

QUÉBEC FILM PRODUCTION SERVICES TAX CREDIT

The refundable tax credit for film production services is designed to stimulate job creation in Québec, essentially by encouraging foreign producers to choose Québec as a filming location. This credit is a source of new capital and generates significant economic spinoffs for crafts people and companies in Québec. Local producers may also claim the tax credit.

	Basic rate	Top up	Maximum	Eligible all-spend production costs
Basic rate	25 %		25%	All-spend production costs including qualified labour costs and costs of qualified properties
Improvement for computer-aided special effects and animation				
Computer-aided special effects and animation & Shooting of scenes in front of a chroma-key screen activities	25 %	20%	Up to 45%	Qualified labour costs (broad notion) directly attributable to qualified activities

- ❖ Refundable tax credit consists of the all-spend production costs including qualified labour costs and qualified properties incurred in Québec regarding a qualified production
- ❖ Production can be partially done in Quebec
- ❖ No broadcast or showing obligation
- ❖ Categories of eligible productions (single film or series):
 - films of fiction, including films consisting entirely of sketches each of which is drawn completely from a screenplay and that are designed and put together specially for television;
 - documentaries with a minimum program length of 30 minutes or, in the case of a series, 30 minutes per episode, except for documentaries intended for children under age 13.
- ❖ Minimum budget requirement:
 - Single films: total production budget must be over \$1M CAD
 - Series:
 - Total production budget must be over \$100,000 for episode less than 30 minutes in duration
 - Total production budget must be over \$200,000 for episode over 30 minutes in duration
- ❖ Eligible corporation:
 - Corporation established in Quebec whose activities are primarily in film and television business;
 - Corporation does not have to be controlled by Quebec residents;
 - Excluded corporations:
 - tax exempted corporation;
 - controlled by tax exempted corporation;
 - holder of a broadcasting licence issued by the CRTC or corporation that is not at arm's length to a corporation which holds such a licence.¹
- ❖ All-spend production costs:

Provided they relate to services directly attributable to the completion of the qualified production rendered in Québec in relation to the production stages running from screenplay to postproduction and they are and they are reasonable in the circumstances, the qualified costs include:

 - Qualified labour costs²: wages and salaries, including the associated payroll taxes incurred by the corporation, regarding an employee as well as the cost of any service contract incurred by the corporation with a supplier of services³;
 - Cost of qualified properties⁴: costs incurred by the corporation regarding the acquisition or rental, in Québec, of tangible properties (including software), in relation to a qualified production provided that:

¹ A holder of a broadcasting licence issued by the CRTC or corporation that is not at arm's length to a corporation which holds such a licence could qualify under certain conditions.

² The cost of a service contract will not be part of the qualified labour cost of a corporation if the supplier of services is a corporation that holds a broadcast license issued by the Canadian Radio-television and Telecommunications Commission or a corporation not at arm's length with a corporation that holds such a license.

³ However, a wage or salary, including the associated payroll taxes, or a cost of a service contract incurred directly or indirectly regarding a producer, an author, a scriptwriter, a director, a production designer, a director of photography, a music director, a composer, a conductor, an editor, a visual effects supervisor, an actor (speaking role) or an interpreter will be qualified only if such person is an individual who resides in Québec at the time when the services are provided in the course of the completion of the qualified production.

- they relate to properties used in Québec in relation to the production stages running from screenplay to postproduction;
 - they are incurred with:
 - an individual who resides in Québec at the time the properties are acquired or rented, in the course of the completion of the qualified production;
 - a corporation or partnership that carries on a business in Québec and has an establishment there at the time the properties are acquired or rented, in the course of the completion of the qualified production.
- ❖ Government and non-government assistance
- The total amount of all-spend production costs incurred by a qualified corporation must be reduced by the amount of any government assistance, any non-government assistance and any profit or gain including the amount of a financial contribution paid by a public body that holds a broadcast license issued by the Canadian Radio-television and Telecommunications Commission.
- ❖ SODEC two-stage administrative procedure:
- Approval Certificate:
- Certifies the eligibility of the production and is delivered to a corporation that is the owner of the copyright throughout the period during which the production takes place in Québec.
- Required documentation:
 - ◆ Application form duly completed by the copyright owner or his official designee;
 - ◆ Official notarized designee affidavit (where applicable);
 - ◆ Complete chain-of-title documentation or detailed legal opinion;
 - ◆ Synopsis;
 - ◆ International budget summary;
 - ◆ Quebec budget;
 - ◆ Sodec administrative fees.
 - Advance Ruling:
- Delivered either to the owner of the copyright or, where the owner is not an eligible corporation, to any eligible corporation that is under a direct contractual link with the owner of the copyright and provides services in Québec regarding the eligible production.
- Required documentation:
 - ◆ Application form duly completed;
 - ◆ Copy of the Approval Certificate related to the production;
 - ◆ Contract directly entered with the owner of the copyright for the delivery of production services in Quebec;
 - ◆ For Quebec CGI corporations that have entered into a contract of a maximum value of \$1,5M CAD, a notarized confirmation of copyright ownership will suffice;
 - ◆ Cast & crew list;
 - ◆ Quebec budget including detailed labour and properties
 - ◆ Contracts related to computer animation and special effects activities
 - ◆ Schedule related to the shooting of scenes in front of a chromatic screen activities;
 - ◆ Sodec administrative fees.
- ❖ Joint roles of SODEC and REVENU QUÉBEC
- SODEC validates the production conformity and issues the certificates of eligibility (Approval Certificate and Advance Ruling);
 - Applications must be filed with SODEC before the end of the taxation year in which the eligible corporation wants to claim with REVENU QUÉBEC;
 - REVENU QUÉBEC validates the eligibility of the corporation, ascertains the costs claim and refunds the tax credit. The eligible corporation must file the Advance ruling letter issued by SODEC along with its corporate tax return in order to obtain the refundable tax credit.

SODEC
DIRECTION GÉNÉRALE, DÉVELOPPEMENT STRATÉGIQUE ET AIDE FISCALE
 215, rue St-Jacques, bureau 800
 Montréal (Québec) H2Y 1M6
 Téléphone: (514) 841-2200
 Télécopieur: (514) 864-6600
creditsimpot@sodec.gouv.qc.ca

⁴ The cost of the qualified properties of a corporation does not include the cost of properties acquired or rented from a corporation that holds a broadcast license issued by the Canadian Radio-television and Telecommunications Commission or a corporation not at arm's length with a corporation that holds such a license.