

Interactive Digital Media Tax Credit (IDMTC) Program Guidelines



Tax credit to support the growth, sustainability, and competitiveness of Alberta's digital media industry

Interactive Digital Media Tax Credit Program
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Program overview

The Alberta Interactive Digital Media Tax Credit (IDMTC) is an initiative to support the growth, sustainability, and competitiveness of Alberta's digital media sector.

Overview

The Interactive Digital Media Tax Credit (IDMTC) offers a 25 per cent refundable tax credit for labour costs associated with interactive digital media (IDM) activities to support growth in the interactive digital media industry, encourage corporations to stay in Alberta, and attract talented tech entrepreneurs to the province.

The program is available to corporations whose primary business is the creation and development of interactive digital media and gaming products.

Tax credit amounts are calculated based on a percentage of labour expenses directly attributable to the production of interactive digital media products.

Eligible corporations who hire employees from under-represented groups may also qualify for an additional tax credit of up to five per cent of all eligible costs through the Diversity and Inclusion program component if all conditions are met.

In summary, there are seven steps to the program:

1. Read these guidelines.
2. Create a user account and log in through the online application portal.
3. Register as an IDM corporation.
4. Submit a labour forecast for the fiscal year ahead.
5. Submit revised forecasts (optional).
6. Submit actuals to receive a tax credit certificate.
7. Download the tax credit certificate.

Eligible salary and wages paid as of April 1, 2018 are eligible for the IDMTC program.

Please note:

- Wages paid as of April 1, 2018 are eligible for the IDMTC program.
- As per Section 8 of the [Interactive Digital Media Tax Credit Regulation](#), employees' salaries and wages cannot be considered for this program if eligible employees have received designated assistance for labour related expenses.

- Corporations that have claimed an [Alberta Scientific Research and Experimental Development Tax Credit](#) in the current taxation year are not eligible for the IDMTC as outlined in Division 3, Part 6 of the [Alberta Corporate Tax Act](#).

Program eligibility

In order to be eligible to register under the IDMTC, a corporation must:

- be permanently established in Alberta during the applicable taxation year.
- not be exempt from paying taxes in the taxation year.
- meet either of the following requirements:
 - the corporation's eligible salary and wages is equal to or greater than \$2 million, or
 - the corporation's eligible salary and wages is equal to or greater than \$50,000 and less than \$2 million and the corporation is substantially engaged* in one or both of the following:
 - the development of interactive digital media products: and/or
 - the provision of eligible activities to one or more recipient corporations that have permanent establishments in Alberta.

*Substantially engaged is defined by the following formula, as stated in section 5(1) of the [Interactive Digital Media Tax Credit Regulation](#).

$$\frac{\text{Activity Assets} + \text{Activity Expenses}}{\text{Total Assets} + \text{Total Expenses}} = \text{Greater than 0.5}$$

Definitions as per IDMTC Regulations	
Activity Assets	The value of assets used in the development of IDM products or provision of eligible activities to recipient corporations
Activity Expenses	All expenses incurred during the taxation year in the development of IDM products or the provision of eligible activities to recipient corporations
Total Assets	The total value of all assets of the corporation
Total Expenses	Total expenses incurred during the taxation year relating to all operations of the corporation

While corporations that have claimed an Alberta Scientific Research and Experimental Development Tax Credit in the current taxation year are not eligible for the IDMTC, corporations that apply to the IDMTC are eligible to apply to the [Alberta Investor Tax Credit program](#).

Step 1: Read these guidelines

Step 2: Create a user account and log in through the online application portal

A link to the online application portal is made available on the program webpage during active intake periods.

Step 3: Register as an interactive digital media corporation

IDMTC applicants must register with the program by completing and submitting an application through the online application portal.

As part of their submission, applicants must provide:

- a brief overview of the corporation's business activities;
- the value of assets and expenses involved in the development of interactive digital media (IDM) products; and
- an overview of IDM products currently in development.

Step 4: Submit a labour forecast for conditional approval

Following registration, corporations must submit a labour forecast to receive a conditional approval letter that outlines the conditionally approved tax credit amount. The corporation's submission must include:

- a forecast of the corporation's projected eligible salary and wages (including bonuses) during the fiscal year in which the application is made; and
- the eligible salary and wages paid by the corporation in the fiscal year preceding the fiscal year in which the application is made.

Step 5: Submit a revised forecast (optional)

Once corporations have successfully registered with the program, they can submit revised forecasts through the online application portal during an active intake period.

Based on the information submitted, the conditionally approved tax credit amount may be revised. Decisions on revised conditional approval letters will not be made until the intake period has closed.

Step 6: Submit actuals to receive a tax credit certificate

In order to receive a tax credit certificate, a corporation is required to submit actual eligible salary and wage expenses.

The following information must be submitted within 90 days of a corporation's fiscal year end:

- the total amount of the corporation's eligible salary and wages, as determined under the Schedule of the [Interactive Digital Media Tax Credit Act](#) for the taxation year. For the purposes of the [Interactive Digital Media Tax Credit Act](#), salary and wages must demonstrate that they:
 - are directly attributable to eligible activities;
 - are incurred by the corporation in the taxation year on or after April 1, 2018;
 - are paid to an individual who was a resident in Alberta as of December 31 of the year preceding the taxation year for which a tax credit is claimed under the [Income Tax Act](#); and
 - are included in the cost to, or in the case of depreciable property the capital cost to, the corporation of a property in the taxation year under the [Income Tax Act](#); or;
 - are deductible as an outlay or expense in determining the income of the corporation for the taxation year under Part 2 of the [Income Tax Act](#).
- The amount of designated assistance that the corporation received from the Government of Alberta during the taxation year.

