

ONTARIO MEDIA DEVELOPMENT CORPORATION

Ontario Film and Television Tax Credit (OFTTC) Presentation

March 3, 2011

www.omdc.on.ca



Culture is our business

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OMDC

Note: This slide deck is a general guide and may not be relied upon in order to determine eligibility for the amount of an anticipated tax credit. Please consult the OFTTC legislation and regulations for further details.

Questions via CHAT

- **You can send us your questions during this session through the CHAT feature in WebEx by selecting the chat icon in the WebEx toolbar.**
- **We will respond to questions at the end of the session.**
- **If we can't get to your question, we will send you a response after the session.**

Qualified Corporations

The basic requirements for a corporation to be eligible are:

- **The Corporation must be primarily a film or video production business;**
- **The Corporation must be a taxable Canadian-controlled, Canadian corporation;**
- **The Corporation cannot be exempt from tax;**
- **The Corporation must have a permanent establishment in Ontario.**

Eligible Productions

A film or television production must satisfy all of the following to be eligible:

- The production has been awarded a minimum of 6 Canadian content points*;
- The individual producer of the production must be a Canadian citizen and Ontario resident;
- At least 75% of all production costs are payable for services provided by Ontario-based individuals or corporations**;
- At least 85% of shooting days/key animation must occur in Ontario.***;
- At least 95% of the cost of post-production must be carried out in Ontario****;

* exceptions made in the case of documentaries and treaty co-productions

** in the case of co-productions, this applies to the Ontario portion

*** waived in the case of documentaries, treaty and interprovincial co-production

****waived for co-productions

Eligible Productions (cont'd)

- The qualifying production company or a related company must be the exclusive worldwide copyright owner for all commercial exploitation purposes for a 25-year period, and must control the initial licensing of the production**;
- There must be an agreement in writing with an Ontario-based Canadian distributor or Canadian broadcaster (not associated to applicant company) to have the production shown in Ontario within two years after completion; and, for television productions, an initial broadcast between 7-11pm unless directed primarily at children;
- If for broadcast the production must fill a 30 minute time slot;
- The production is not an excluded genre.

** waived for treaty co-productions

Co-productions

- **Interprovincial co-productions** are eligible if they are jointly produced with a Canadian corporation from another province, and the OFTTC will be calculated on the Ontario portion of the co-production. The Ontario portion must be at least 20% of the entire co-production budget.
- **International treaty co-productions** are eligible if they are certified by Telefilm and produced in accordance with an international treaty co-production agreement.

Production Commencement Time (PCT)

Is the *earlier* of

(a)

Commencement of principal photography / key animation

OR

(b) The *latest* of:

(i) First script labour expenses*

(ii) Rights acquisition*

(iii) 2 years before commencement of principal photography / key animation

N.B. Labour can only be claimed for costs incurred as of the PCT date.

*** A parent corporation (100% owner of the applicant) can acquire the rights and/or incur script labour expenditures, and these dates will be applied to the PCT calculation.**

First Time Producer Enhancement

The OFTTC provides an enhancement to productions by a “first-time” producer of 40% on the first \$240,000 of qualifying labour expenditures if:

- The producer has not more than one previous producer screen credit for a commercially released or broadcast in prime time production;
- The producer has not received an OFTTC certificate for another production, and;
- The qualifying production company is not controlled by an individual with more than one previous producer screen credit, or someone that has received an OFTTC certificate, or a corporation that has received an OFTTC certificate.

Regional Bonus

Productions that are shot in Ontario outside the GTA (defined as the City of Toronto and the regional municipalities of Durham, Halton, Peel and York), receive a 10% bonus on all labour expenditures incurred for the production if:

a) Principal photography / key animation in Ontario is done entirely outside of the GTA;

OR

b) where principal photography in Ontario is done partly inside the GTA and partly outside.

i) The GTA location days can only make up 15% of the Ontario location days, and

ii) there must be a total of 5 Ontario location days (or in the case of a television series, the number of Ontario location days must be equal to the number of episodes in the production).

c) Productions which are entirely animated are eligible to receive the regional bonus if at least 85% of their key animation days in Ontario take place outside of the GTA.*

*** Applies to animated productions which started key animation on or after January 1, 2009.**

Types of Financing

Assistance will reduce the tax credit, and is generally defined as an amount paid as an inducement, grant, subsidy, forgivable loan, deduction from tax, a refund, contribution or allowance...etc.

Loans need to be bona-fide loans with a set repayment date, or they will reduce your tax credit. Loans that are repayable out of revenue will be treated as assistance.

Sponsorship arrangements without an exchange of cash or goods at fair market value for services or goods provided will reduce or “grind” the OFTTC calculation.

Labour Deferrals reduce the amount of labour that can be claimed for the tax credit; while deferrals for non-labour do not. Only paid labour costs can be included in your OFTTC claim.

Eligible Labour Expenditures

Eligible labour expenditures are amounts paid from the Production Commencement Time to the end of post-production.

Eligible Labour Expenditures consist of:

- **Salaries and wages**
- **Remuneration paid to:**
 - a) **Canadian corporations that are personal services companies;**
 - b) **Sole proprietors or freelancers;**
 - c) **Partnerships;**
 - d) **taxable Canadian corporations for the services of their employees; and**
- **Reimbursements by a production company to its parent company**

Labour must be paid to Ontario residents or to Ontario companies for the services of Ontario residents.

The Administrative Process

- **Producers may apply to the OMDC immediately after principal photography has started on the Production;**
- **Only complete applications will be analyzed;**
- **OMDC reviews the budget, schedule of projected labour expenditures, financing agreements and other documents related to eligibility of the production;**
- **OMDC issues a Certificate of Eligibility for the production that includes an estimate of the amount of the tax credit;**
- **The OFTTC applications for the Certificate of Eligibility and Letter of Confirmation must be submitted to the OMDC within 24 months after the end of the corporation's taxation year in which principal photography commenced;**
- **After the corporation's year end, the corporation files a T2 tax return, the appropriate schedule (T2SCH556) and a Certificate of Eligibility with the Canada Revenue Agency.**

Online Application Portal

- **Tax credits have gone green with a paperless, secure Online Application Portal (OAP).**
- **You can currently apply for the OFTTC via the OAP.**
- **As of April 1, 2011, all tax credit applications must be submitted via the OAP, including all documentation.**
- **Some benefits of the OAP:**
 - **By securely uploading and storing corporate documents – such as Articles of Incorporation – to your documents library in the portal, applicants can easily attach these required documents for all future applications.**
 - **Track the status of your application**

Online Application Portal (cont'd)

WebEx online training sessions are scheduled to assist applicants wishing for help registering for and using the portal.

- **To register for a WebEx session, visit the OMDC website:**

www.omdc.on.ca

If you have any issues while using the portal, you can email:

applyhelp@omdc.on.ca

Contact Information

**Someone is available every business day to answer general inquiries.
Please ask for the tax credits business officer on phone duty:**

OMDC

Tel: (416) 314-6858

Toll Free: 1-800-560-0695

Email: taxcredits@omdc.on.ca

Website: www.omdc.on.ca

Canada Revenue Agency

General questions:

Tel: (416) 973-3407 or (416) 954-0542

CAVCO Website: <http://www.pch.gc.ca/cavco>