

BOAST[®]

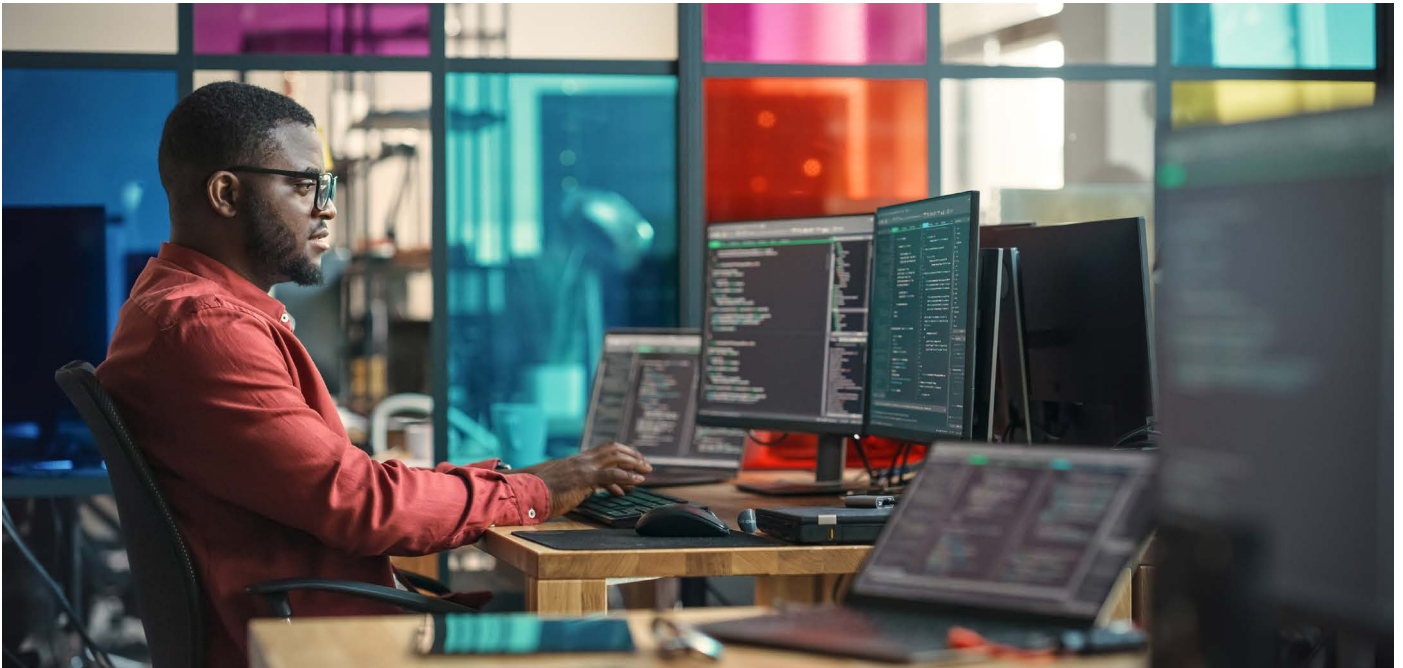
IDMTC

Interactive Digital Media Tax Credit



Table of Contents

Qualifying criteria for IDMTC	4
How much can qualified applicants receive from IDMTC?	5
Restructuring for the future...	5
Quebec specifically...	6
When to use IDMTC, SR&ED or both	7
How to apply for IDMTC	8





Tax Credit on Qualifying Wages/Salary for Digital Media Production: 26.25 – 37.5%

The Interactive Digital Media Tax Credit (IDMTC) is a potential refund offered to businesses across the provinces that are focused squarely on innovating entertainment and education media. These include gaming, animation, television or film production companies that are based in:

- British Columbia
- Manitoba
- Newfoundland and Labrador
- Nova Scotia
- Ontario
- Quebec

Notably, these are the provinces with the largest population centers and closest ties to global media hubs, as the goal of the IDMTC is to create products that can be enjoyed by consumers around the globe, but to the benefit of Canadian taxpayers and the government.



Qualifying criteria for IDMTC

While each province has its own unique guidelines around the timing for applications (as well as how much cash back qualified applicants can expect in their return), the qualifying criteria for IDMTC is fairly uniform province-by-province, encompassing solutions that:

- ✓ Aim to educate, inform, or entertain the user
- ✓ Present information in a combination of text, sound, and images
- ✓ Are interactive by design

Examples of qualifying products could include video games, educational software, or AR/VR products, to name a few.

What doesn't qualify?

The Canadian government is clear that only activities that actually contribute or lead to the commercialization of a given innovation will qualify. As such, promotional activities or repurposed/rebranded products are explicitly excluded from IDMTC, as well as:



Blogs



Search engines



News and public affairs products



Weather or financial market reporting



Products used primarily for interpersonal communication

How much can qualified applicants receive from IDMTC?

Each province has different guidelines for both when and how to apply for IDMTC, as well as how much cash successful applicants should expect in return.

Similar to CDAE, IDMTC can be delivered as a mix of refundable and non-refundable credits accounting for both wages and material expenses.

Restructuring for the future...

The CTMM, which currently doesn't have a non-refundable component, will also see the total taxable balance shift to a 20:10 percentage split by 2028 in an attempt to encourage more provincial income from successful businesses in this sector. Examples of qualifying products could include video games, educational software, or AR/VR products, to name a few.

YEAR	REFUNDABLE	NON-REFUNDABLE
2024	30%	0%
2025	27.5%	2.5%
2026	25%	5%
2027	22.5%	7.5%
2028	20%	10%

Quebec specifically...

