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Entertainment Law

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Manitoba Announces Increases To The Manitoba Film and Video Production Tax Credit

On March 11, 2005, the Manitoba Government announced that Manitoba Film and Sound Recording Development Corporation's base tax credit will rise from 35% to **45%** of eligible Manitoba wages and salaries (or 22.5% of the total eligible production costs of an eligible film if that amount is less). This increase is in addition to the 5% frequent filming bonus for the third project shot within a two-year period in Manitoba and a 5% Rural/Northern bonus introduced last year. Combined, these incentives allow an eligible company to garner up to a 55% rebate on Manitoba labour expenditures. The new 45% tax credit will apply to productions for which principal photography commenced after March 8, 2005.

The Manitoba Government also announced a further amendment to the *Income Tax Act* (Manitoba) which revises the definition of "Project" as it applies to a dramatic television series, so that serial productions are recognized under the frequent filming incentive based on the formula: two hours of air time equals one frequent filing credit.

In addition, the distance for the Rural/Northern bonus has been reduced from 40 kilometres to 35 kilometres, which now includes the City of Selkirk.

According to the press release of Manitoba Film & Sound announcing the changes, production volumes in Manitoba have increased dramatically since the initial introduction of the tax credit in 1997 from \$17.4 million in 1997/1998 to over \$110 million in 2003/2004.

For the purposes of the Manitoba Film and Video Production Tax Credit (the "MFVTC"), "eligible salaries" include the

salary or wages of individuals resident in Manitoba on December 31 of the taxation year ("eligible employees") for services rendered in connection with an "eligible film", directly attributable to the production.

The MFVTC is available to a corporation that has a permanent establishment in Manitoba, is incorporated in Canada, pays at least 25% of salaries and wages to "eligible employees", does not hold a CRTC broadcasting license, deals at arm's length with corporations holding a CRTC license, and is producing an "eligible film".

Eligible projects include fully financed television movies, documentaries, feature films, dramatic series, variety, multimedia, animation, children's programming, music programming, informational series, and digital and CD ROM productions.

For additional information on the new tax credit rate increases please visit Manitoba Film & Sound's website at www.mbfilm-sound.mb.ca or contact a member of our Entertainment Law Group listed below.

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