

Ministry of Finance

Tax Bulletin



ISSUED: May 2002 REVISED: February 2011

Bulletin CIT 010

www.fin.gov.bc.ca/rev.htm

British Columbia Production Services Tax Credit

Income Tax Act (British Columbia)

Do you provide film or video production services in British Columbia?

Do you need to know how to claim British Columbia production services tax credits?

This bulletin provides specific tax information on the Production Services Tax Credit Program.

Table of Contents

| | |
|--|----|
| Overview..... | 1 |
| Definitions..... | 2 |
| Eligibility Requirements | 6 |
| Tax Credits..... | 6 |
| Applying for the Accreditation Certificate | 9 |
| Applying for the Credits..... | 9 |
| Repayment of the Credits | 9 |
| Canada Revenue Agency and the Ministry..... | 10 |

Overview

The British Columbia Production Services Tax Credit Program provides four refundable tax credits to production corporations that produce or provide services to accredited film and/or video productions in British Columbia. The tax credits are based on the BC labour expenditure and are available to both domestic and foreign producers – Canadian content is not a requirement.

The tax credits are claimed when filing the *T2 Corporation Income Tax Return*, and are refundable to the extent they exceed the corporation's tax payable. The Canada Revenue Agency (CRA) administers the processing of claims and issues the refunds.

Please note: British Columbia also offers the Film and Television Tax Credit Program. For more information, please see [Bulletin CIT 009](#), *British Columbia Film and Television Tax Credit*.

Definitions

The British Columbia Production Services Tax Credit Program includes important terms that relate to the eligibility of the four credits.

Key terms are listed below.

Accredited BC Labour Expenditure

An accredited BC labour expenditure of an accredited production corporation includes BC labour expenditure amounts for a year that:

- did not form part of the corporation's accredited BC labour expenditure in the prior year,
- were incurred by the corporation after May 31, 1998,
- were incurred during the taxation year or the prior taxation year,
- are directly attributable to the accredited production,
- are for services rendered in British Columbia, and
- are reasonable in the circumstances.

An accredited BC labour expenditure **does not include** an amount:

- that forms part of the BC labour expenditure of any other corporation,
- that is not a cost of producing the accredited production,
- related to advertising, marketing, promotion or market research,
- related in any way to another film or video production, or
- to which section 37 (scientific research and experimental development) of the federal *Income Tax Act* (federal Act) applies.

Accredited Production

An accredited production means a film or video production for which the total expenditures included in the cost of producing the production are:

- greater than \$100,000 in the case of a production that is an episode, or a pilot for an episode, of less than 30 minutes (for animated or visual effects productions of less than 30 minutes, there is no cost limit),
- greater than \$200,000 in the case of a production that is an episode, or a pilot for an episode, of 30 minutes or more, or
- greater than \$1 million, in any other case.

In determining the cost of producing the production:

- only include expenditures incurred in the 24-month period beginning when principal photography began, and
- do not include any amounts determined by reference to profits or revenues (e.g. deferrals or residuals).

The accredited production must not be an excluded production. An excluded production means a film or video production that is:

- news, current events or public affairs programming,
- a program that includes weather or market reports,
- a talk show,
- a production with regard to a game, questionnaire or contest, unless the production is primarily directed at minors,
- a sports event or activity,
- a gala presentation or awards show,
- a production that solicits funds,
- reality television,
- pornography,
- advertising,
- a production produced primarily for industrial, corporate or institutional purposes,
- a production, other than a documentary, all, or substantially all, of which consists of stock footage, or
- a production where public financial support would, in the opinion of the certifying authority, be contrary to public policy.

Accredited Production Corporation

An accredited production corporation means a BC-based corporation that throughout the taxation year primarily carries on a film or video production business, or a film or video production services business, and:

- owns the copyright in the production throughout the period the production is produced in British Columbia, or
- has contracted directly with the owner of the copyright in the production to render production services with regard to the production.

An accredited production corporation **does not include:**

- a corporation, all or part of, whose taxable income, is at any time in the taxation year, exempt from tax under Part I of the federal Act, or
- a corporation that is exempt from tax under section 27 of the *British Columbia Income Tax Act* (the Act), or
- a corporation controlled by a person, or group of persons, exempt from tax under section 27 of the Act or Part I of the federal Act, or
- a prescribed labour-sponsored venture capital corporation, an employee venture capital corporation, a small business venture capital corporation, or a corporation that has registered an employee share ownership plan.

Accredited Qualified BC Labour Expenditure

An accredited qualified BC labour expenditure means the amount, if any, by which:

- a) the total of the corporation's accredited BC labour expenditure for the current and prior taxation years exceeds the total of the following amounts:
 - assistance that can reasonably be considered to be related to the corporation's accredited BC labour expenditure that the claimant has received, or is entitled to receive, has not been repaid under a legal obligation to do so and has not otherwise reduced the corporation's accredited BC labour expenditure (assistance is determined at the time of filing the tax return),
 - all amounts of accredited qualified BC labour expenditure **claimed in a previous year** for the production, and
 - all amounts included in paragraph (a) above that the corporation received or will receive as a reimbursement from a parent corporation.

