

Obtaining OIDMTC funding for your digital media projects

Elliot Schiller

At the conclusion of 2014, Ontario announced as part of its 2014 Ontario Outlook and Fiscal Review, that it would be reviewing the Ontario Interactive Digital Media Tax Credit (OIDMTC). It refers to this overall endeavour as striving for "A Fair and Efficient Tax System." While this review encompasses many taxation areas ranging from personal income tax rates to small business deductions, the OIDMTC is the only grant incentive program that is singled out for review. In this author's opinion, OIDMTC has a limited and severely curtailed future. So, if you're eligible, you had better apply now before it's too late.

First introduced to provide tax credits in 2003-2004, OIDMTC is jointly administered by the Ontario Media Development Corporation (OMDC) and Revenue Canada (CRA). The program provides refundable tax credits for eligible Ontario labour expenditures and eligible marketing and distribution expenditures for businesses with annual gross revenues of less than \$20 million and total assets below \$10 million.

The goal of the program is to provide funding to boost and grow the interactive digital media sector in Ontario – that is, companies who develop digital games and educational software (Editor's note: British Columbia and Manitoba have similar programs directed at similar industries). This sector is important to Ontario as it represents \$134 million in annual sales and employs over 1,850 Ontarians. In 2003-2004, the program provided \$1 million in support funding to the sector. In 2014-2015 the Ontario Government is predicting that it will award over \$61 million in funding.

So, how is it possible to provide \$61 million in funding to an industry that only generating \$134 million in sales? The obvious answer is that there is a "loophole" in the wording of the tax law that enables any company, including yours, regardless of industry sector, who has spent money on developing an interactive software product, to be eligible for the grant.

This law abiding, but unintended "loophole" interpretation of OIDMTC, is why the program is under review, and you don't need a crystal ball to know that it's not going to be there for much longer. So, read on to see if you're a qualifying company. And remember, now is the time to apply as your window of opportunity could be closing soon.

The OIDMTC is calculated as 40% of eligible Ontario labour expenditures and eligible marketing and distribution expenses incurred after March 26, 2009 by qualifying corporations (regardless of size) to create "non-specified" interactive digital media products in Ontario. For qualifying corporations applying for OIDMTC on "specified products" – that is, products developed under a fee-for-service arrangement – the OIDMTC tax rate is 35% on qualifying expenditures incurred after March 26, 2009. The rates vary for expenditures incurred prior to March 26, 2009.

There is no limit on the amount of eligible Ontario labour expenditures which may qualify and there are no



per-project or annual corporate limits on the amount of the OIDMTC which may be claimed. Eligible marketing and distribution expenses are capped at \$100,000 per non-specified product.

To be eligible for the OIDMTC, a product must be an interactive digital media product whose primary purpose is to educate, inform or entertain, and that achieves its primary purpose by presenting information in at least two of: text, sound and images. Types of interactive digital media products that may be eligible for the tax credit include (but are not restricted to) games, educational and informational products. Products whose primary purpose is to present or promote the qualifying corporation and/or the product, and is used primarily to present, promote or sell the products or services of the qualifying corporation, are not eligible.

The process to apply begins with a phone call to the Ontario Media Development Corporation where you explain your product and receive a certificate of eligibility. This certificate is then included in your corporate tax return along with the breakdown of expenses eligible for credit. Like SR&ED, this is a "refundable" tax credit, not simply a credit against taxes owing. So, in due course, you will receive a cheque from CRA for the amount due.

It's that simple, but it may not be around much longer. So hurry up and apply as soon as you can.

Elliot Schiller is a Director at Toronto's Teeger Schiller Inc., a company that specializes in obtaining government funding. His clients receive over \$5 million annually to support their ongoing business innovation. E-mail eschiller@teegerschiller.com, visit www.FundingHelp.ca or phone 1-888-816-0222 Ext. 102.



Services Provided by Teeger Schiller Inc.

Management Consulting Division

- Existing Systems Evaluation
- Existing Systems Improvement
- Needs Analysis
- New System Search / Selection
- Implementation Project Management
- Logistics / Operations Consulting
- Best Practices Consulting
- Change Management
- E-commerce Support
- Data Mining / Business Intelligence



SR & ED Division / Grant Division

- Identify and Develop Claim
- Engineers / Former Federal Employees
- Up-to-date on Program Nuances and Changes
- Templates Provided for Project Documentation
- SR & ED Technical Claim Preparation
- Training to Ensure Proper SR & ED Tracking
- SR & ED C.I.C.A. Continuing Education Credit Courses
- Free Consultation to Evaluate Claim Potential
- Meet with CRA to Support and Defend Claim
- Government Funding Opportunities



Policy Governance® • IT Governance

- Policy Governance® / IT Governance Workshops
- Policy Governance® / IT Governance Implementation
- Board Coaching
- CEO / ED / CIO Coaching
- Policy Governance® / IT Governance Templates (CobIT)
- Owner Accountable Leadership
- Ensuring Fiduciary Compliance
- Develop Board of Directors Policy Manual
- Board Process Maintenance
- New Directors Orientation



David Teeger

Director

David Teeger C.A., C.A. (S.A.) graduated as a Chartered Accountant in South Africa, and upon arrival in Canada he obtained his Canadian C.A. designation and joined Richter & Associates, a management consulting firm, where he concentrated his practice on various business sectors including household goods, fashion, automotive parts, public associations, and retail chains. He performed many roles in his 15 years at Richter, including managing the professional services organization in North America and all business operations throughout Europe.

David's professional capabilities include computer audits, feasibility studies, system analyses and assistance in the selection, negotiation and implementation of computerized solutions.

As a founding partner of Teeger Schiller Inc., he has focused his practice on consulting to management. His team of professionals has helped businesses select and successfully install a variety of ERP business solutions and add-on systems including business intelligence solutions to give new life to existing computer systems. David's clients not only rely on him to successfully manage the implementation of their new systems, but to manage the change that occurs in their organizations as a result of the use of these new tools.



Elliot Schiller

Director

Elliot Schiller, Ph.D., C.M.C. began his career as a Chemical Engineer working for Grumman Aircraft, in Long Island, New York. He obtained his Ph.D. at the University of Pittsburgh with funding from the U.S. Atomic Energy Commission, and, after being awarded a Presidential Fellowship, he went on to perform research and development activities at Brookhaven National Laboratory.

Since coming to Canada, he has primarily assisted consumer products and retail organizations in a variety of strategic management initiatives, traveling around the globe on behalf of his clients. In 1987, Elliot joined Richter & Associates, and it is here that he first met David Teeger.

As a founding partner of Teeger Schiller Inc., he has focused the SR&ED / Grant Division on obtaining grants and tax incentives for over 100 companies in the small to medium sized business sector. His team has provided services to the discrete / processing manufacturing, material development, textiles, apparel, automotive and computer sciences sectors. Annually, Teeger Schiller Inc. secures more than \$5 million in government funding to assist its clients in having their business initiatives supported by government funding.



304 Richview Ave., Toronto, ON M5P 3G5

Tel: 1.888.816.0222

info@teegerschiller.com • www.teegerschiller.com
Toronto • Montreal • New York • South Florida