

Ontario Digital Media Tax Credit (OIDMTC)

Information Session

July 10th, 2025



AGENDA

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3. OIDMTC Overview
4. Digital Game Company Claims
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6. Eligible Labour Under 93.2 Specialized Digital Game Corporation
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ONTARIO CREATES

Ontario Creates is the provincial agency responsible for economic development of 6 cultural media industries:

- Interactive Digital Media
- Film
- Television
- Music
- Books
- Magazines



ONTARIO TAX CREDITS

Ontario's tax credits are labour and/or spend based:

Ontario Interactive Digital Media Tax Credit (OIDMTC) – 40% labour + m & d spend with IP ownership OR 35% for development labour under fee-for-service

Ontario Film & Television Tax Credit (OFTTC) – 35% labour
+ additional 10% regional bonus if applicable

Ontario Production Services Tax Credit (OPSTC) – 21.5% labour + spend

Ontario Computer Animation and Special Effects Tax Credit (OCASE) – 18% labour

Ontario Book Publishing Tax Credit (OBPTC) - 30% labour + spend



ONTARIO TAX CREDITS - HIGHLIGHTS

Refundable

The amount of the credit, net of any Ontario taxes owing, will be paid to the qualifying corporation. If the qualifying corporation does not owe any taxes, the full amount will be paid out.

No sunset clause

Ontario's tax credits do not have an expiry date.

No annual cap

There is no cap on the \$ you can claim or receive.*

* With the exception of OBPTC



DISCLAIMER

Note: This slide deck is a general guide and may not be relied upon in order to determine eligibility for the amount of an anticipated tax credit. Please consult the OI DMTC legislation and regulations for further details.

OIDMTC OVERVIEW

OIDMTC is an after-the-fact type of revenue source in the form of a refundable tax credit. The IDM product must be completed and costs incurred before you can apply for OIDMTC*

40%

Non-Specified products

Ontario labour costs
+ M&D costs up to
\$100k per product

35%

**Specified Products
(fee-for service)**

Ontario labour costs

35%

**Digital Game
Company Claims**

Ontario labour costs
*games do not need
to be completed

DIGITAL GAME COMPANY CLAIMS

No Caps or Limits on OIDMTC you can claim

- **Specialized Digital Game Corporation (93.2)** claim for slate of games developed by applicant with minimum \$500,000 Ontario labour directly attributable to developing digital games in tax year (+ 80% wages or 90% yearly gross revenues directly related to games development) for tax years starting after April 11, 2019
- **Qualifying Digital Game Corporation (93.1)** claim for incurring minimum \$1 million in Ontario labour directly attributable to developing a game in a 36 month period under contract with a Purchaser corporation.



ELIGIBLE APPLICANTS

- **Canadian Corporation** (must be incorporated in Canada but can be Canadian or foreign controlled.)
- Must have a **permanent establishment** in Ontario where the product is developed.
- Must not be controlled **directly/indirectly** by a corporation that is exempt from tax.



ELIGIBLE LABOUR UNDER 93.2 SPECIALIZED DIGITAL GAME CORPORATION

- Wages and salaries of your Ontario based employees incurred in the tax year.
- Arm's length remuneration incurred in the tax year and paid to:
 - Individuals who are not employees of your company,
 - A sole proprietorship for services rendered by the individual's employees,
 - Another taxable Canadian corporation for the services personally rendered by an individual if that individual is the sole shareholder of the corporation, and the primary activity of the corporation is the provision of the individual's services (otherwise known as a loan-out corporation).



ELIGIBLE LABOUR UNDER 93.2 SPECIALIZED DIGITAL GAME CORPORATION (CONT...)

- All labour must be incurred for services personally rendered by an individual who was resident in Ontario at the end of the calendar year that precedes the calendar year in which they rendered the services.
- All labour claimed must be directly attributable to the development of an eligible digital game.
- The labour expenditure is paid no later than 60 days after the end of the tax year.
- Labour amounts incurred by a qualifying predecessor corporation are not eligible under s.93.2.
- Labour amounts paid to a multi-share holder, multi-employee corporation are not eligible under s.93.2

PERMANENT ESTABLISHMENT/REMOTE WORK AND ELIGIBLE LABOUR FOR 93.2 CLAIMS

WAGES

In the case of the qualifying wage amount, the expenditure is paid to an employee of the qualifying corporation, who reported to a permanent establishment of that corporation in Ontario at which the eligible product was being developed. Ontario based employees can work remotely in Ontario but they must report to the Applicant's P.E in Ontario. Please note: "reporting to" means the employees are under the control & direction of an Ontario based Supervisor who assigns tasks and reviews the work of employees.

