Canada

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What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

Beginning with tax years ending on or after 19 March 2019, the use of taxable income in computing a corporation's expenditure limit for purposes of its eligibility for the enhanced federal refundable investment tax credits has been repealed. The current reduction to the expenditure limit based on prior year TCEC remains unchanged.

Funding programs, such as the Western Innovation Initiative, Southwestern Ontario Development Fund, and Eastern Ontario Development Fund have ended, giving way to new incentives such as the Innovation Supercluster Initiative, Dairy Processing Investment Fund, and Climate Action Incentive Fund.

Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
SR&ED tax credit	Federal and provincial refundable and nonrefundable tax credit program	35% for qualifying Canadian controlled private corporations; 15% for other companies;	In-house labor, plus subcontractors performing work on behalf of the claimant, materials transformed or consumed and overhead related to SR&ED	Work must be performed in Canada Capital expenditure no longer qualifies
Interactive Digital Media	Provincial tax credit program for the development of interactive digital media products	Credits range from 17.5% to 40%, depending on the province	Eligible labor and non-labor expenditure	A certain percentage of development must be performed in the relevant province
Strategic Innovation Fund	Direct funding program supporting projects generating economic, innovation, and public benefits to Canadians	50% of project costs up to a maximum of CAD 500 million	Non-recurring project costs, including direct labor, subcontractors, materials and equipment, land, and buildings	Focused on larger projects (over CAD 10 million in requested funding)

Industries most often affected by government incentives in country

	Technology, Media & Telecom		**Financial Services**
●	Telecom, Media & Entertainment	●	Banking & Capital Markets
●	Technology	●	Insurance
	Consumer	●	Investment Management
●	Consumer Products		Real Estate
	Retail, Wholesale & Distribution		**Life Sciences & Health Care**
●	Automotive	●	Health Care
●	Transportation, Hospitality & Services	●	Life Sciences
	Energy, Resources & Industrial		**Government & Public Services**
●	Power & Utilities		Health & Social Care
●	Mining & Metals	●	Defense, Security & Justice
●	Oil, Gas, & Chemicals		Civil Government
●	Industrial Products & Construction		International Donor Organizations
			Transport

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Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Is the claim made in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Innovation							
Research & development (R&D)	🟢	🟢	🟢	Arrears	Tax credit	Federal tax credit is 15% of qualifying expenditure; various provincial rates range from 3.5% to 20%	Federal tax credit is 35% of qualified expenditure and is refundable (maximum CAD 1.05 million per year); various provincial rates range from 10% to 30%
R&D grant (national): Strategic Innovation Fund	🟢	🔴	🔴	Advance	Repayable loans and/or grants	Fund 50% up to CAD 500 million, but the maximum amount will be considered only in exceptional circumstances. The sharing ratio and contribution amount will vary depending on the type of activities proposed. Grant funding is offered only in exceptional circumstances	Fund 50% up to CAD 500 million, but the maximum amount will be considered only in exceptional circumstances. However, focus has moved to projects exceeding CAD 10 million that lead to transformation of an industry (through groundbreaking IP), with a link to significant job creation
R&D grant (national): Industrial Research Assistance Program (IRAP)	🟢	🔴	🔴	Advance	Grants	Fund up to 80% of eligible labor and 50% of qualifying contract costs. Limited to companies with 500 or fewer employees	Typical contribution levels are CAD 10,000 to CAD 500,000, with maximum funding of CAD 10 million possible in exceptional circumstances
Regional Economic Growth through Innovation (REGI)	🟢	🟢	🟢	Advance	Repayable loans and/or grants (only for not-for-profit organizations)	REGI offers no-interest repayable contributions of 35%–75%, from CAD 200,000 to CAD 20 million per project, depending on the region	REGI offers no-interest repayable contributions of 35%–75%, from CAD 200,000 to CAD 20 million per project, depending on the region
Innovation Supercluster Initiative	🟢	🟢	🟢	Advance	Grants	Varies by supercluster; superclusters may reimburse up to 50% of total qualifying project expenses incurred by industry partners, and is aimed at projects with budgets between CAD 1 million and CAD 20 milllion	Varies by supercluster; superclusters may reimburse up to 50% of total qualifying project expenses incurred by industry partners, and is aimed at projects with budgets between CAD 1 million and CAD 20 million

