

Ministry of Finance

Tax Bulletin



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British Columbia Film and Television Tax Credit

Income Tax Act (British Columbia)

Do you produce film or video productions in British Columbia?

Do you need to know how to claim British Columbia film and television tax credits?

This bulletin provides specific tax information on the Film and Television Tax Credit Program.

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Overview

The British Columbia Film and Television Tax Credit Program provides five refundable tax credits to corporations that produce eligible film and/or video productions in British Columbia. The tax credits are for domestic productions with qualifying levels of Canadian content and are based on the BC labour expenditure.

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 Production Services Tax Credit Program. For more information, please see [Bulletin CIT 010](#), *British Columbia Production Services Tax Credit*.

Definitions

The British Columbia Film and Television Tax Credit Program includes important terms that relate to the eligibility of the five credits.

Key terms are listed below.

Assistance

Assistance is an amount that would be included in income under paragraph 12(1)(x) of the federal *Income Tax Act* (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 the 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 its 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 Credit. In addition, advertising, marketing, promotion or marketing research is also excluded.

Eligible Production

Eligible production is a film or video production that meets all of the criteria below.

- The production must obtain a minimum of 6 out of the 10 Canadian content points (in accordance with the regulations) or, in the case of a documentary, all of the creative positions applicable to the production must be occupied by Canadians. This requirement does not apply to treaty co-productions.
- If the production is for television broadcast, it must have a minimum length of one half-hour broadcast, except for children's programming. Each episode of a television series must meet this requirement.
- Principal photography must occur in British Columbia for at least 75% of the principal photography days. This requirement does not apply to treaty or inter-provincial co-productions or documentaries.
- At least 75% of the total cost* of the production (or the British Columbia portion of the production, in the case of a treaty or inter-provincial co-production) must be for goods or services provided in British Columbia by BC-based individuals or proprietorships, partnerships or corporations that operate a business through a permanent establishment in British Columbia.
- At least 75% of the cost* of post-production work must be for work carried out in British Columbia. This requirement does not apply to treaty or inter-provincial co-productions.
- There must be a written agreement to have the production shown in Canada (for fair market value consideration) within 24 months after completion of the production. This agreement must be with:
 - another Canadian controlled corporation that is a distributor of film or video productions, or
 - a Canadian broadcaster that is not associated, within the meaning of section 256 of the federal Act, with the corporation.
- No investor may be entitled to any deductions for the production in computing income under the federal Act. This restriction does not apply to investors that are actively and regularly engaged in a film or video production business carried on in Canada or to Canadian broadcasters, certain foreign broadcasters, Canadian government film agencies, or non-profit organizations that fund film or video productions.

- The 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,
 - 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.

- * Total costs do not include costs determined by reference to income from the production (i.e. residuals or referrals).

Eligible Production Corporation

Eligible production corporation for a taxation year is a corporation that has a permanent establishment in British Columbia during the year and is throughout the year:

- a taxable Canadian corporation,
- Canadian controlled, as determined under sections 26 to 28 of the *Investment Canada Act*, and
- primarily engaged in the operation of a film or video production business through a permanent establishment in Canada.

Please note: Where principal photography began on, or before, December 31, 2008, the production corporation must have been a BC-controlled corporation during the taxation year.

An eligible 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.

Post-Production Work

Post-production work does not include stock footage.

Qualified BC Labour Expenditure

The qualified BC labour expenditure for a taxation year is the lesser of the following amounts:

- the total of the corporation's BC labour expenditure for the production for the year, and for the prior taxation year, if not previously included in the qualified BC labour expenditure, and
- for productions that started principal photography prior to March 1, 2010, the amount by which 48% of total production costs incurred by the corporation (as determined at the end of the taxation year), less assistance, (as determined at the time of filing), exceeds the total of the corporation's qualified BC labour expenditures for prior years of the production, or
- for productions that started principal photography after February 28, 2010, the amount by which 60% of total production costs incurred by the corporation (as determined at the end of the taxation year), less assistance, (as determined at the time of filing), exceeds the total of the corporation's qualified BC labour expenditures for prior years of the production.

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 eligible 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 eligible production approved by the certifying authority.
- The film or video production will be completed within the 24-month period following the taxation year in which principal photography began.
- You obtain a completion certificate within the 30-month period following the taxation year in which principal photography began.
- The film or video production must not be distributed in Canada by a non-Canadian within 24-months of the completion of the production.
Please note: A film or video production includes all of the episodes that constitute a cycle in a series for television broadcast.
- The producer of the production (or the British Columbia portion of the production, in the case of a treaty or inter-provincial co-production), was Canadian and resident in British Columbia on December 31 of the year before principal photography started.
- More than 50% of the copyright in the production must be owned and controlled by you, and/or an eligible production corporation related to you, or British Columbia Film (BC Film). The production corporation must be a BC-controlled corporation on, or before, December 31, 2008.

In addition, persons that may own the remaining interest in the copyright are:

- eligible production corporations or corporations that would, if they had a permanent establishment in British Columbia, be an eligible production corporation,
- Canadian broadcasters, certain foreign broadcasters, Canadian government film agencies, and
- non-profit organizations that fund film or video productions.

Control of the copyright in a production must be determined acknowledging all obligations, entitlements and agreements with regard to the production, without limiting:

- entitlements to profits, revenues and subsidiary and ancillary rights,
- obligations to pay expenses,

- options, warrants or other rights granted to other parties, and
- agency or trust agreements or arrangements.

This requirement does not apply to treaty or inter-provincial co-productions.

