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Your partner for digital media and animation incentives in Canada

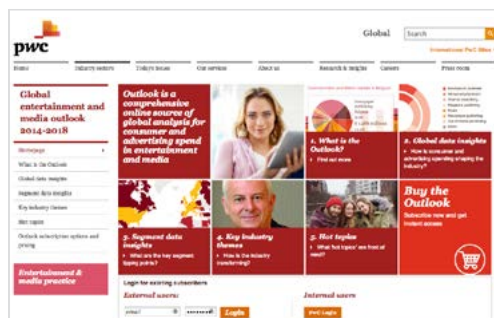


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For previous editions of *The big table*, see www.pwc.com/ca/bigtable



Our unique team is made up of individuals dedicated to providing tax and assurance services to digital media and animation companies.

While consumers have long enjoyed overwhelming choice within the media industry, the ways content is experienced continue to evolve. Digital entertainment is becoming the norm, increasingly blurring the lines between digital and traditional media. Consumers seek content and solutions that offer flexibility and personalization.

Navigating through the complex landscape to reach your consumers can be challenging. Our dedicated team of entertainment and media professionals can help your business succeed. The rise of digital and mass connectivity continues to create new entertainment activities, emphasizing the need for businesses to be aware of the tax incentives available to them. To help you get the maximum benefit, we stay on top of industry developments and innovations. Whether it's social media, living-room technology that can be connected to the Internet or the continued rise of gamification, we can help.

Our team of industry professionals can assist digital media and animation companies to meet the ever-changing demands. Your company can benefit from our knowledge of tax credits and incentives from two broad categories:

1. refundable interactive digital media tax credits offered by several provinces, based on eligible labour expenditures and eligible marketing and distribution expenses
2. generous tax incentives provided by Canada's scientific research and experimental development (SR&ED) program, to reward companies advancing science or technology in the gaming industry

Please contact us for more information.

Tracey Jennings

National Media Incentives Team Leader | August 4, 2015

Why PwC

- Our unique value proposition: The right partner with the right expertise for the long term.
- A passionate team that lives and breathes the media industry.
- Deep Canadian and global expertise giving you confidence that issues are solved efficiently and effectively.
- We help throughout the entire process to ensure all concerns are addressed right from the beginning.

Who to call



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