

Agenda

- Program Objectives
- Administration Process
- Eligible Products
- Specified Products
- Program Overview and Enhancements
- Eligible Expenditures
- OTEC

Program Objectives

- OIDMTC program supports business interactive media development in Ontario
- Program supports OMDC's objective of promoting sustainable growth, economic development and job creation in the digital media sector.
- Program has recently been enhanced so that the incentive is higher and more Ontario based companies will be able to access these credits.

Administration Process

- The OIDMTC program is jointly administered by the CRA and the OMDC.
- Application fee of 0.1% of total final qualifying expenditures is required for each application (minimum of \$100)
 - Example: Total expenditures = \$200,000, therefore application fee = \$200
- Upon receipt of the application and the fee, the OMDC will review the claim and issue a certificate of eligibility (usually within 3-5 months).

Administration Process (cont.)

- When an application is submitted to the OMDC, they will review it for eligibility of the corporation to make a claim, ensure the products meet the criteria for eligible products or specified products and estimate the amount of the tax credit.
- OMDC issues Certificate of Eligibility to corporation, if applicable
- Corporation files corporate tax return and Certificate of Eligibility with CRA and CRA will audit the claim, issue the notice of assessment, and issue the refund, if applicable (estimate 2-3 months)
- Corporation can submit an application for OIDMTC at any time after all eligible products have been completed
- Claims can be submitted retroactively for all open Ontario tax years.

What Types of Products are Eligible

- Two types of products are eligible for OIDMTC:
 - Eligible products, and
 - Specified products

- Eligible products meet the definition of an interactive digital media product and are to be developed in Ontario and sold by the developing corporation

- Specified products are interactive digital media products developed under a fee-for-service arrangement between the qualifying corporation and an arm's length purchaser corporation

Interactive Digital Media Product

- An interactive digital media product is a combination of one or more application files and data files, all in a digital format, that are integrated and are intended to be operated together, and have the following characteristics when operated:
 1. Primary purpose is to educate, inform or entertain user
 2. Presents information in at least two of: text, sound, images
 3. Intended to be used by individuals
 4. By interacting with the product, users can choose what information is presented and the form and sequence it is presented in

Additional Criteria

- Additional criteria for eligible products:
 - Product is developed for sale or licensing, by the qualifying corporation, to one or more arm's length parties with whom they have not previously enter into an agreement
 - Product is not used primarily (50%) for interpersonal communication
 - Product is not used primarily (50%) to present or promote the qualifying corporation or sell its products or services

Specified Products

- Specified products are interactive digital media products developed under a fee-for-service arrangement
 - The product is developed for the purpose of sale or license by the purchaser to one or more persons, who are not related to the purchaser
 - ASA (90%) of product is developed in Ontario
 - Claimant must produce ASA (90%) of the product
 - **Contract must be entered into after March 23, 2006, and eligible costs are those incurred after March 23, 2006**

Program Overview and Enhancements

OIDMTC is a refundable tax credit

- 30% on qualifying expenditures for a qualified small corporation
(Annual gross revenue < \$20M and total assets < \$10M)
- 20% on qualifying expenditures for other corporations (25% for qualifying expenditures incurred after Mar. 25/08 and before Jan. 1/12 per Bill 44 enacted in May 2008)
- Credit is based on Ontario labour expenditures and eligible marketing and distribution expenditures with respect to eligible products
- No limit on amount of labour expenditures that may qualify
- Eligible marketing and distribution expenses limited at \$100K per eligible product

Eligible Expenditures – Ontario Labour

- 100% salaries and wages for employees
- 50% of amounts paid to arm's length persons (non-employees i.e. contractors)
- Must be paid to individuals resident in Ontario at the end of calendar year prior to year services are rendered
- Must be directly attributable to development of eligible product
- Labour expenses incurred in the taxation year, or prior taxation year, up to a 25 month period ending at the end of the month in which the eligible product is completed
 - Example: Product completed on June 15, 2007, therefore the eligible labour expense period is May 1, 2005 to June 15, 2007
 - Bill 44 from the 2008 Ontario budget, which was enacted in May 2008, extends the eligibility period for eligible labour expenses from 25 months to 36 months. This applies to products completed after March 25, 2008.

Eligible Expenditures – Marketing & Distribution



- Expenses directly attributable to advertising or promoting an eligible product, OR
- Expenses related to distributing eligible product to customers or potential customers
- (ex: Trade show costs, print ads, etc.)
- Limited to \$100,000 per eligible product

- Limited to expenses incurred in the 24-month period prior to the completion of an eligible product, and 12-month period following product completion date
 - Example: Product completed on June 15, 2007, therefore the eligible marketing and distribution expense period is June 15, 2005 to June 15, 2008

Ontario Tax Exemption for Commercialization (OTEC)



- 2008 Ontario budget includes a proposal for a 10-year tax exemption from Ontario Corporate Income Tax and Corporate Minimum Tax for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes.
- Exemption would apply to corporations that commercialize intellectual property in priority areas such as, but not limited to, bio-economy/clean technologies, advanced health technologies and telecommunications, computer and digital technologies.
- Eligible activities would include the development of prototypes and the marketing and manufacturing of products related to the intellectual property.
- A corporation qualifies if it was incorporated in Canada and was established between March 24, 2008 and March 25, 2012 and all or substantially all (90%) of its income is from eligible commercialization activities carried on in Ontario.
- This item is included in Bill 100 which received first reading on September 23, 2008.



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