Key: 🟢 = PERMANENT INCENTIVE (‖) = TEMPORARY INCENTIVE (‖) = NEGOTIABLE 🔴 = NO 🟡 = LIMITED APPLICABILITY ⚪ = NOT APPLICABLE

Notes:

1. Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
2. If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

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Investment							
Canadian Agricultural Partnership (CAP)	Permanent incentive	Permanent incentive	Permanent incentive	Advance	Repayable loans and/ or grants	Varies	Varies
Dairy Processing Investment Fund (DPIF)	Permanent incentive	No	Permanent incentive	Advance	Grants	The maximum funding available per capital investment project is CAD 10 million and CAD 250,000 per access to expertise project. The maximum amount an applicant can receive is CAD 10M millionin total per year	The maximum funding available per capital investment project is CAD 10 million and CAD 250,000 per access to expertise project. The maximum amount an applicant can receive is CAD 10 million in total per year
Employment: Development of E-Business (CDAE) (Quebec)	No	Limited applicability	Permanent incentive	Arrears	Partially-refundable tax credit	30% of eligible salaries (24% refundable and 6% nonrefundable); a maximum of CAD 25,000 per employee	30% of eligible salaries (24% refundable and 6% nonrefundable); a maximum of CAD 25,000 per employee
Training: Canada Job Grant	Permanent incentive	Permanent incentive	No	Advance	Grant	50%-83% of program costs up to CAD 10,000 per employee per year, some maximums per company	50%-83% of program costs up to CAD 10,000 per employee per year, some maximums per company
Energy Sustainability							
Sustainable Development Technology Canada (SDTC)	Permanent incentive	No	Permanent incentive	Arrears	Grant	Up to 33% of eligible costs for projects over CAD 750,000, no maximum	Up to 33% of eligible costs for projects over CAD 750,000, no maximum
Climate Action Incentive Fund (CAIF)	No	Permanent incentive	Permanent incentive	Advance	Grant	Eligible recipients must have under 500 employees	Non-repayable funding is available between 25% and 50% of qualifying costs of new energy-saving equipment and retrofits, up to CAD 250,000
Other							
CanExport program: Developing export opportunities	Permanent incentive	No	No	Advance	Grant	Only for companies with fewer than 500 employees and CAD 100 million in annual revenue	Grants of up to 75% of eligible project costs up to a maximum of CAD 99,999 per government fiscal year
Canadian film tax credits	Permanent incentive	Permanent incentive	Permanent incentive	Arrears	Tax credit	Varies	Varies
Interactive digital media	No	Permanent incentive	Permanent incentive	Arrears	Tax credit	Varies	Varies

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Country background

The 2019 combined federal and provincial corporate tax rate on business income ranges between 12% and 31%. The tax rate depends on the size of the corporation, ownership, and province.

Innovation Incentives

Research & development (R&D)

Nature of incentives

Canada offers support for R&D in the form of direct and indirect funding, including support for research programs at university and research centers. The largest program, with approximately CAD 3 billion of investment per year, is the Scientific Research and Experimental Development (SR&ED) program for eligible R&D work carried on in Canada.

SR&ED benefits

Incentives for SR&ED, in the form of deductions and tax credits, are available to corporations, individuals, general partners in a partnership, and trusts that carry on eligible activities in Canada. Taxpayers must incur expenditure in respect of SR&ED carried on in-house or by subcontractors performing SR&ED on their behalf. Claims may be filed with the taxpayer's income tax return for each tax year and may be reviewed by the Canada Revenue Agency (CRA). Taxpayers must be prepared to support their claims with contemporaneous documentation and other technical and financial evidence of activities and expenditure.

