



February 10, 2023

The Honourable Peter Bethlenfalvy  
Minister of Finance

Re: 2023 Budget Consultations – Interactive Ontario recommendation

Canada's interactive digital media (IDM) industry is a powerhouse in the world. Seven of the ten provinces (soon to be eight, with the addition of Alberta) offer competitive incentives to attract and support this growing sector, making it a strategic sector of investment for the country on the global stage. The global IDM market is worth over \$USD 184B<sup>1</sup>, which is more than the movie and home box office revenues, and all North American professional sports, combined<sup>2</sup>.

Ontario is well positioned to continue to generate impressive economic activity in this area with critical measures like the Ontario Interactive Digital Media Tax Credit (OIDMTC). Ontario has over 400 companies operating in the IDM industry<sup>3</sup>, employing highly skilled, highly paid (average full-time salary \$78,600 in 2021<sup>4</sup>) technical and creative workers.

The industry is pleased that the government of Ontario recently committed to modernizing cultural tax credits to reflect the latest practices and to continue to attract investment and jobs. **Interactive Ontario** (IO) is the trade association representing the IDM sector in Ontario, ie. producers of video games, immersive experiences (XR) and edutainment applications. The IDM sector in Ontario is mainly composed of small and medium sized enterprises (SMEs)<sup>5</sup> producing and commercializing video games, and is also home to a number of innovative XR studios.

In 2019, the Ontario Conservative government announced the reduction of the threshold for annual filing to the OIDMTC from \$1M to \$500K of labour. This decision set the foundation for further improvements to the OIDMTC. Building on that, IO is pleased to offer the following high-impact

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<sup>1</sup> <https://newzoo.com/insights/articles/the-latest-games-market-size-estimates-and-forecasts> (note that the video game sector is used as a proxy for the IDM industry which includes additional types of IDM products)

<sup>2</sup> <https://www.marketwatch.com/story/videogames-are-a-bigger-industry-than-sports-and-movies-combined-thanks-to-the-pandemic-11608654990>

<sup>3</sup> Interactive Ontario's internal data

<sup>4</sup> <https://theesa.ca/wp-content/uploads/2022/07/esac-2021-final-report.pdf>

<sup>5</sup> <https://theesa.ca/wp-content/uploads/2022/07/esac-2021-final-report.pdf>



recommendation on legislative changes to the OIDMTC to modernize its use and cut red tape in the administration of this critical program.

### **Reduce the threshold for annual filings from \$500K to \$250K in labour**

Ontario boasts the greatest number of SMEs in the video game industry in Canada<sup>6</sup>. We are proud entrepreneurs and are contributing to the Ontario economy in all regions of the province.

The ability to file annually – rather than at the end of a project – provides eligible SMEs with the ability to more accurately predict their operating cash flows, resulting in improved production planning, and ultimately stable and predictable hiring, retention and growth. It also more accurately reflects the ongoing production work that is now required for many video games. An annual filing process, which should include allowances for marketing, helps cut red tape. It simplifies claims for both companies and the government, and in doing so, allows the OIDMTC to be closer administratively to other jurisdictions' tax credits.

Reducing the annual threshold for filing from \$500K to \$250K would allow a greater number of smaller businesses to benefit from the more streamlined annual filing processes and would significantly cut the administrative burden for those smaller companies.

We are looking forward to working with the Ontario Government on this recommendation.

Best regards,

Lucie Lalumière  
President & CEO, Interactive Ontario

cc: The Honourable Neil Lumsden, Minister of Tourism, Culture and Sport  
cc: IO Board of Directors and Advocacy Committee

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<sup>6</sup> <https://theesa.ca/wp-content/uploads/2022/07/esac-2021-final-report.pdf> (note that the video game sector is used as a proxy for the IDM industry which includes additional types of IDM products)