Please note: Copyright refers to the exclusive worldwide rights for all commercial earnings for the 25-year period following completion of the production.

Tax Credits

The British Columbia Film and Television Tax Credit Program includes five distinct tax credits:

1. basic,
2. regional,
3. distant location regional,
4. film training, and
5. digital animation or visual effects.

Basic Tax Credit

The basic tax credit for a taxation year is equal to 35% of your corporation's qualified BC labour expenditure for that year. The list below details the tax credit rates since the program was introduced in 1998.

Basic Film and Television Tax Credit	Rate
Qualified BC labour expenditure incurred after December 31, 2007	35%
Qualified BC labour expenditure incurred after December 31, 2004, for productions that started principal photography after December 31, 2004	30%
Qualified BC labour expenditure for productions that started principal photography prior to January 1, 2005	20%

Regional Tax Credit

The regional tax credit is 12.5% of your corporation's 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 tax credit if:

- your production is eligible for, and your corporation has claimed, the basic tax credit,
- principal photography of the production or if a television production is a series of three or more episodes, at least three of the episodes (the qualifying episodes), are done in British Columbia outside the designated Vancouver area for:
 - a minimum of 5 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 eligibility certificate issued to it for the production and the regional tax credit, and
- your corporation applies for the regional tax credit.

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

Distant Location Regional Tax Credit

The distant location regional tax credit is an additional 6% of your corporation's 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 regional tax credit if:

- the production or, in the case of a production intended for television broadcast as a series, the qualifying episodes of the production are eligible for, and your corporation has claimed, the basic tax credit and the regional 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 or, in the case of a production intended for television broadcast as a series, of the qualifying episodes of the production, is done in British Columbia at a distant location.

You can view a detailed map of the regional and distant locations 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.

Film Training Tax Credit

You may be eligible for the film training tax credit for a film or video production if you meet the eligibility requirements to claim the basic tax credit and you employ BC-based individuals in an approved training program. For a detailed list of approved film training programs, please see BC Film’s website at www.bcfilm.bc.ca/fibc.php

Digital Animation or Visual Effects (DAVE) Tax Credit

You may be eligible for the DAVE tax credit for digital animation or visual effects activities that qualify for the basic tax credit. The DAVE tax credit is an additional credit based on 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%

Treaty or Inter-Provincial Co-Productions

If your production is a treaty or inter-provincial co-production, the above rules are modified as follows.

- For productions with principal photography that began before January 1, 2009, you or a related BC-controlled eligible production corporation must retain a share of revenues earned in non-Canadian markets that is acceptable to the certifying authority.
- For productions with principal photography that began after December 31, 2008, you or a related eligible production corporation must retain a share of revenues earned in non-Canadian markets that is acceptable to the certifying authority.
- For productions with principal photography that began on, or before, December 31, 2008, if your production is an inter-provincial co-production,

either you or a related BC-controlled eligible production corporation must own more than 20% of the copyright in the production.

- If the production is an inter-provincial co-production, at least 20% of the total cost* of the production must be for the British Columbia portion of the production, and at least 50% of the cost of post-production work for the production must be for work carried out in British Columbia.
- If the production is a treaty co-production, the British Columbia portion of the production must account for at least 20% of the total cost* of the Canadian portion of the production.

If you are involved in an interprovincial co-production, the basic tax credit is 35% of your corporation's qualified BC labour expenditure multiplied by the percentage of copyright that your corporation owns. The copyright owned for the purposes of this calculation is defined as:

$$\frac{A}{B}$$

- **A** is the percentage of copyright in the production your corporation owns, and
 - **B** is 100% copyright in the production less the percentage of copyright in the production owned by:
 - a federal or provincial government agency with a mandate to finance film or video productions in Canada, or
 - non-profit organizations under section 149(1)(l) of the federal Act that have a fund used to finance film or video productions.
- * Total costs do not include costs determined by reference to income from the production (i.e. residuals or referrals).

Documentaries

If your production is a documentary, at least 75% of the total cost* of the production (or the British Columbia portion of the production, in the case of a treaty or inter-provincial co-production) must be for goods or services provided by BC-based individuals or proprietorships, partnerships or corporations that operate a business through permanent establishments in British Columbia.

- * Total costs do not include costs determined by reference to income from the production (i.e. residuals or referrals).

Applying for the Eligibility and Completion Certificates

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

After your production is complete, you must apply to BC Film for a completion certificate. You must receive the completion certificate within 30 months after the end of your corporation's taxation year in which principal photography of the production began.

A completion certificate for your production will be issued if the certifying authority is satisfied with the information, records and documentation you provided for the specific tax credit(s).

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

The certifying authority has the right to deny an eligibility certificate or completion 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 either certificate, your eligibility certificate and/or completion 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 Film and Television Tax Credit* form ([T1196](#)) and file it with your federal corporate income tax return. You must also include the eligibility certificate you received for your production and all required information and records. The completion certificate must be filed with your corporation's tax return for the taxation year in which your production was completed.

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 film and television tax credit for a film or video production, you must repay the amount of the credit and interest that is due, if:

- the related eligibility or completion certificate is cancelled without replacement,
- a completion certificate for a film or video production is not issued within the 30-month period, 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 film and television tax credit claims. The CRA is responsible for issuing refund cheques to eligible 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 Film and Television Tax Credit website: www.sbr.gov.bc.ca/business/Income_Taxes/Corporation_Income_Tax/tax_credits/film_televeision.htm

Ministry of Finance

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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