SR&ED deductions

Allowable SR&ED current expenditure is added to a separate tax pool. Capital expenditure is no longer eligible for SR&ED treatment. At the end of the year, all or a portion of the expenditure pool may be deducted to reduce taxable income. Balances may be carried forward indefinitely to be deducted against taxable income in future years. Some restrictions apply to carryforward balances after an acquisition of control of the taxpayer corporation. The use of the pre-acquisition SR&ED pools is restricted to income earned from the same business carried on after the acquisition of control.

Investment tax credits (ITCs)

Federal ITCs are earned at 15% of qualifying expenditure and can be used to offset federal taxes payable in the tax year, with unused ITCs available to be carried forward for 20 years and carried back three years. Some restrictions apply to carryforward balances, including restrictions on the use of ITCs following an acquisition of control of the taxpayer corporation. The use of the pre-acquisition ITCs is restricted to tax on income earned from the same business carried on in Canada after the acquisition of control.

SR&ED credits are taxable to the claimant. Federal credits generally are taxed in the year following the year in which they are applied to reduce taxes or generate a refund.

Enhanced refundable tax credits for small and medium-sized CCPCs

Small and medium-sized Canadian-controlled private corporations (CCPCs) can earn refundable ITCs on the first CAD 3 million of qualifying expenditure at an enhanced rate of 35% if they meet both of the following requirements:

- Taxable income of less than CAD 500,000 (for tax years ending before 19 March 2019); and
- Taxable capital employed in Canada (TCEC) of less than CAD 10 million.

For tax years ending before 19 March 2019, the expenditure limit is reduced for taxable income between CAD 500,000 and CAD 800,000 and TCEC between CAD 10 million and CAD 50 million, as described below. Both factors refer to the tax year before the credit year and are determined at the associated group level.

For tax years ending on or after 19 March 2019, the expenditure limit is reduced for TCEC between CAD 10 million and CAD 50 million.

A CCPC is a corporation that is not controlled by foreign or public corporations. The definition of control is a broad fact-based test (de facto control) that considers multiple factors, including voting control, options to acquire shares, and ability to influence the board.

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Expenditure limit
The qualified research expenses upon which the refundable credit is computed cannot exceed the annual expenditure limit that is capped at CAD 3 million. The expenditure limit declines proportionately as the taxable income and/or TCEC exceed the eligibility requirements specified above and is nil when taxable income reaches CAD 800,000 or TCEC reaches CAD 50 million for the previous tax year. As stated above, for tax years ending on or after 19 March 2019, the expenditure limit will be reduced for TCEC exceeding CAD 10 million and is nil when TCEC reaches CAD 50 million. Taxable income no longer will be taken into account in the expenditure limit determination.

Credits are refundable at 100% for expenditure up to the calculated expenditure limit, and become non-refundable 15% credits for expenditure over the calculated expenditure limit. Qualified corporations may be entitled to partial refunds on the excess: 40% of the 15% ITC is payable in cash.

Provincial tax credits

Most Canadian provinces offer SR&ED tax credit programs that supplement the federal incentives. Rates range from 3.5% in Ontario to 30% in Quebec. Enhanced provincial tax credits are available for qualifying R&D conducted by universities, research centers, and research consortia. Many provinces offer refundable credits, including Alberta, British Columbia (BC), and Quebec. All provincial credits are included in the definition of government assistance and reduce the qualified expenditure for purposes of calculating the federal ITCs.

Provincial credits generally are taxable in the year of the claim, regardless of whether the credit is used. Waivers are available for non-refundable provincial credits.

The provinces, other than Quebec, follow the federal rules for SR&ED and their incentive programs are administered by the federal tax authorities (other than Quebec and Alberta). The provinces generally require that the claimant be carrying on eligible work in the province and that they have a permanent establishment (PE) in the province.