Assistance

Assistance is an amount that would be included in income under paragraph 12(1)(x) of the federal Act if no election was made to otherwise reduce the cost of property, or the amount of an outlay or expense.

Assistance **does not include:**

- the film and television tax credit or production services tax credit paid under the Act,

- a Canadian film or video production tax credit, or a film or video production services tax credit paid under the federal Act, or
- payments received under the Licence Fee Program of the Canadian Television Fund.

BC-Based Corporation

BC-based corporation means a corporation that has a permanent establishment in British Columbia.

BC-Based Individual

Effective February 20, 2008, the definition of BC-based individual was changed.

For productions with principal photography that began **before February 20, 2008**, BC-based individual means a person who was resident in British Columbia on December 31 of the year before principal photography began.

For productions with principal photography that began **after February 19, 2008**, BC-based individual means a person that is resident in British Columbia on December 31 of the year before the end of the tax year for which the tax credit is being claimed.

BC Labour Expenditure

BC labour expenditure includes amounts incurred by the corporation from the final script stage to the end of the post-production stage with regard to a film or video production. For a taxation year, the BC labour expenditure may include the following amounts:

- salary or wages, if paid by the corporation to BC-based individuals during the year, or within 60 days after the end of the year, (and not included in the corporation's BC labour expenditure for the year before) and directly related to the production, and
- payment for services provided for the production, if paid by the corporation during the year, or within 60 days after the end of the year, (and not included in the corporation's BC labour expenditure for the year before) to:
 - individuals, partnerships and personal services corporations for services provided by BC-based individuals for the production, and
 - proprietorships, partnerships and taxable Canadian corporations for services provided by their employees, to the extent that the payment does not exceed the salary or wages paid to their employees who are BC-based individuals for services provided for the production.

If the corporation is a wholly-owned subsidiary, it may include certain reimbursements made to its parent company during the year, or within 60 days after the year, for the production in its BC labour expenditure for a taxation year. The corporation can only include reimbursements if the parent company is a taxable Canadian corporation and the expenditure would, if it had been incurred and paid for by the corporation, have been included in the corporation's BC labour expenditure for that taxation year.

The corporation's BC labour expenditure does not include amounts that are determined by reference to profits or revenues, that are included in the BC labour expenditure of any other corporation, or for which any corporation has claimed an Interactive Digital Media Tax Credit. In addition, advertising, marketing, promotion or marketing research are also excluded.

Please note: A corporation's BC labour expenditure is the amount incurred related to the production and is not limited to the corporation's equity interest in a film.

Principal Photography

Principal photography includes key animation if the film or video production is an animated production or contains animated segments.

For a complete list of the terms and definitions, you can view the *Income Tax Act* (British Columbia) and the Film and Television Tax Credit Regulation at www.BCLaws.ca

Eligibility Requirements

Your corporation may apply for a tax credit if it meets the requirements below.

- Your corporation is an accredited production corporation throughout the taxation year, and has started principal photography before the end of the taxation year for which you are claiming a credit.
- The film or video production is an accredited production approved by the certifying authority.

Please note: Each episode is considered a separate film or video production.

Tax Credits

The British Columbia Production Services Tax Credit Program includes four distinct tax credits:

1. basic,

2. regional,
3. distant location, and
4. digital animation or visual effects.

Basic Production Services Tax Credit

The basic production services tax credit for a taxation year is equal to 33% of your corporation's accredited qualified BC labour expenditure for that year. The list below details the tax credit rates since the program was introduced in 1998.

| Basic Production Services Tax Credit | Rate |
|---|-------------|
| Accredited qualified BC labour expenditure incurred after February 28, 2010, for productions that started principal photography after February 28, 2010 | 33% |
| Accredited qualified BC labour expenditure incurred after December 31, 2007 | 25% |
| Accredited qualified BC labour expenditure incurred after December 31, 2004, for productions that started principal photography after December 31, 2004 | 18% |
| Accredited qualified BC labour expenditure for productions that started principal photography prior to January 1, 2005 | 11% |

Regional Production Services Tax Credit

The regional production services tax credit is 6% of your corporation's accredited qualified BC labour expenditure for the taxation year. The credit is prorated by the number of days of **principal photography** done in British Columbia outside of the designated Vancouver area, over the total number of days in which principal photography is done in British Columbia.

You may claim the regional production services tax credit if:

- your production is eligible for, and your corporation has claimed, the basic production services tax credit,
- principal photography begins after March 31, 2003,
- principal photography of the production is done in British Columbia outside the designated Vancouver area for:
 - a minimum of five days, and
 - more than 50% of the total number of days in which principal photography is done in British Columbia.