Tax credit certificate

Tax credits certificates will be available to download through the IDMTC online application portal.

Those corporations wishing to remain in the IDMTC program for the following year, will be required to submit a new forecast, similar to the one submitted during registration.

Please note:

- The 90-day timeline to submit actuals comes into effect when the program opens.
- Corporations with a fiscal year end prior to when the program opened on October 22, 2018, that would like to retroactively apply for tax credits for eligible salaries and wages incurred on or after April 1, 2018, must do so prior to January 31, 2019.
- Once a tax credit has been approved, corporations will be able to download their tax credit certificates through the online portal.
- For taxation years less than 365 days, tax credit amounts will be pro-rated accordingly.
- The amount on the certificate can be stated directly on the corporate tax form.

Step 7: Download the tax credit certificate

Tax credit certificates will be available for download through the online application portal.

Intake windows

The IDMTC program will have two annual intake windows.

- Two intake windows allow for:
 - new companies to register with the program; or
 - existing companies to revise their labour forecasts (optional).

Eligible products

An interactive digital media product is eligible under the IDMTC program if it meets the following criteria:

- consists of a combination of application files and data files, in a digital format, that are integrated and are intended to be operated together;
- is designed primarily to educate, inform or entertain the user;
- is capable of presenting information in at least two of the following forms:
 - text, sound, and/or images;
- is intended to be used interactively by individuals, and is developed in Alberta.

Ineligible products

The following products are ineligible under the IDMTC program:

- operating system software;
- a product designed to be used by individuals for interactive communication;
- a product classified by the Entertainment Software Rating Board as “AO” (adults only);
- a product designed for marketing or promoting an entity, product or idea; and
- a product for which public financial support would, in the opinion of the Minister, be contrary to public policy.

Please note:

- Assets developed under the IDMTC program cannot be re-used in the development of ineligible products, at any time.

Ineligible labour expenses

The following activities are not covered under the IDMTC program:

- marketing
- human resource services
- administrative support services
- management services
- contracted services (if the contractor is eligible they can apply for a credit themselves)
- an activity attributable to an animated or live action scene or scenes relating to an interactive digital media product, other than a cutscene*, over which the user of the interactive digital media product has limited or no control.

*A cutscene is defined as an animated or live action scene or scenes relating to a video game that is included in or distributed with the video game. The user of the video game has limited, to no control, and the scene is used to advance the plot, develop the character, or provide background information, story line or clues.

Please note:

- For the purposes of the program, bonuses paid in the form of securities are not considered eligible salary and wages.

Diversity and inclusion

Corporations applying for the IDMTC can participate in the diversity and inclusion program component that offers eligible corporations an additional five per cent tax credit (calculated on an individual employee basis) for under-represented employees in technical positions.

An employee is defined as under-represented if they identify as a:

- female;
- sexual or gender minority (which includes but is not limited to LGBTQ2S+);
- person of Canadian Indigenous ancestry;
- person with a long-term or recurring physical or mental disability;
- visible minority.

To qualify, in addition to employing under-represented employees, corporations are required to have a public facing diversity and inclusion policy on their website.

Applicants can opt in or out of the diversity and inclusion program component when they submit their application to register with the IDMTC program.

Please Note:

- Corporations can choose to opt in or out of the Diversity and Inclusion program.
- Corporations that opt in will have their employees contacted directly via email by the Government of Alberta, to complete a voluntary confidential survey.
- Eligible employee emails are collected when actuals are submitted and the survey is sent following that.
- All corporations will be notified prior to the dissemination of the survey to employees.

Additional information

Tax Credit Revocation

Tax Credit Certificates may be revoked and or amended if contravention of the [Interactive Digital Media Tax Credit Act](#) occurs. Any misleading information submitted to the IDMTC can lead to penalties ranging from revocation of tax credit certificates, and/or fines of up to \$50,000 for individuals and \$100,000 for corporations.

Recognition

Program participants who wish to make a public announcement about their involvement in the program are asked to notify the Government of Alberta in advance. Program participants are also asked to share the content of their announcement so the Government of Alberta can ensure program details are accurately represented.

The Government of Alberta reserves the right to make public announcements on the progress or success of the program, which could include the release of aggregate totals and information. Company details will not be included in Government of Alberta announcements unless the program participant has granted permission. For additional inquiries or coordination of announcements, please contact the Program Administrator at IDMTC.program@gov.ab.ca.

Freedom of Information and Protection of Privacy

The [Freedom of Information and Protection of Privacy \(FOIP\) Act](#) applies to any information that is provided to the Government of Alberta. This information may be subject to disclosure pursuant to the *FOIP Act* in response to an access to information request.

Information collected by the Government of Alberta is collected in accordance with section 33(c) of the *FOIP Act* for the purposes of administering the IDMTC program, assessing, evaluating and promoting the IDMTC program, and use in research and statistical analysis. Use and disclosure of personal information is limited by the privacy protection provisions in the *FOIP Act*. For questions concerning the collection and use of this information, please contact the IDMTC program administrator at IDMTC.program@gov.ab.ca.