



BULLETIN

Canadian Conference of the Arts ~ Conférence canadienne des arts

SOME PROVINCIAL FILM AND TV INDUSTRIES SEE NEW TAX INCENTIVES, OTHERS LEFT IN LIMBO

Ottawa, January 12, 2005 - The past few weeks have been filled with competing announcements of new tax incentives to better support the film and television production industry in several provinces. On 21 December, Ontario's Culture Minister Madeleine Meilleur announced a \$48 million program of tax enhanced credits following a successful advocacy campaign aimed at convincing the province of the growing need to draw audio-visual productions currently shooting elsewhere with attractive economic incentives. The Ontario package includes:

- ⇒ increasing the Ontario film and television tax credit for domestic productions from 20% to 30% for five years
- ⇒ maintaining the 10% regional bonus credit for productions based in Ontario, but outside the Greater Toronto Area
- ⇒ increasing the tax credits for foreign productions from 11% to 18% (to be reviewed by the end of 2005)

On 30 December, the Québec Minister of Finance Yves Séguin followed with his own announcement, raising the rate of the Québec Refundable Tax Credit for Film or Television Production Services (a labour tax credit for foreign productions) from 11% to 20%. This credit is 2% higher than Ontario's new rate and a 31 December CBC piece reported that while it will cost the province about \$5 million in lost tax revenue, it could bring millions of dollars worth of new film production to the province.

Meanwhile, the pressure is on in British Columbia for the government to act, as the foreign production credit remains at 11%. There are media reports that Brightlight Pictures, the province's largest production company, will leave for Toronto later this month in order to "take advantage of better incentives" offered in Ontario. This could mean the loss of a \$50 million film currently in pre-production, as well as other big budget shows that Brightlight has on deck for shoots in 2005. BC Finance Minister Colin Hansen is quoted in the 10 January Vancouver Sun as saying his province will not have a "knee-jerk reaction" to the changes in Ontario and Quebec, and that the industry's concerns will be dealt with in the 15 February BC provincial budget.

THE FEDERAL PICTURE: WHAT WILL THE GOVERNMENT DO NOW?

Many in Canada's film and television industries will now likely direct greater advocacy energies towards the federal government and the 2005-06 Budget that is anticipated in late February or early March. The recently released report of the Standing Committee on Finance, *Moving Forward: Balancing Priorities and Making Choices for the Economy of the Twenty-First Century* (see CCA Bulletin 01/05), outlines several recommendations that, if acted on, would allow for better fiscal support of the audio-visual production sector. Chief among these are that:

- ⇒ "The federal government provide stable, long-term funding to... the Canadian Television Fund."
- ⇒ "The government should increase the Canadian Film or Video Production Tax Credit to 30%."

On the last point, it should be noted that the 2003 federal Budget increased the rate available under the Film or Video Production Services Tax Credit, a refundable credit for the cost of Canadian labour engaged in foreign films and videos produced in Canada, from 11% to 16%.

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Moving Forward observes how during the recent pre-Budget consultations, witnesses noted that in the 2003 federal Budget no corresponding increase occurred in the credit rate for the Canadian Film or Video Production Tax Credit, as the maximum achievable is currently 15% of a production's total budget. According to the report "*Consequently, the rate differential between the two tax credits was changed, and witnesses urged the federal government to increase the tax rate under the Canadian Film or Video Production Tax Credit in order to restore that differential.*"

At the same time, a 22 December announcement confirms that the government will act on one of the 97 recommendations from the June 2003 Standing Committee on Canadian Heritage report *Our Cultural Sovereignty: the Second Century of Canadian Broadcasting* (available at: <http://www.parl.gc.ca/committee/CommitteePublication.aspx?SourceId=37522>). The House of Commons Standing Committee on Canadian Heritage will be holding public hearings on the Canadian feature film industry in Ottawa, Vancouver, Toronto, Montreal and Halifax in March 2005. According to the release:

"(The Committee) proposes to conduct a comprehensive study on the evolving role of the federal government in support of the Canadian feature film industry. In particular, the Committee will examine the following:

- ⇒ *The influence and effectiveness of the Government of Canada's Canadian Feature Film Policy (2000).*
- ⇒ *The structure and effectiveness of existing direct and indirect support mechanisms (e.g. Telefilm Canada, the National Film Board, Canadian Television Fund, tax credits.)*

The objective of this study will be to identify the extent to which the Government of Canada's Canadian feature film policy has helped to: develop and retain talented creators; foster quality and diversity of Canadian film; build larger audiences at home and abroad; preserve and disseminate our collection of Canadian films. The Committee intends to make its Report to the House of Commons no later than 23 June 2005."

CCA encourages members and member organizations who wish to appear as witnesses before the Committee to submit their briefs by 4 February 2005. Submissions should be limited to ten pages in length, accompanied by a one page executive summary, and provided in electronic form whenever possible. For more information, please contact Jacques Lahaie, Clerk of the Standing Committee on Canadian Heritage, at CHPC@parl.gc.ca or (613) 995-9566.