RENUMERATION

In the case of the qualifying remuneration amount, the expenditure is paid for services rendered at a permanent establishment in Ontario of the qualifying corporation, or of a person or entity claimed as eligible remuneration. (i.e. work could be rendered at the home office (P.E.) of the individual contractor or of their personal loan-out corporation in Ontario).

\$500K MINIMUM THRESHOLD

- The corporation must incur a minimum of \$500K in Ontario labour directly related to development of digital games in the tax year of your claim.
- Game development labour included in the minimum threshold must be eligible under s.93.2.
- Labour that cannot be included in the minimum threshold examples:
 - Labour claimed for the Scientific Research & Experimental Development tax credit (“SR&ED”).
 - Amounts paid as remuneration to multi-shareholder or multi-employee Canadian corporations for the services of their employees
 - Ontario labour expenditures incurred by a qualifying predecessor corporation.
 - Labour for digital games that ineligible such as promotional “advergaming” products, and games that do not meet the minimum interactivity requirements.



SPECIALIZED DIGITAL GAME CORPORATION CLAIMS 93.2

Companies making a claim under 93.2 must also meet:

Scenario “A”:

80% of salaries and wages rendered in Ontario in tax year of claim must be directly related to game development.

OR

Scenario “B”:

- 90% of gross revenues for tax year of claim must be directly related to game development.



INCLUDE VERSION OR BUILD NUMBERS

For 93.2 games included in your claim if you have a version or build number please include it in the name of the product i.e. Fun Game, v2.6 [iOS] (2025)

- This helps Ontario Creates identify the games claimed by the applicant as often games are claimed under section 93.2 over more than one tax year/OIDMTC claim.
- Also, some applicants make an OIDMTC claim for the completed game(s) in a subsequent tax year under section (93) as a non-specified or specified game product.
- Ontario Creates has to verify that there is no “double dipping” of labour costs claimed for a game.



APPLY FOR EACH GAME PRODUCT SEPARATELY BY PLATFORM

OIDMTC Applications under 93.2 can be delayed if the applicant does not allocate game labour and distinguish products separately from each other based on the release platform.

For example, we sometimes see an applicant roll all labour costs into one game title that is released on various game platforms, such as iOS, Android, X-Box, X-Box One, and claim it as one single game product. Doing this often results in Ontario Creates requesting that the applicant re-submit their application within 30 days, separating out the games by release platform and allocating the eligible labour across these platforms accordingly. Often the costs are pro-rated.

Examples:

Xbox

Nintendo Switch

PlayStation

PC

iOS

Android

Meta Quest

And More

FIRST TIME APPLICANTS UNDER 93.2 DIGITAL GAME CORPORATION

For first time 93.2 applicants, Ontario Creates will review **both Scenario “A” and Scenario “B”** for the applicant corporation as these two scenarios are related and can provide a clear picture of the applicant corporation’s activities in the tax year of the claim. Also new 93.2 applicants are often a bit unclear about how to pass under each scenario.



PROVIDE BACKUP FOR SCENARIO “A” REVIEW

Backup you should provide for Scenario “A”:

- Financial Statements
- Payroll Report or Wage Schedule that covers the period of the taxation year of the claim and lists name of all employees who you are including as performing game development labour, their addresses, and job description
- Breakdown of individuals paid wages and salaries for work other than game development with their addresses and job description

SITUATIONS THAT MAKE A SCENARIO “A” REVIEW MORE DIFFICULT

Where the applicant corporation is **not a separate Ontario incorporated company with a separate bank account in Ontario** but is a Canadian corporation that operates more than one game studio in different provinces, and all financial administration is carried out at a head office in another province; and the financials are reported as consolidated numbers.

