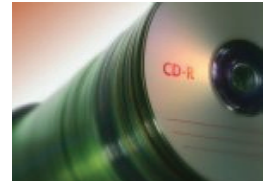


Intellectual Property & Technology Practice

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e-news from Alexander Holburn Beaudin & Lang LLP



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Increased Ontario tax incentive for video game developers and publishers — B.C. at risk?

The British Columbia interactive digital media industry, including Vancouver-based video game developers, producers and digital animators, are taking notice of Ontario's updated tax incentive program which may attract companies and key talent away from Vancouver. At the end of March, Ontario announced a plan to boost its Ontario Interactive Digital Media Tax Credit program (OIDMTC). The OIDMTC is a refundable tax credit based on eligible Ontario labour expenditures and eligible marketing and distribution expenses claimed by a qualifying corporation developing and/or producing interactive digital media products.

As announced in the March 26, 2009 Ontario provincial budget, the OIDMTC tax credits will be increased from 30% to 40% for companies that develop and market their own digital media products and from 25% to 35% for companies that develop digital media products under a fee-for-service or work made for hire agreements. Eligible labour expenditures include 100% of salaries and wages for employees, and 100% of remuneration

incurred after March 26, 2009 paid to independent contractors.

In all, Ontario is proposing approximately \$100 million annually in additional tax relief, and investments of about \$30 million to support its interactive digital media industry. With Quebec already offering similar tax incentives, will Vancouver and British Columbia based companies consider relocation or will the British Columbia provincial government respond to Ontario's increased tax incentives in order to keep digital media companies and key talent here in B.C.?

For further information about legal issues and services specific to the interactive digital media industry please contact Loren Mallett at lmallett@ahbl.ca.