Quebec offers a wage tax credit on expenditure in excess of CAD 50,000 (the threshold increases to CAD 225,000 for large corporations). The credit is fully refundable for expenditures on salaries or wages in Quebec. The credit also is available on 50% of contract payments to Quebec contractors for SR&ED performed in Quebec. The Pre-Competitive Research Tax Credit in Quebec is a collaborative research program that encourages companies to partner with universities and research centers. The tax credit is available at a rate of 14% for qualifying expenditure (salaries, 80% of payments to subcontractors, plus overhead of 55% of salaries and materials). Quebec is the only province that offers credits to companies that do not have a PE in the province.

Eligible industries and qualifying costs
To qualify for SR&ED incentives, work must be performed in Canada to advance the understanding of scientific relations or to advance technologies, address known scientific or technological obstacles, and incorporate a systematic investigation or search by qualified personnel. Eligibility is broad and is not limited to particular industries. Work that qualifies includes:

- Experimental development to achieve technological advancements to create new materials, devices, products, or processes or to improve existing ones;
- Applied research to advance scientific knowledge with a specific practical application in view; and
- Basic research to advance scientific knowledge without a special practical application in view.

Although "shop floor" R&D can be eligible under the program, commercial production and routine development are excluded, as are projects in other areas, such as social sciences.

The SR&ED claim must be substantiated by contemporaneous documentation that supports the project as "systematic investigation or search" through a process of experimentation or analysis for the purpose of resolving a problem that cannot currently be addressed

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with known technologies. Companies must be prepared to provide supporting documentation when their claim is reviewed by the CRA; failure to produce appropriate documentation and other evidence can result in the denial of all or part of the incentive.

Eligible industries

While the SR&ED tax credits are not limited to particular industries, there are special federal and provincial tax credits for selected industries, including interactive digital media, video game development, film and television, as well as industries involved in the development of new technologies that address issues of climate change, clean air, and water and soil quality. These incentives are outside the R&D program and may be claimed in addition to SR&ED benefits. In some cases where the projects and activities overlap, the other incentives may reduce SR&ED claims.

Eligible SR&ED expenditure

Qualifying expenditure includes salaries or wages for employees in Canada; materials (consumed or transformed in the course of the SR&ED); 80% of payments to subcontractors for SR&ED performed in Canada by Canadian taxable suppliers;[1] incremental overhead (or a proxy amount in lieu of overhead, see below); and payments to Canadian universities, colleges, and consortia.

Special rules apply to contract SR&ED to prevent duplicate claims by Canadian companies. There also are rules that require the recapture of ITCs claimed for materials that are purchased for SR&ED but subsequently are sold or transferred for a commercial purpose.

IP and jurisdictional restrictions

The SR&ED program does not impose any restrictions on the ownership of IP. If IP is created in the course of SR&ED activities, and later is sold, the company is not required to repay any of the tax benefits. The company still can claim carryover SR&ED expenditure and ITCs related to the work, provided it continues to carry on business in Canada. If the company is sold, carryover balances can be claimed against future income from the same business.

Research generally must be undertaken in Canada to qualify as SR&ED. However, where employees of the claimant are temporarily working outside of Canada on a Canadian-based SR&ED project, the employer can claim wages for SR&ED performed outside Canada, subject to a cap. The claim for salaries or wages related to foreign work cannot exceed 10% of the claim for salaries or wages for SR&ED work performed in Canada.

Other concerns

SR&ED claims are included in the taxpayer's income tax return. Taxpayers must submit detailed technical and financial information on prescribed forms to claim the federal R&D credit. Provincial claims also are required for each jurisdiction. The deadline for filing research credits is 18 months after the end of the company's tax year (21 months in Alberta). No extensions are available, and incomplete claims will be rejected by the CRA if the deficiency is not corrected before the deadline.