In these cases, Ontario Creates requires the applicant **to isolate the wages and salaries of the Ontario based employees who performed their work in Ontario** and provide back up documentation to prove this, i.e. payroll reports that include address information of employees claimed, T4s etc.

SITUATIONS THAT MAKE A SCENARIO “A” REVIEW MORE DIFFICULT (CONT...)

Including labour as Ontario wages and salaries directly attributable to game development that are actually support or corporate management positions.

Labour for individuals whose roles are **not directly attributable to the development of digital games** are most often*:

- Legal and Finance positions (legal counsel, CFO, VP of Finance),
- Administrative positions (receptionist, assistant to CEO, bookkeeper),
- Corporate management (CEO of the corporation), or
- Related to marketing and distribution activities (sales and marketing positions).

**this is not an exhaustive list*

Please note that there are cases where the CEO of a company, for example, may undertake digital game development activities, and in those cases a portion of the CEO's labour may be found directly attributable to the development of digital games. The onus is on the applicant to demonstrate this. If some of the CEO's labour is directly attributable to game development we would also expect a reasonable portion of the CEO's labour must be attributable to corporate management.

SITUATIONS THAT MAKE A SCENARIO “A” REVIEW MORE DIFFICULT (CONT...)

Claiming that 100% of Ontario wages and salaries of the corporation are directly attributable to game development for Scenario “A”.

Please note, Ontario Creates will not accept that 100% of the Ontario wages and salaries of a corporation would be directly attributable to game development. There should always be a percentage of Ontario wages and salaries allocated to corporate/administrative management of the applicant corporation in Ontario, or at the Ontario studio/PE operated by the applicant.

PROVIDE BACKUP FOR SCENARIO “B” REVIEW

Backup you should provide for Scenario “B”:

- Financial Statements submitted for the taxation year of the claim
- Detailed General Ledger Reports of Revenue Accounts that show the source of revenues to the Ontario applicant,
- Agreements with related corporation(s) to provide revenues to the ODMTC applicant for game development activities undertaken in Ontario.
- Also breakdown of and Revenues that are not directly attributable to game development activities in Ontario by the applicant



SITUATIONS THAT MAKE A SCENARIO “B” REVIEW MORE DIFFICULT

Where the applicant corporation is **not a separate Ontario incorporated company with a separate bank account in Ontario** but is a Canadian corporation that operates more than one game studio in different provinces, and all financial administration is carried out at a head office in another province; and the financials are reported as consolidated numbers.

In these cases we need the applicant **to isolate the source and amount of Gross Revenues that are required by the Ontario studio to develop games, and any revenues that are generated by other activities undertaken by the Ontario studio.** Review of Scenario “B” is hampered if Ontario Creates is presented with reviewing consolidated Gross Revenues of several game studios and not just the Ontario applicant.

REVENUE THAT IS NOT CONSIDERED “DIRECTLY ATTRIBUTABLE TO GAME DEVELOPMENT

Revenue that is not considered directly attributable to the development of digital games is most often received by the corporation for*:

- Marketing and Distribution activities (if your company markets and distributes other companies' products),
- Software development (not game related, i.e. middleware),
- Website or App development (not game related, i.e. convergent/film & TV related projects),
- Infrastructure expansion or improvements (i.e. money received by your company to build a new motion capture facility).
- Cinematic 360-degree VR video/film production.

