



Oct 15, 2020

The Honourable Rod Phillips, Minister of Finance
c/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, Ontario M7A 1Z1

Re: Fall 2020 Budget Consultations

Dear Minister Phillips and team,

Interactive Ontario (IO) is the not-for-profit trade association representing the Interactive Digital Media (IDM) industry in Ontario. Our sector supports the employment of over 12,000 direct FTEs¹. We proudly² produce and commercialize video games, virtual and augmented reality applications, as well as innovative entertainment and edutainment IDM products consumed worldwide:

- **Export-driven:** 91% of the \$1.66Bn of revenue generated is from international markets¹.
- **Young workforce:** Average employee age is 31¹.
- **Well-paying jobs:** Average salary of \$74,000¹.

Recent studies show that the **global market for video games** – a useful proxy for the more comprehensive and fast-evolving IDM industry – is estimated to reach US\$159.3Bn by the end of 2020, and will grow to US\$200.8Bn by the end of 2023³. Global consumer demand for game content is estimated to grow by a compound annual growth rate (CAGR) of 7.7% between 2018 and 2023³.

Consequently, the IDM industry in Ontario has an **unprecedented opportunity** to play a significant role in the economic recovery of the Province. We can accelerate growth and job creation by capitalizing on the global increase in consumer demand for IDM products, and in so doing:

- Employ Ontarians working from home across the Province.
- Create future-looking jobs for young people graduating from Ontario's post-secondary institutions, and for labour transitioning from other sectors.
- Produce IDM applications that will aid other sectors in their recovery.
- Leverage the diversity of Ontario's techno-creative talent to produce IDM products tailored to the wide variety of international markets.

But **competition is fierce** with jurisdictions worldwide embracing the opportunity to create well-paid and future-looking jobs in the high-growth IDM sector. On Ontario's doorstep, Quebec is assertively leveraging its Tax Credit for Multimedia Titles to scale up homegrown companies and attract foreign direct investments (FDIs). The efficiency of the Quebec tax credit is the primary reason for the remarkable

¹ Interactive Ontario, Measuring Success: The impact of the Interactive Digital Media sector in Ontario, May 2019

² Video on the IDM industry in Ontario, March 2020, <https://youtu.be/Fr4bmveLsSw>

³ Newzoo, 2020 Global Games Market Report

economic success of Quebec's IDM industry, which has continued its stellar growth despite the pandemic⁴.

The Ontario Interactive Digital Media Tax Credit (OIDMTC) is a public policy investment mechanism that has been instrumental to our emerging IDM industry. But our Ontario sector is no longer competing on an even playing field. **It is time to, at a minimum, catch up to the best practices that have long since been implemented by other jurisdictions.** The recommendations below were developed under the auspice of Minister MacLeod's Ministerial IDM Council and presented to the Standing Committee on Finance and Economic Affairs (SCFEA) on June 30th and August 26th 2020⁵:

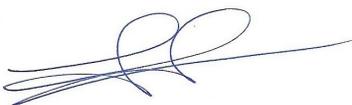
1. Lower the threshold for annual filing for IDM companies that attain a \$50,000 labour threshold.
2. Allow for collaboration between Ontario companies, which is currently limited by the 80/25 rule.
3. Implement a service standard for the issuance of the Certificate of Eligibility and tax refund.
4. Enable compatibility with the federal Scientific Research and Experimental Development ("SR&ED") tax credit on OIDMTC-eligible labour activities.
5. 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.
6. Eliminate the red tape and complexity involved in the processing of transmedia products.

Ontario is now in position to implement these best practices since the outliers have finally been removed from the tax credit and only bona fide IDM companies are eligible to OIDMTC. Government and industry can now focus on increasing the efficiency of the tax credit in stimulating job creation and growth. To illustrate, **it would be a game changer to lower the threshold for annual filing for IDM companies that attain a \$50,000 labour threshold.** This would allow Ontario an opportunity to effectively compete with other jurisdictions to scale up its homegrown companies and attract FDIs. It would also cut a tremendous amount of red tape by simplifying the processing of the tax credit. And at last, it would allow Ontario companies to collaborate and innovate together.

Jurisdictions like Quebec have shown that effective and reliable tax credits lead to remarkable job creation and economic impact. Ontario has what it takes to create many more jobs in its IDM sector and hence contribute to the economic recovery of the Province. But we must adapt the OIDMTC to the evolving needs of the industry and its competitive landscape.

We are ready to work collaboratively with the government to ensure that Ontario IDM companies forge ahead, echoing the message that Ontario is the Place to Grow IDM companies and is Open for Business.

Best regards,



Lucie Lalumière, President & CEO, Interactive Ontario, 647-923-5717

cc: Board of Interactive Ontario, incl. Mary Sorrenti, Chair of IO's Advocacy committee.
cc: The Honourable Lisa MacLeod, Minister of Heritage, Sport, Tourism and Culture Industries.

⁴ Plus de 2000 postes bien payés à combler, Journal de Montréal, 28 septembre 2020, <https://www.journaldemontreal.com/2020/09/28/plus-de-2000-postes-bien-payes-a-combler>

⁵ Interactive Ontario's written submission to the Standing Committee on Finance and Economic Affairs (SCFEA), August 27 2020, <https://interactiveontario.com/impact-of-the-pandemic-on-smes-potential-solutions-ios-appears-before-the-standing-committee-on-finance-and-economic-affairs-scfefa/>