Documentation must be maintained to support the claim in the event of a CRA audit. The CRA may conduct a review of the technical eligibility and the expenditure claimed. CRA service standards recommend that refundable claims be reviewed by the CRA within 180 days of receipt of a complete claim. Nonrefundable claims will be subject to review up to the legislated statute-barred date for a given return. Statute barred dates for CCPCs generally are three years from the date of receipt of an original notice of assessment and four years for other corporations. There are various avenues to dispute assessments that disallow claims, including filing objections with the CRA and appeals to the tax courts.

Strategic Innovation Fund (SIF)

This federal program provides funding (repayable and nonrepayable) through five streams for R&D: 1) R&D and commercialization; 2) firm expansion and growth; 3) investment attraction and reinvestment; 4) collaborative technology development and demonstration; and 5) national ecosystems. The objective of the SIF is to spur innovation for a better Canada by providing funding for large projects (over

1. The Canadian company must have the right to exploit the results of any subcontracted research to treat 80% of the contractor fee as a qualifying research expense.

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CAD 10 million in requested contributions). The amount and type of funding available is discretionary and varies by type of activities proposed for a given project. The maximum amount of funding is up to 50% of project costs, up to CAD 500 million per project.

Industrial Research Assistance Program (IRAP)

The program provides technical advisory services and nonrepayable financial contributions to qualified SMEs in Canada to help them undertake technology innovation. Qualified corporations must be established and incorporated in Canada with 500 or fewer full-time equivalent employees. The business must be focused on the development and commercialization of innovative, technology-driven products, services, or processes in Canada. The amount of assistance is project specific, but typically range from CAD 10,000 to CAD 500,000 for up to 80% of qualifying labor costs and up to 50% of qualifying contract costs. IRAP can fund larger projects (up to CAD 10 million in funding) in exceptional circumstances.

Regional Economic Growth through Innovation (REGI)

REGI is a national program designed to fuel economic growth through innovation and to create more well-paying jobs for Canadians, with an emphasis on business scale-up and productivity and on regional innovation ecosystems. The program is delivered across the country by Canada's six regional development agencies (RDAs), with both a for-profit stream (repayable funding) and not for profit stream (nonrepayable funding). REGI offers no-interest repayable contributions of 35%–75%, from CAD 200,000 to CAD 20 million per project and non-repayable contributions of 50%-100% between CAD 500,000 and CAD 10 million. The contribution rates and funding amounts depend on the region where the project will take place. The program is expected to fund projects that end by December 2023.

Innovation Superclusters Initiative

The Innovation Superclusters Initiative is investing up to CAD 950 million to support business-led innovation superclusters with the greatest potential to energize the economy and become engines of growth. Through a small number of high-value, strategic investments, this initiative is co-investing with industry in bold and ambitious proposals to strengthen Canada's most promising clusters and build superclusters at scale.

This initiative is a first of its kind for Canada, fostering stronger connections—from large anchor firms to start-ups, from post-secondary institutions to research and government partners—and opening the door to new forms of industry partnerships. It represents a significant commitment to partnering with industry and supporting the success of leading domestic and global companies that choose to innovate in Canada.

The selected superclusters each have millions in funding available to support collaborative projects. Typical funding will be up to 50% and between CAD 0.5 million–CAD 10 million, but exceptional projects may be considered for greater funding. The superclusters include:

- Digital Technology Supercluster;
- Protein Industries Supercluster;
- Next Generation Manufacturing Supercluster;
- AI Powered Supply Chains Supercluster (Scale.AI); and
- Ocean Supercluster.

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Investment incentives

Canadian Agricultural Partnership (CAP)

CAP is a five-year, CAD 3 billion investment contributed through the federal and provincial governments across Canada. CAP is the primary mechanism used to disburse government grants and repayable funding contributions to SMEs, non-profits, and other key industry stakeholders in the agri-food industry. Funding ranges from 50%–70% up to CAD 50,000 to CAD 10 million, depending on the type of project, which can range from marketing, commercialization and/or adoption of innovative products technologies and processes, R&D activities, building agricultural leadership among under-represented groups, third-party assurance certifications, and increasing competitiveness.