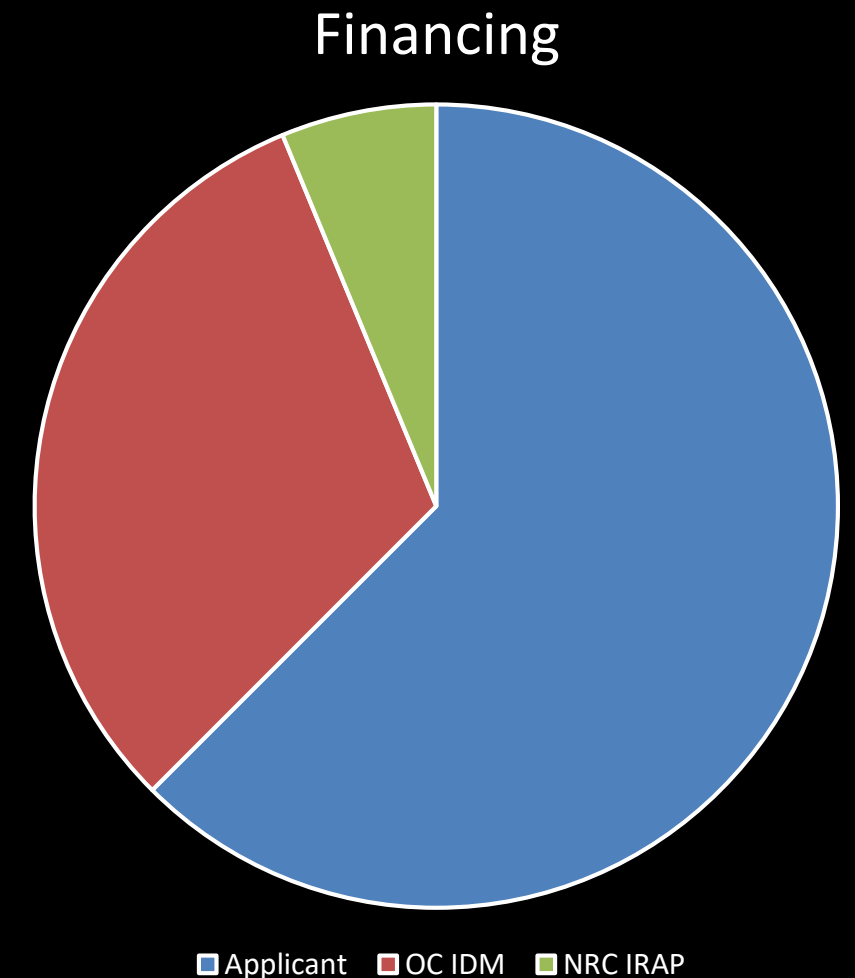
**this is not an exhaustive list.*



ASSISTANCE CALCULATIONS FOR 93.2 CLAIMS

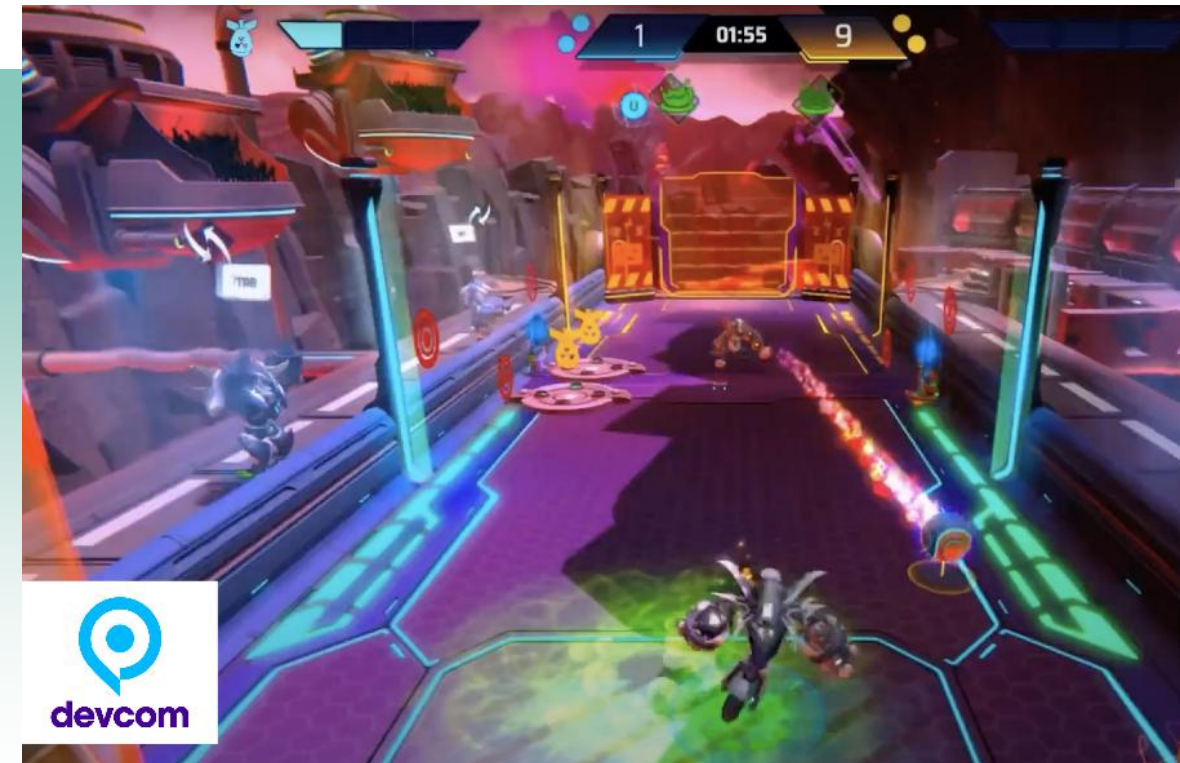
If you received government assistance for the development of your 93.2 game(s) included in your claim:

