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March 26, 2009

Dear Clients:

Re: Enhancements to the OIDMTC in the March 26th Provincial Budget

We are pleased to inform you that the Budget announced by the Honourable Dwight Duncan, Minister of Finance, on Thursday, March 26, 2009 included the following enhancements to the Ontario Interactive Digital Media Tax Credit (OIDMTC):

Currently, a 30 % refundable tax credit is available to small corporations that develop their own eligible products and a 25 % refundable tax credit is available to large corporations that develop their own eligible products or to corporations that develop eligible products under a fee-for-service arrangement.

This Budget proposes, effective for qualifying expenditures incurred after March 26, 2009 to increase the OIDMTC rates to:

- **40 %** for qualifying corporations, regardless of size, that develop and market their own eligible products; and
- **35 %** for qualifying corporations that develop eligible products under a fee-for-service arrangement.

Currently, qualifying corporations that develop and market their own products are able to claim 50 % of arm's-length contractor labour expenditures while corporations developing eligible products under a fee-for-service arrangement are unable to claim these expenditures.

This Budget also proposes, effective for qualifying expenditures incurred after March 26, 2009:

- to expand the OIDMTC, to allow corporations to claim 100 % of the amount paid to eligible arm's-length contractors that is attributable to the salaries and wages of the contractor's employees; and
- to extend the OIDMTC to digital media game developers that incur a minimum \$1 million of eligible labour expenditures over a 36-month period for fee-for-service work done in Ontario in respect of an eligible product. Corporations that meet the minimum expenditure test would not be required to be at arm's length with the purchaser corporation, or to develop all, or substantially all, of the eligible product.

Certificates issued by the OMDC cannot incorporate the changes until revisions to the OIDMTC have passed into law. If you have any questions regarding the changes, please call the OMDC at (416)314-6858.

Jennifer Blitz
Director Tax Credits & Financing Programs