Dairy Processing Investment Fund (DPIF)

The Dairy Processing Investment Fund was established to provide funding to dairy processors for investments that will improve productivity and competitiveness, and help them prepare to market changes resulting from the Canada-EU Comprehensive Economic and Trade Agreement (CETA). The program provides nonrepayable contributions to support projects through capital investment in equipment and infrastructure and/or access to expertise to engage private sector technical, managerial, and business expertise. The overall program budget is CAD 100 million and the program will end on 31 March 2021. The maximum funding available per capital investment project is CAD 10 million and CAD 250,000 per access to expertise project. The maximum amount an applicant can receive is CAD 10 million in total per year.

Employment: Development of E-Business (CDAE) (Quebec)

Administered by Investissement Québec, the tax credit for the Development of E-Business in Quebec was introduced to promote e-commerce and information technology industries. The tax credit is equal to 30% (24% refundable and 6% nonrefundable) of qualifying salaries paid by the corporation to eligible employees, up to an annual maximum of CAD 25,000 per eligible employee. To qualify for the credit, a corporation must obtain an eligibility certificate issued by Investissement Québec for each year the credit is claimed.

Additional investments incentives are available from a variety of sources and each has a specific target audience.

Training: Canada Job Grant and other training and hiring grants

The Canada Job Grant is a cost-sharing program that helps employers offset the cost of training for new or current employees. It is nationally funded and regionally administered. Funding varies depending on the jurisdiction, but the program offers between 50% and 83% of training costs up to CAD 10,000 per employee annually. Some jurisdictions have set maximum funding limits per company.

The program is intended to support companies that require their employees to gain the skills necessary to fill available jobs, invest in their current workforce, and to equip employees with the training necessary to make their business succeed.

There are other federal and provincial programs that assist with hiring and employment, as well as training and upgrading. These include programs for youth, aboriginals,[2] trades, and apprentices, and broader adult training for job skills.

Environmental sustainability incentives

Sustainable Development Technology Canada (SDTC)

Canada is committed to the creation and commercialization of clean technologies, including alternative fuels, waste management, clean water, and clear air.

At the federal level, the SDTC offers grants to Canadian companies through a number of funds, including the SD Tech Fund, which covers up to 33% of eligible costs with an average contribution of CAD 2 million to CAD 4 million for large projects to develop new clean technologies. Eligible projects must have a minimum budget of

2. Aboriginals are indigenous people to Canada and can benefit from various training programs.

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CAD 750,000, but there is no cap on project expenditures. The SDTC requires a minimum of 25% private funding, which can include in-kind contributions from consortium partners, and allocates about CAD 100 million a year to clean tech projects.

Climate Action Incentive Fund (CAIF)
CAIF is a new Environment and Climate Change Canada program funded from the proceeds of the federal carbon pollution pricing system, available in Saskatchewan, Manitoba, Ontario, and New Brunswick. The program funds projects to decrease energy usage, save money, and reduce carbon pollution under three streams: 1) SME project stream; 2) MUSH retrofit stream (municipalities, universities, schools, and hospitals); and 3) rebate stream (for SMEs and not-for-profit organizations). Non-repayable funding is available between 25% and 50% of eligible costs of new energy-saving equipment and retrofits, up to CAD 250,000 per project. CAIF will provide approximately CAD 1.45 billion in funding over five years, beginning in 2019.

Other incentives

Developing export opportunities: CanExport program (SME)
This national program is a five-year, CAD 50 million initiative that provides direct financial support for SMEs to develop new export opportunities. An SME for this purpose has fewer than 500 employees and less than CAD 100 million in annual revenue. The funding available is 75% of eligible project costs with a maximum contribution per applicant of CAD 99,999 per government fiscal year (with multiple projects, or CAD 75,000 per project). To qualify for this program, the SME must incur at least CAD 20,000 in developing export opportunities because the minimum award is CAD 15,000 (75% of qualifying costs).