- Include the agreements with your application
- Marketing and Distribution Assistance from a government entity is not applicable as M&D costs are not eligible to be claimed for game products submitted under 93.2
- You should determine the total actual paid costs of game development for each game (less any Marketing & Distribution costs) incurred in the tax year of your claim. This number is very important for your assistance calculation.
- Total Actual Paid Game Development costs would include, eligible game development labour, ineligible game development labour, labour in support of game development, hard costs, **non-Ontario development costs etc. that were incurred in the tax year of your claim. (less any M&D)**



GOVERNMENT ASSISTANCE THAT RELATES DIRECTLY TO LABOUR

- If you receive government assistance that relates directly to the labour costs you have included in your 93.2 claim – the amount of that assistance will be deducted directly off of your total Eligible Ontario labour for that game product;
- Please make sure if assistance relates to any eligible labour in your claim that you don't "pre-deduct" it from your Total Eligible Labour claimed for the product in the cost schedules that you submit to us for review.
- Types of government assistance that relates to game development labour would include amounts received from the Industrial Research Assistance Program (IRAP), Canada Emergency Wage Subsidy (CEWS), Temporary Wage Subsidy (TWS), or specific mentorship grants etc.



GOVERNMENT ASSISTANCE IN RESPECT OF DEVELOPMENT COSTS IN PROPORTION TO LABOUR

- This type of government assistance usually relates to the development of the entire game, or to completing a phase of development of a game.
- We call the portion of government assistance that is deducted from your eligible development labour the “grind”.
- Types of government assistance where the “grind” is calculated in proportion to eligible development labour would include amounts received from, Ontario Creates IDM Fund for Production, or Concept Definition Fund, or the new IDM IP Fund etc.
- Please note that amounts received from the Canada Media Fund (CMF) is not considered government assistance for the OI DMTC as contribution from CMF is made up of a combination of public and private funding.

Note: The Assistance “grind” is not calculated based on how much assistance the applicant has received in the year.

QUALIFYING DIGITAL GAME CORPORATION (S 93.1)

A “qualifying digital game corporation” is:

- a Canadian corporation (Canadian or foreign controlled), that carries on through a permanent establishment in Ontario a business that includes the development of digital games;
- is not controlled directly or indirectly in any manner whatever by one or more corporations all or part of whose taxable income is exempt from tax
- that is not a prescribed labour-sponsored venture capital corporation under the Federal regulations, and
- is not a taxable Canadian corporation the primary activity of which is to provide the services of a single individual and all the issued and outstanding shares of the capital stock of which (other than directors’ qualifying shares) are owned by that individual



QUALIFYING DIGITAL GAME CORPORATION CLAIM UNDER S 93.1

An “eligible digital game” claimed under s 93.1 must be:

- a singular game;
- developed in whole or in part by the applicant corporation under the terms of an agreement with a purchaser corporation (it can be a related purchaser);
- **the eligible labour costs to develop the game must not be less than \$1 million incurred by the applicant company within any 36 month period ending in the tax year of the claim;**
- the game must meet all requirements of an eligible interactive digital media product and must be considered a digital game in the opinion of Ontario Creates;
- the game cannot be previously claimed as a specified product under s93 or claimed as a digital game under s.93.2.