- your corporation has obtained a valid accreditation certificate issued to it for the production and the regional production services tax credit, and
- your corporation applies for the regional production services tax credit.

You can view a detailed map of the designated Vancouver area on the British Columbia Film (BC Film) website at www.bcfilm.bc.ca/downloadables/Designated_Vancouver_Area_2006.pdf

Distant Location Production Services Tax Credit

The distant location production services tax credit is an additional 6% of your corporation's accredited qualified BC labour expenditure for the taxation year. The credit is prorated by the number of days of principal photography done in a distant location in British Columbia, over the total number of days in which principal photography is done in British Columbia.

You may claim the distant location production services tax credit if:

- the production is eligible for, and your corporation has claimed, the basic production services tax credit and the regional production services tax credit,
- principal photography of the production began after February 19, 2008,
- the BC labour expenditure was incurred after December 31, 2007, and
- **at least one day** of principal photography of the production is done in British Columbia at a distant location.

You can view a detailed map of the regional and distant location areas on the BC Film website at www.bcfilm.bc.ca/downloadables/BCFilm_Tax_Areas.pdf

Please note: A distant location is any part of British Columbia that is outside the area that extends from the designated Vancouver area north, up to and including Whistler, and east to include Hope, and outside the Capital Regional District.

Digital Animation or Visual Effects (DAVE) Production Services Tax Credit

You may be eligible for the DAVE tax credit for digital animation or visual effects activities that qualify for the basic production services tax credit. The DAVE tax credit is an additional credit based on the accredited qualified BC labour expenditure directly attributable to prescribed DAVE activities. For more information on the DAVE tax credit, please see [Bulletin CIT 011](#), *British Columbia Digital Animation or Visual Effects (DAVE) Tax Credit*.

| Digital Animation or Visual Effects (DAVE) Tax Credit | Rate |
|---|-------|
| DAVE expenditure incurred after February 28, 2010, for productions that started principal photography after February 28, 2010 | 17.5% |
| DAVE expenditure incurred after December 31, 2002, for productions that started principal photography after March 31, 2003 | 15% |

Applying for the Accreditation Certificate

You must apply to BC Film for an accreditation certificate. BC Film will review your application and supporting documents, and make a recommendation to the certifying authority to approve or deny your request.

Please note: You are required to pay a fee to BC Film when you apply for the accreditation certificate.

The certifying authority has the right to deny an accreditation certificate if your corporation, or your film or video production, does not meet all of the eligibility requirements. If you provide insufficient or incorrect statements when you apply for the certificate, your accreditation certificate will be denied or revoked.

If you are denied a certificate or your certificate is revoked, you will receive a notice explaining the reasons for the decision. The decision may be reconsidered and adjusted on a case by case basis. If you are in disagreement with the decision, you may appeal to the Supreme Court of British Columbia.

Applying for the Credits

You calculate and claim the credit(s) by completing the *British Columbia Production Services Tax Credit* form ([T1197](#)) and file it with your federal corporate income tax return. You must also include the accreditation certificate you received for your production and all required information and records.

Please note: You must file for the credit(s) **within 36 months** of the end of your corporation's taxation year.

Repayment of the Credits

If your corporation received a British Columbia production services tax credit for a film or video production, you must repay the amount of the credit and interest that is due, if:

- the related accreditation certificate is cancelled without replacement, or
- your corporation is otherwise not entitled to the tax credit.

Canada Revenue Agency and the Ministry

The Ministry of Finance has contracted with the CRA to review and audit the British Columbia production services tax credit claims. The CRA is responsible for issuing refund cheques to accredited corporations. If you disagree with the amount of credit assessed by the CRA, you have the right to file a *Notice of Objection* with the CRA within 90 days of the date of the *Notice of Assessment*.

Need more info?

British Columbia Production Services Tax Credit website: www.sbr.gov.bc.ca/business/Income_Taxes/Corporation_Income_Tax/tax_credits/production_services.htm

Ministry of Finance

Income Taxation Branch
PO Box 9444 Stn Prov Govt
Victoria BC V8W 9W8

Telephone (Victoria): 250 387-3332
Telephone (Toll-free): 1 877 387-3332
Fax: 250 356-9243
E-mail: ITBTaxQuestions@gov.bc.ca

Canada Revenue Agency

Surrey Tax Centre
Film Services Unit
9755 King George Boulevard
Surrey BC V3T 5E1

Telephone (Vancouver): 604 666-7911
Website: www.cra-arc.gc.ca

BC Film

2225 West Broadway
Vancouver BC V6K 2E4

Telephone (Vancouver): 604 736-7997
Fax: 604 736-7290
Website: www.bcfilm.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Income Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Income_Taxes/Corporation_Income_Tax/legislation.htm