
NEWS RELEASE

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Ministry of Finance
Ministry of Jobs, Tourism and Skills Training and
Responsible for Labour

New film tax credit rates give industry certainty and protect taxpayers

VICTORIA – Consultations with the B.C. film and television industry have led to proposed adjustments to the province’s film tax credit rates that provide certainty to the film industry while keeping the subsidy affordable for taxpayers, Finance Minister Michael de Jong announced today.

The government announced with Budget 2016 its intention to work with the film and television industry to address the rising cost of the province’s production services tax credit for film and television. Under the current rates, the subsidy was forecast to cost nearly \$500 million in 2015-16, up from an average of \$313 million over the past three years, and an average of \$182 million over the five years prior to 2012-13.

The Province announced in the February budget it would establish an industry-government working group with representatives from the film and television industry. These meetings helped the Province understand the industry’s perspectives and provided an opportunity to discuss potential options.

Subject to the approval of the legislature and the implementation of the necessary regulations, for principal photography beginning on or after Oct 1, 2016, the basic production services tax credit rate will be set at 28%, down from 33%, and the digital animation or visual effects (DAVE) tax credit rate will be set at 16%, down from 17.5%.

The Province is providing a transitional period to recognize the investments already planned for British Columbia. For example, the amendments will allow all episodes in one season of a television series to continue at the current tax credit rates if principal photography for the first episode begins prior to Oct 1, 2016.

The strong US dollar has helped make B.C. even more attractive to foreign film productions. Government will have the ability to make any future adjustments to the film tax credit rates by regulation, helping balance long-term competitiveness for industry and protection for taxpayers. Foreign film and television productions now comprise about 80% of all production spending in British Columbia. Between 2012-13 and 2014-15, industry spending on foreign and domestic productions that qualify for the production services tax credit increased by more than 50% to \$2 billion.

Tax credits are only one of the factors considered by the film industry when selecting locations. British Columbia is a key location for film and television production in North America, and a growing hub for digital animation and visual effects, because of its talented workforce, world-class infrastructure, spectacular locations and proximity to Hollywood.

British Columbia has grown to become one of the world's largest clusters for visual effects and digital animation companies, confirming our reputation as a global full-service production centre capable of performing the complete spectrum of services required for major productions.

Quotes:

Finance Minister Michael de Jong –

“We are proud of the success we've seen in this industry, but we also need to safeguard the interests of B.C. taxpayers, who ultimately pay for subsidies, and ensure there is equity with other industries that drive B.C.'s economy. The Province appreciates the industry's willingness to work together on this issue, allowing government to provide certainty for production companies. We are now in a position to continue supporting a healthy, robust film and television sector that attracts foreign investment and jobs to B.C.—from Hollywood to Bollywood and around the world.”

Jobs, Tourism and Skills Training Minister Shirley Bond –

“Government heard the film industry's call for collaboration and engagement. We are grateful for the industry's input into these changes. By working together, we found a solution that protects jobs for the talented and skilled individuals working in this industry, preserves B.C.'s reputation as a globally competitive filming location, and ensures government support for the industry is sustainable for taxpayers.”

Peter Leitch, chair, Motion Picture Production Industry Association of B.C. –

“The motion picture task force, along with our major customers and investors in Los Angeles, has worked with government over several weeks to find common ground for measured revisions to industry tax policy that address government's fiscal capacity and maintain the industry's competitive position. B.C.'s \$2-billion film and television industry is built on three decades of collaborative private/public investment and represents thousands of B.C. jobs—together, we have a vested interest in its long term growth and sustainability. We were very appreciative that government engaged with industry stakeholders in a meaningful way to help resolve these objectives.”

Liz Shorten, managing vice-president, Canadian Media Producers Association (CMPA) - B.C. –

“Change is challenging for any industry. We appreciate the government's willingness to meet with a cross-industry group to manage the change in a way that helps minimize impact to B.C.'s competitive position. As an industry, we look forward to working with government to ensure this sector continues to be a significant driver of British Columbia's diverse and strong economy.”

Michelle Grady, head of film, Vancouver Moving Picture Company –

“I would like to express my appreciation to the British Columbia government for allowing industry to participate in such an extensive consultation process during their evaluation of the film incentive program. Our common goal is for our sector to remain a strong contributor to B.C.'s diverse economy by being able to provide high value jobs. This is especially important since the creative technology community is driving exciting growth opportunities all around the

world. I sincerely hope we can keep this dialog open as we move forward towards a sustainable future.”

Quick Facts:

- B.C.’s film industry accounted for approximately \$2 billion Canadian in productions in 2014-15, with a tax credit cost of approximately \$343 million Canadian. B.C. spent an estimated \$491 million on film tax credits in 2015-16.
- By comparison, California’s industry is about \$17 billion US annually, and the state spends \$330 million US on tax credits.
- B.C.’s competitive advantages include our talented workforce, one-of-a-kind scenery, being located in the same time zone as California and the certainty and simplicity of tax credit incentives.
- For every \$100 spent by a production company on eligible labour, government subsidies return between \$33 and \$71 to that company.
- Because they are refundable tax credits, companies receive the credit even when they pay little or no tax to government.
- There are an estimated 25,000 jobs in the B.C. industry, and taxpayers contribute an estimated average of \$25,000 for each individual employed in film and television in B.C.

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BACKGROUND

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Transitional provisions

The information below outlines the application of transitional rules for proposed changes to film tax credit rates subject to the approval of the legislature and the implementation of the necessary regulations.

Production Services Tax Credit – Change to the basic tax credit rate

For productions with a date of principal photography that begins prior to Oct. 1, 2016, the 33% rate applies. If principal photography begins on or after Oct. 1, 2016, then the 28% rate applies for that production.

For productions that are episodic, where the first episode in a cycle of a television series begins principal photography prior to Oct. 1, 2016, the 33% rate applies to all episodes in that cycle of the television series. If principal photography of the first episode of a cycle of a television series begins on or after Oct. 1, 2016, then the 28% rate applies to all episodes in that cycle.

Production Services Tax Credit and Film Incentive BC – Change to the Digital Animation or Visual Effects Tax Credit Rates

For productions with a date of principal photography that is prior to Oct. 1, 2016, the 17.5% rate applies. If principal photography begins on or after Oct. 1, 2016, then the 16% rate applies for that production.

For productions that are episodic, if the first episode in a cycle of a television series begins principal photography prior to Oct. 1, 2016, the 17.5% rate applies to all episodes in that cycle of the television series. If principal photography of the first episode of a cycle of a television series begins on or after Oct. 1, 2016, then the 16% rate applies to all episodes in that cycle.

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