Films and digital media
Film, digital media, video, and television receive support through refundable tax credits at both the federal and provincial levels. Companies can claim multiple credits based on location and services. Productions must be certified through the Canadian Audio-Visual Certification Office. The tax credits are claimed through the income tax system and claims are administered by the CRA and provincial agencies.

Film production tax credits
Canada offers a refundable film or video production tax credit to Canadian-controlled production companies at 25% of qualified labor paid to Canadian residents employed on a qualifying production, net of provincial tax incentives and any other government assistance. Qualified labor is capped at 60% of net production costs. Non-Canadian controlled production companies doing business in Canada are eligible at a rate of 16% of qualified labor. Every province, other than Prince Edward Island, offers additional credits for companies operating through a PE in the relevant province.

- BC has a film and video production tax credit based on qualified labor, at rates of 35% for Canadian-controlled production companies and 28% for other corporations. There also is a 12.5% regional tax credit (6% for non-Canadian-controlled production companies), a 6% distant location credit, and a 35% script writing credit for qualifying labor. In addition, BC offers a 16% credit for digital animation or special effects. Qualified labor can qualify for multiple credits, in some cases totaling nearly 70% of the labor costs.
- Manitoba offers a film and video production tax credit of 45% of eligible labor or 30% of eligible production costs. There also is a 5% regional tax credit, a 10% bonus for frequent producers, and a 5% bonus for local producers.
- Ontario has a 35% credit for Canadian-controlled production companies based on qualified Ontario labor, plus a 10% regional credit and a 5% first-time producer credit. Non-Canadian-controlled production companies are eligible for a 21.5% credit. In addition, Ontario offers an 18% credit for computer animation and special effects.

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- Quebec offers a 40% film and television production tax credit for French language or giant screen productions produced by eligible Quebec-controlled companies. The credit is based on qualified labor, capped at 50% of production costs. There is a regional bonus of 10%, and a 16% bonus for productions that do not receive any other government assistance. For other productions by an eligible Quebec controlled company, there is a credit of 32%, with qualified labor expenditure capped at 50% of production costs, a regional bonus of 20%, a 16% bonus for productions not receiving other government assistance, and a 10% bonus for special effects and computer animation. The credit is 20% for other companies with a 16% bonus for special effects and computer animation. Quebec offers a 35% film dubbing tax credit capped at 15.75% of dubbing costs.
- Film production tax credits also are available in Alberta, the Atlantic Provinces other than Prince Edward Island (PEI), and the territories (Yukon, North West Territories, and Nunavut).

Digital media tax credits

Regionally administered, digital media tax credits can range from 17.5% to 40% of qualifying salary costs (depending on the province). These tax credits incentivize digital media production by reducing the net cost for creating, marketing, and distributing eligible interactive digital media products. The credits are refundable and claimed at the end of the tax year.

Interactive digital media credits for video games and other digital applications are available in many provinces:

- BC offers a 17.5% refundable tax credit based on qualifying BC salaries.
- Ontario offers a 40% refundable tax credit for the development of interactive digital media products based on eligible Ontario labor, including eligible marketing and distribution expenditures. The credit is available to qualifying corporations that develop and market their own products. The credit is 35% for products developed under fee for service arrangements and 35% for the development of eligible digital games.
- Quebec offers a 30% refundable tax credit for multi-media titles intended for commercialization (26.5% for other multimedia titles), with a 7.5% premium for French language titles. The credit is based on the corporation's qualified labor, not the production's qualified labor.
- Nova Scotia offers a tax credit of the lesser of 50% of eligible labor plus a 10% regional credit or 25% of total expenditure plus a 5% regional credit. An animation incentive is available at 17.5% of eligible labor (maximum labor expenditure of CAD 150,000).
- Digital media tax credits also are available in Alberta (25%), Manitoba (40%), Newfoundland and Labrador (40%), and PEI (25%).