For a Quebecois digital media production to receive IDMTC funding, the company must:

- ✔ Be established and operational in Quebec.
- ✔ Must have a valid initial qualification certificate issued by Investissement Quebec for the production or title in question.
- ✔ The project must “include an appreciable quantity of three of the following four types of data in digital form: text, sound, fixed images and animated images. However, a title will be deemed to satisfy this condition if it is intended for customers with a disability” or “is produced on electronic media and controlled by software that allows for interactivity.”
- ✔ The title must feature a French version.
- ✔ Work completed must be deemed to be eligible production work as it concerns interactive and digital gaming production: “50% of amounts paid to a subcontractor dealing at arm’s length with the multimedia producer for the execution of eligible production work in Québec.”

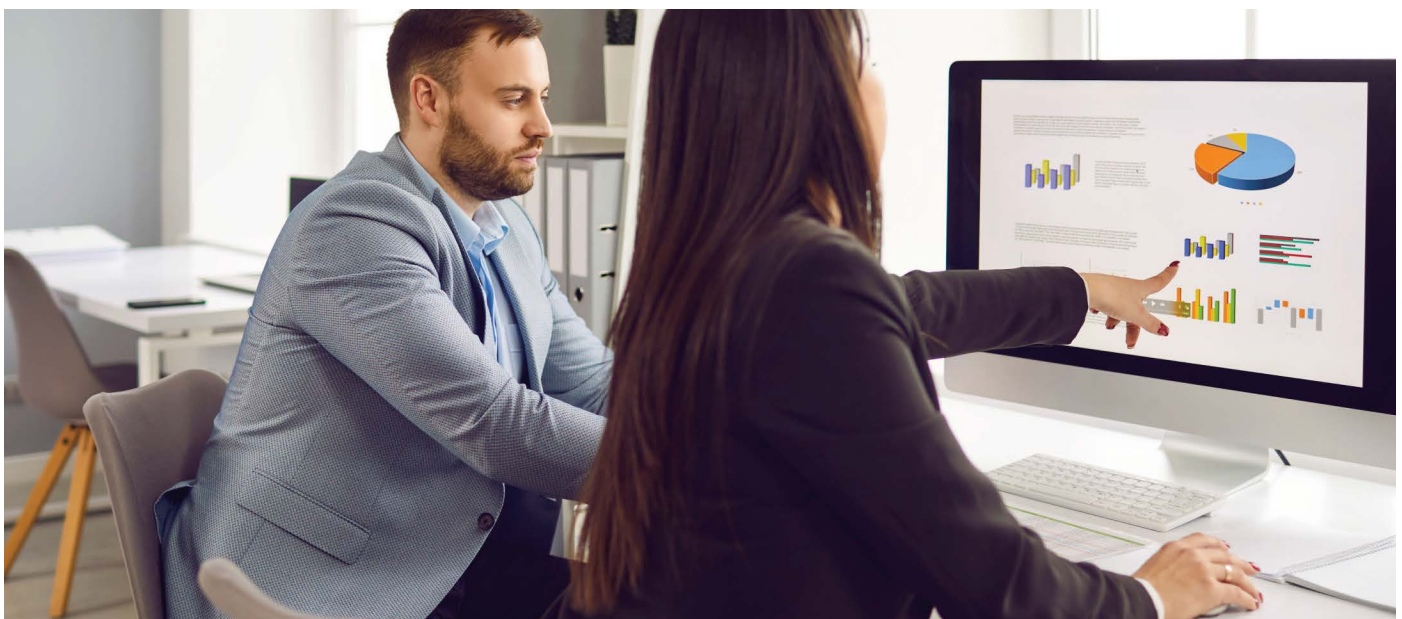


When to use IDMTC, SR&ED or both

Any expenses claimed for either SR&ED or IDMTC can't overlap or therefore be stacked. While companies can file claims for separate expenses in both categories, they can't "double dip," so to speak—ie. Any wages or labor costs that are already filed as SR&ED claims can't also be IDMTC eligible.

That's because the IDMTC essentially replaces the 10 percent provincial portion of a SR&ED claim.

Therefore, choosing whether to file a qualified expense under either IDMTC or SR&ED often comes down to timing—both in terms of the maturity of the project and the current status of the project's runway. SR&ED, for instance, often has a faster processing time than IDTMC, and could be tapped into for more immediate funding needs. But if a claim only partly qualifies for SR&ED while being fully eligible for IDMTC, the more comprehensive credit usually trumps the speedier return.



How to apply for IDMTC

Because there are so many contingencies for IDMTC—both when comparing versions between provinces, and when weighing against a potential SR&ED claim—it's especially important that founders and finance teams don't embark on their applications solo.

That's because the IDMTC essentially replaces the 10 percent provincial portion of a SR&ED claim.

While IDMTC can be a generous credit, there could be benefits to leveraging SR&ED or different non-dilutive funding options that ultimately offer greater returns. To that end, given the strict qualifying criteria, if potential applicants realize early that IDMTC is a no-go, knowledgeable R&D tax professionals can help determine other avenues for non-dilutive funding.





Boast AI accelerates the success of innovative businesses globally with software that integrates financial, payroll, and engineering data into a single platform of R&D intelligence. In tandem, Boast AI's in-house tax pros offer unmatched expertise in navigating R&D tax credit and SR&ED eligibility requirements to ensure organizations have access to all eligible sources of non-dilutive funding, even defending any claim against audit to ensure customers have the capital they need to further fuel innovation. With operations across the U.S. and Canada, more than 1,000 innovative companies have leveraged Boast AI to get more money, faster, for less time and risk.

boast.ai

909 Davis St, Suite 500, Evanston Illinois, 60201

415 W Cordova St #208, Vancouver, BC, V6B 1E5, Canada