



Feb 11, 2021

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

Re: Spring 2021 Budget Consultations

Dear Minister Bethlenfalvy and team,

Interactive Ontario (IO) is the not-for-profit trade association representing the Video Game/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 across the Province.
- Create future-looking jobs for young people graduating from Ontario's post-secondary institutions, and for labour transitioning from other sectors.
- Leverage the diversity of Ontario's techno-creative talent to produce IDM products tailored to the wide variety of provincial, national and international markets.

But **competition is fierce** with jurisdictions worldwide embracing the opportunity to create well-paying and forward-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 economic success of Quebec's IDM industry. It has continued to attract FDIs during the pandemic – at

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

least 6 international video game studios have announced their expansion in Quebec since then (Focus Home Interactive, Quantic Dream, Phoenix Labs, DONTNOD, Amber, Eidos).

The Ontario Interactive Digital Media Tax Credit (OIDMTC) is a foundational component of creating and maintaining jobs in Ontario's emerging IDM industry. But the province is no longer competing on an even playing field. In order to regain our competitive edge, we must, **at a minimum, catch up to the best practices that have been implemented by other jurisdictions**. There has never been a better time to do so now that the outliers have finally been removed from the tax credit and only bona fide IDM companies are eligible for the OIDMTC.

The IDM industry understands that the Province will not be able to immediately catch up to leading IDM jurisdictions, especially considering the additional pressure that the pandemic is putting on the government. Therefore, we propose to start with important red tape improvements that can be implemented in the Spring Budget:

1. Enable **compatibility with the federal Scientific Research and Experimental Development** ("SR&ED") tax credit on OIDMTC-eligible labour activities, as is done in other provinces.
2. Include the **eligible labour activities of new Ontario residents** who establish their residency and file personal income taxes in Ontario in the **same year** they are hired.

As part of the recovery phase, the following recommendations will have to be addressed, since they remedy major impediments to job creation that are not found in leading IDM jurisdictions:

3. Implement a **service standard** for the issuance of the OIDMTC Certificate of Eligibility and tax refund. The industry is grateful to Ontario Creates and the Ministry of Heritage, Sport, Tourism and Culture Industries for reducing the queue to 10-12 weeks and continuing to improve processing time. A service standard developed in conjunction with the CRA will provide stability for IDM companies on a more permanent basis.
4. Lower the **threshold for annual filing** for IDM companies that attain a \$50,000 labour threshold.
5. Allow for **collaboration between Ontario companies**, which is currently limited by the 80/25 rule.
6. **Eliminate the red tape and complexity** involved in the processing of IDM products.

The Video Game/Interactive Digital Media sector can be **THE industry of the next decade** in Ontario. This can be facilitated by making adjustments to an existing economic stimulus tool, the OIDMTC. Then, leveraging it to scale up our homegrown companies, attract foreign direct investments, and create high-quality jobs here in Ontario, rather than seeing them created in other jurisdictions worldwide.

Let's be ambitious and work together to realize this vision for Ontario. We are looking forward to meeting you and your team to discuss further.

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.