



The Ontario Interactive Digital Media Tax Credit (OIDMTC) has been instrumental to the growth of Ontario's Interactive Digital Media (IDM) sector. But it is time to, at a minimum, catch up to best practices implemented by other jurisdictions. Indeed, the COVID-19 crisis is forcing jurisdictions around the world to look at growth sectors like IDM, that will create high-paying jobs post pandemic. IDM tax credits are the main instrument they leverage to encourage investments and stimulate job creation.

Therefore, Interactive Ontario (IO) recommends the following improvements to the OIDMTC:

1. **Implement a service standard**, with public-facing KPIs for the issuance of the Certificate of Eligibility and tax refund.
  - a. While there has been significant progress in processing times over the last few months, Ontario must now establish a service standard similar to Quebec's Tax Credit for the Production of Multimedia Titles.
  - b. A prescribed service standard of maximum 12 weeks from initiating the claim to receiving the eligibility certificate, will allow companies to work effectively with the tax credit, plan ahead and re-invest in their people, products, and companies.
  - c. A service standard should also be established at the federal level (CRA).
2. **Lower the threshold for annual filing** for video game companies who attain a \$50,000 labour threshold under section 93.2.
  - a. The Ontario IDM industry applauded the reduction of the labour threshold for annual filing from \$1M to \$500,000 in the 2019 provincial budget. This was a step in the right direction. However, Ontario is still far from other competitive jurisdictions, like Quebec, that do not have a minimum threshold for annual filing. This, and the other measures explained herein, propelled the Quebec IDM industry to world-renowned success, resulting in a thriving ecosystem that employs almost 3 times the number of full-time equivalents ("FTEs") than in Ontario.
  - b. IO recommends lowering the labour threshold to \$50,000 in order to allow bona fide video game companies to qualify for annual filing, instead of project-based filing applications that are only eligible once a project has been completed and accessible to the public [specified and non-specified product]. These bona fide companies will not have to wait for years – as they do now – in order to claim and receive their tax credits. Annual filing will allow them to reinvest in their labour and IP, grow and scale up.
  - c. In the midterm, the goal would be to allow all bona fide IDM companies to have access to annual filing as they do in other jurisdictions such as Quebec.
3. **Enable compatibility with the federal Scientific Research and Experimental Development ("SR&ED") tax credit on OIDMTC-eligible labour activities** similar to what the Manitoba jurisdiction offers to its IDM companies.
  - a. Technical innovation is integral to the success of the IDM industry. Other jurisdictions like Manitoba and Quebec, recognize that and encourage tech innovation by allowing IDM companies to claim the SR&ED tax credit on the portion of labour that is not claimed under the Manitoba Interactive Digital Media Tax Credit.
  - b. This is another clear competitive advantage that other jurisdictions have over Ontario.

4. **Include the eligible labour activities of new Ontario residents** who establish their residency and file personal income taxes in Ontario in the year they are hired.
  - a. The competition for senior IDM talent is fierce worldwide and jurisdictions are taking actions to attract such talent. Indeed, for each senior acquired, many juniors and intermediates are upskilled. Based on the current OIDMTC legislation, IDM companies are forced to delay hiring foreign talent since they cannot claim OIDMTC on new Ontario residents during the first year of employment in Ontario. This is another obstacle for Ontario companies that is not present in other jurisdictions like Quebec.
  - b. IO recommendations would qualify new Ontario residents to be claimed if they file personal income taxes in Ontario in the year they are hired. This would encourage companies to attract senior talent committed to staying in the province.
  
5. **Allow for collaboration between Ontario companies**, which is currently limited by the 80/25 rule and **provide clear terms** relating to claims being filed only upon product completion [specified and non-specified product].
  - a. Ontario companies claiming OIDMTC after project completion under the specified and non-specified product stream cannot collaborate with other companies because of the current 80/25 rule. The latter also forces companies to structure their projects based on bureaucratic rules (red tape) rather than what makes sense business-wise. There are no similar rules in jurisdictions like Quebec, where the IDM industry is thriving.
  - b. Therefore, the 80/25 rule should be eliminated to stimulate growth by encouraging collaboration and innovation, which are at the core of the IDM industry.
  
6. **Eliminate the red tape** and complexity involved in the review and processing of **transmedia products**. [specified and non-specified product]
  - a. Transmedia IDM products (also called convergent or cross-media products) are innovative interactive applications that cross the boundaries between media. They extend IP across media such as film, TV, music, books and magazines. They have the potential to bridge across all of the creative industries and can play an important role in reaching new global audiences.
  - b. Bona fide transmedia IDM products in Ontario are not well supported by the OIDMTC. The review process lacks transparency and consistency. It results in unpredictable decisions, which is not conducive to a stable business environment. IDM companies can suffer major negative financial impacts when told, years after having invested in the production of transmedia projects, that their OIDMTC claims are rejected.
  - c. For example, the OIDMTC guidelines were designed to support bona fide transmedia projects. However, they are sometimes denied their OIDMTC claims based on an interpretation of the guidelines re. the definition of promotional projects.
  - d. In the short term, IO recommends to issue a clarification memo that will make it clear that bona fide transmedia projects are not promotional projects. IO also recommends the creation of a working group – industry, government and Ontario Creates – to clearly identify obstacles to the eligibility of bona fide transmedia products and develop solutions in line with the evolving nature of the IDM industry.

IO's recommendations to the Standing Committee on Finance and Economic Affairs (SCFEA) focussed on recommendations 1 to 4 since they can be fast-tracked and implemented within the Fall budget time frame. Recommendation 5 and components of recommendation 6, such as issuing a clarification memo, could also be implemented within that time frame, with a concerted effort from government and industry to iron out the details of the changes.

The OIDMTC is a key instrument in the economic recovery and growth of the Ontario IDM sector. It is therefore imperative to improve it so Ontario can compete against other jurisdictions.