

BULLETIN D'INFORMATION

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Subject: Improved tax assistance for giant-screen films

This information bulletin describes the application details of the improved refundable tax credit for Québec film and television production regarding giant-screen films.

For information concerning this subject, contact the Secteur du droit fiscal et de la fiscalité at (418) 691-2236.

The French and English versions of this bulletin are available on the website of the ministère des Finances at: www.finances.gouv.qc.ca

Paper copies are also available, on request, from the Direction des communications, at (418) 691-2233.

IMPROVED TAX ASSISTANCE FOR GIANT-SCREEN FILMS

The refundable tax credit for Québec film or television production covers labour expenditures incurred by a corporation that produces a Québec film, as this expression is understood in the *Regulation respecting the recognition of films as Québec films*.

This tax credit generally corresponds to 33% of eligible labour expenditures incurred to produce the film. Moreover, the labour expenditures giving rise to this tax credit may not exceed 50% of the production expenses of the film, so that the tax assistance may not exceed 16 ⅔% of such expenses.

However, under the application of this tax credit, a higher assistance is granted regarding labour expenditures relating to the production of certain French-language feature films and certain documentaries, with the result that the tax assistance may reach 22.5% of the production expenses of such a film.

Furthermore, productions including computer animation or special effects, excluding French-language feature films and certain documentaries, may obtain additional tax assistance.

Lastly, to encourage the production of films and television programs that better reflect the many regional aspects of Québec and to help producers established outside the Montréal region, specific assistance is granted when the film is produced outside the Montréal region. Accordingly, in the case of a regional production, the tax assistance may reach 27.75% of the production expenses of the film.

In all cases, this tax credit may not exceed \$2.5 million per film.

In recent months, the ministère des Finances, in concert with other stakeholders, has studied the special situation of the giant-screen film industry in Québec as part of the application of the refundable tax credit for Québec film and television production. As anticipated with the publication of the information bulletin 2001-13 of December 21, 2001, this study has pinpointed the need to make changes to the refundable tax credit for Québec film and television production and to the *Regulation respecting the recognition of a film as a Québec film*. These changes are detailed below.

□ **Rate of tax credit raised**

Currently, a corporation that makes a giant-screen film that is recognized as a Québec film by the Société de développement des entreprises culturelles (SODEC), can receive the refundable tax credit for Québec film and television production regarding such film.

The production of a giant-screen film is generally more onerous than for a conventional film, essentially because of the costs relating to the technologies used. However, few giant-screen productions involve enough labour to achieve the maximum stipulated tax assistance. This is attributable to the very structure of the tax credit, whose base depends on the labour expenditures incurred to produce a film.

To better support the production in Québec of giant-screen films and to take this particular feature into account, a higher rate of tax credit will apply to this type of production.

In particular, the rate of the refundable tax credit for Québec film and television production will be equal to 45% of the eligible labour expenditures incurred in the course of the production of a giant-screen film. However, as with all other categories of eligible productions, eligible labour expenditures may not exceed 50% of production expenses, with the result that the amount of tax assistance may reach a maximum of 22.5% of such expenses.

To benefit from this improvement regarding a film, an eligible corporation must obtain, from SODEC, a certificate to the effect that the film is a giant-screen film.

For greater clarity, like the situation in the case of French-language feature films and certain documentaries, labour expenditures incurred in the course of production of a giant-screen film will no longer be eligible for the improved tax assistance for computer animation or special effects, but may give rise to improved tax assistance for regional film and television production.

These changes will apply regarding eligible labour expenditures, in relation to a giant-screen film, incurred after December 21, 2001.

□ **Broadening of minimum screening territory**

The *Regulation respecting the recognition of a film as a Québec film* stipulates that a certification application filed with SODEC regarding a film must be accompanied by an undertaking that the film regarding which the application is filed will be screened in Québec.

Currently, there is no distribution network for giant-screen films. They are generally sold theatre by theatre, often by the producer. In addition, there are only four movie theatres in Québec able to present giant-screen films and the programming for each of these theatres is often decided in advance, for a period of between 12 to 24 months. Accordingly, an eligible corporation may find it difficult to obtain, within a reasonable time, an undertaking to screen in Québec the giant-screen film regarding which a certification application must be filed.

To make allowance for the limitations of the Québec market for screening giant-screen films, the regulatory requirement regarding screening in Québec will be replaced with a requirement regarding screening in Canada.

More specifically, an eligible corporation must show, when it files a final certification application with SODEC, that the giant-screen film regarding which the application is filed is covered by an undertaking that the film will be screened in Canada, in a public performance venue. SODEC may revoke the favourable advance ruling issued regarding a giant-screen film that is not covered by such an undertaking.

For greater clarity, with the exception of the undertaking for screening in Québec, the certification criteria stated in the *Regulation respecting the recognition of a film as a Québec film* will continue to apply to a giant-screen film.

This change will apply to a giant-screen film regarding which a final certification application is filed with SODEC after December 21, 2001.