ELIGIBLE LABOUR UNDER 93.1 QUALIFYING DIGITAL GAME CORPORATION

- Wages and salaries of your Ontario based employees incurred in the 36 month period ending in the tax year of the claim.
- Arm's length remuneration incurred in the 36 month period ending in the tax year of the claim and paid to:
 - Individuals who are not employees of your company,
 - A sole proprietorship for services rendered by the individual's employees,
 - Another taxable Canadian corporation for the services personally rendered by an individual if that individual is the sole shareholder of the corporation, and the primary activity of the corporation is the provision of the individual's services (otherwise known as a loan-out corporation).

ELIGIBLE LABOUR UNDER 93.1 QUALIFYING DIGITAL GAME CORPORATION (CONT...)

- All labour must be incurred for services personally rendered by an individual who was resident in Ontario at the end of the calendar year that precedes the calendar year in which they rendered the services.
- All labour claimed must be directly attributable to the development of an eligible digital game.
- The labour expenditure is paid no later than 60 days after the end of the tax year.
- Labour amounts incurred by a qualifying predecessor corporation are not eligible under s.93.1.
- Labour amounts paid to a multi-share holder, multi-employee corporation are not eligible under s.93.1

COMMON ISSUE WE HAVE SEEN WITH 93.1 CLAIMS

An “eligible digital game” claimed under s 93.1 must be:

- Product submitted by applicant is not a singular game that meets the minimum \$1 million in eligible Ontario game development labour requirement.

Note: Ontario Creates will not accept a website or app or other bundled product that contains multiple games as a singular game product to claim under 93.1.



DIGITAL GAME COMPANY CLAIMS

Specialized Digital Game Corporation 93.2	Qualifying Digital Game Corporation 93.1
<p><u>Labour Expenditures</u></p> <ul style="list-style-type: none">• Salaries and wages (Ontario based employees)• Remuneration (contracted labour) arm's length Ontario based• Excludes remuneration paid to another taxable Canadian corporation for services of their employees• Minimum \$500K in Ontario labour incurred in one taxation year (tax years starting after to April 11, 2019)for a game or games developed in whole or in part by the applicant• Rate 35%	<p><u>Labour Expenditures</u></p> <ul style="list-style-type: none">• Salaries and wages (Ontario based employees)• Remuneration (contracted labour) arm's length Ontario based• Excludes remuneration paid to another taxable Canadian corporation for services of their employees• Minimum \$1 million in Ontario labour incurred in 36 month period for a game that is developed under an agreement with a purchaser corporation• Rate 35%
<ul style="list-style-type: none">• Annual claim (tax year of company) apply after year end.• Includes costs incurred in the one tax year• Games do not need to be completed• Games do not need to meet 80/25 test or have revenue stream• Can be related to purchaser corporation if there is one	<ul style="list-style-type: none">• Claimed in tax year when applicant has incurred the minimum \$1 million in eligible Ontario labour costs over a 36 month period• Game does not need to be completed• Game does not need to meet 80/25 test or have revenue stream• Can be related to Purchaser corporation

HOW TO APPLY

Ontario Creates

- Under 93.2 you should apply after the tax year in which you qualify as a Specialized Digital Game Corporation and have costs incurred on one or more eligible games.
- For Qualifying Digital Game Corporation claims under 93.1 you should apply after the tax year in which you have incurred the minimum \$1million of game development labour on an eligible game.
- Ontario Creates reviews the eligibility of the company and the products and issues a Certificate of Eligibility for each taxation year, listing products, and the OIDMTC estimate

Canada Revenue Agency

- File the Certificate of Eligibility with your T2 corporate tax return (or if you don't want to wait for the Certificate of Eligibility to file your taxes submit T2 return with Ontario Schedule T2SCH560 and CRA will know that you are claiming OIDMTC and will hold assessing tax return until the Certificate of Eligibility is received.)
- CRA reviews expenditures and is final arbiter on the amount of tax credit
- If your company does not owe any taxes, CRA will issue your company a cheque or e-transfer as revenue to your company.

THANK YOU!

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