



# Canadian Audio-Visual Certification Office (CAVCO)

- Office within the Department of Canadian Heritage.
- CAVCO co-administers two federal tax credit programs for the film and television industry with the **Canada Revenue Agency (CRA)**.

# What is a tax credit?

- A tax credit is an amount of money that can be used to reduce taxes owed.
- A refundable tax credit will be paid out to the taxpayer if the amount of the credit exceeds any taxes owing.

# Federal tax credits

## Canadian Film or Video Production Tax Credit (CPTC)

The CPTC encourages the creation of Canadian film and television programming and the development of an active domestic independent production sector in Canada

**Refundable** tax credit worth **25%** of the qualified labour expenditure for an eligible production

## Film or Video Production Services Tax Credit (PSTC)

The PSTC promotes Canada as a location of choice for foreign and Canadian owned film and television productions employing Canadians

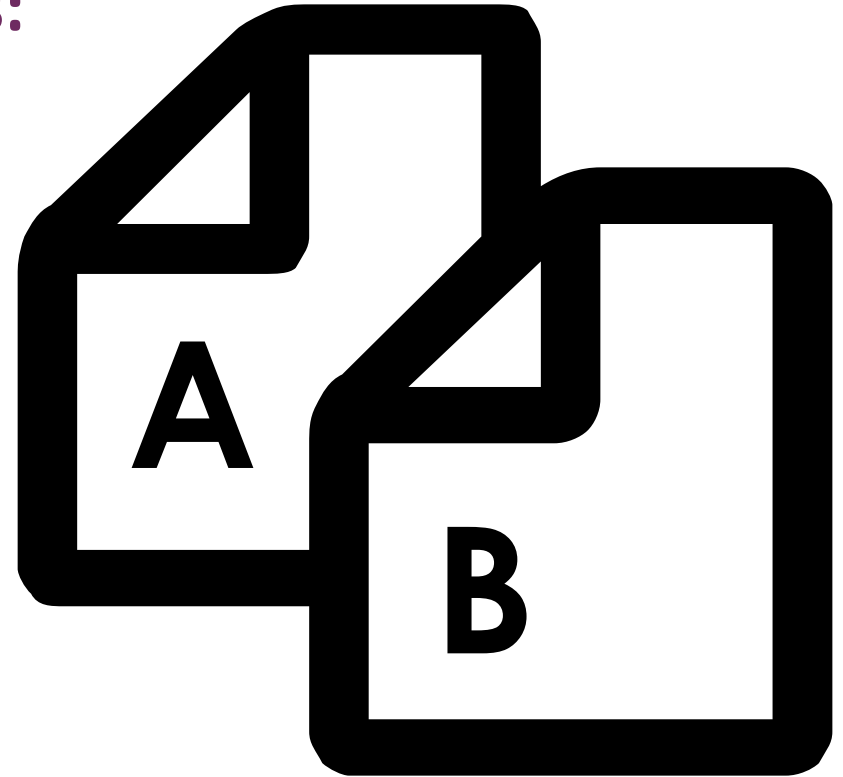
**Refundable** tax credit worth **16%** of the qualified Canadian labour expenditure for an accredited production

**You can claim only one of the federal tax credits for a production.**

# Certification (CPTC)

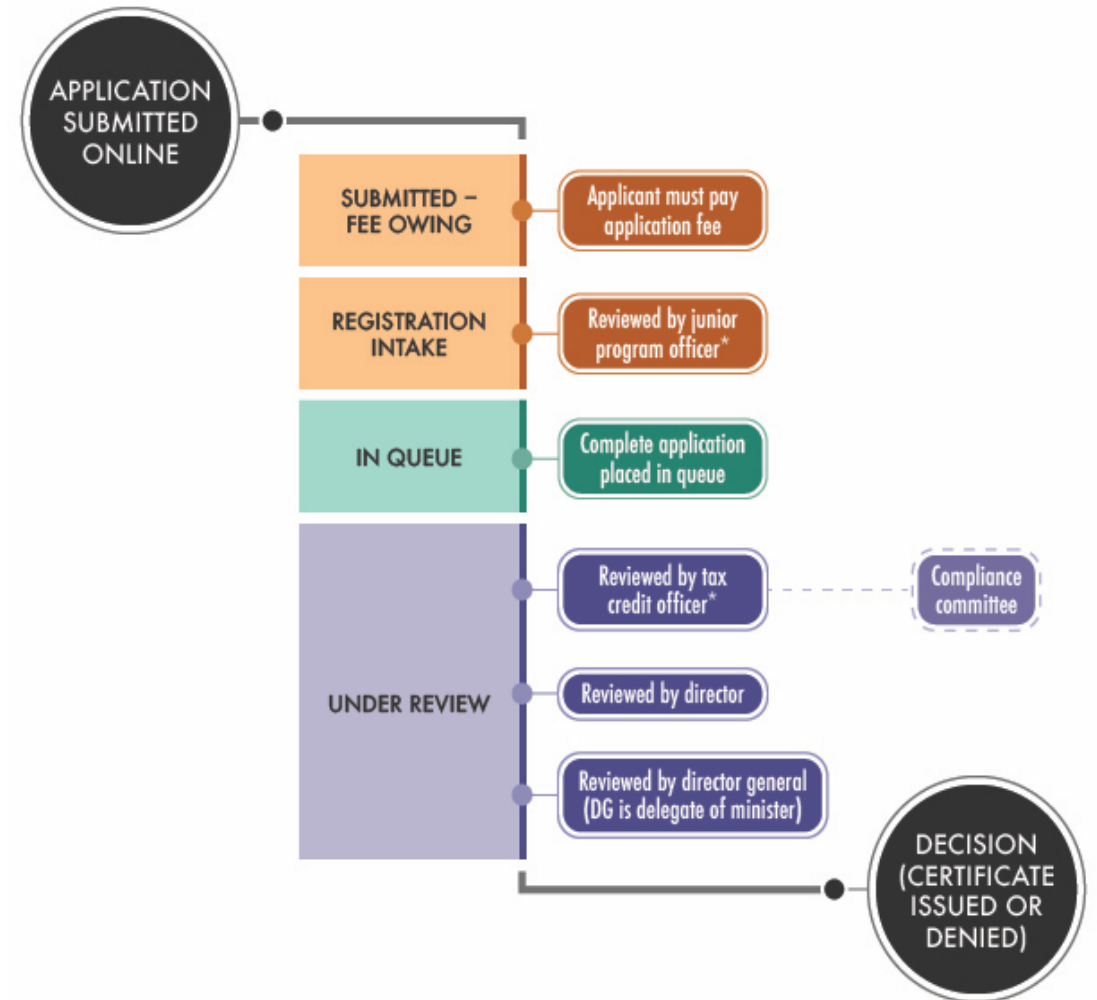
Applying for the CPTC is a two-step process:

- You can apply for the **Canadian Film or Video Production Certificate (Part A)** before production starts
- You apply for the **Certificate of Completion (Part B)** when production is complete
- You can also apply for both together when the production is complete



# Application Process

- “Submitted – fee owing” - application submitted online; fee not paid.
- “Registration intake” – file will be assigned to a Junior Program Officer, who will request any missing information.
- “In queue” – complete application is in queue.
- “Under review” – includes review by a tax credit officer as well as all approval stages.
- The final decision to either certify or deny the production is made by the Director General of the Audiovisual Branch, on behalf of the Minister of Canadian Heritage.
- The applicant is notified as soon as this final decision is made.



# Service standard and remissions

- CAVCO's service standard for the processing of applications is 180 calendar days
- An applicant can expect their production to be certified within six months of submission of a complete application, minus applicant delays
- This service standard applies to CPTC and PSTC applications and amendments
- A fee remissions policy is in place to remit a portion of the fee associated with an application where CAVCO determines that the service standard has not been met

- To ensure the timely review of an application, applicants should ensure their application is complete with all required supporting documentation provided. Providing quick responses to requests from CAVCO for additional information/clarification will also prevent any unnecessary delays.

# Application and Certification Deadlines

- Production companies must apply to CAVCO for both a Canadian film or video production certificate (Part A) and a certificate of completion (Part B) for each production.
- There is no deadline to submit a Part A application. A Part B application can only be submitted once the production is complete.
- Part B applications are subject to application and certification deadlines, which are based on a production's **start date of principal photography** and **taxation year end**.

For more information see section [1.09 of the CPTC Application Guidelines](#).

# CRA Waivers

- If you are submitting your Part B application after the 24-month deadline but before the 42-month deadline, ensure that two valid T2029 waivers are sent to the CRA:
  - one for the first taxation year ending after principal photography began
  - one for the second taxation year ending after principal photography began
- CAVCO verifies with the CRA that these two waivers have been received and are valid.
- More information on how to complete a waiver is available on [CAVCO's website](#).

# Production Company

- The production company must be a **prescribed taxable Canadian corporation** and a **qualified corporation**.
- A **prescribed taxable Canadian corporation** is a corporation that is:
  - Canadian-controlled
  - Not controlled by tax-exempt non-profit corporations, charitable organizations, etc.
- A **qualified corporation** is a corporation whose main business, throughout the year, is primarily the production of Canadian film or video productions, through a permanent establishment in Canada.
- If a corporation also engages in other activities, like rental of equipment or studios, distribution, or production of films or videos that are not Canadian productions, the corporation may not be considered a **qualified corporation**.

For more information see sections [2.01](#) and [2.02](#) of the [CPTC Application Guidelines](#).

# Copyright

- Only the production company or a prescribed person may own copyright in the production during the 25-year period after the production is complete and commercially exploitable.

For more information see section [3.03 of the CPTC Application Guidelines](#).

# Production Genre

- The production cannot fall under any of the **ineligible production genres**:
  - News, current events or public affairs programming, or a program that includes weather or market reports
  - A sports event or activity
  - A production that solicits funds
  - Pornography
  - A production produced primarily for industrial, corporate or institutional purposes
  - A production in respect of a game, questionnaire or contest (other than a production directed primarily at minors)
  - A gala presentation or an awards show
  - Reality television
  - Advertising
  - A production, other than a documentary, all or substantially all of which consists of stock footage

For more information see [section 4 of the CPTC Application Guidelines](#).

# Key Creatives and Producer-Related Personnel

- The production must obtain a minimum of six out of ten points for key creative positions occupied by Canadian citizens or permanent residents and obtain certain points that are mandatory.
- All producer-related personnel (other than those receiving exemptions permitted in limited circumstances) must be Canadian.
- CAVCO highly encourages applicants to acquire **CAVCO IDs** from all key creatives and producer-related personnel when they are hired, to facilitate the application process

For more information see [section 6 of the CPTC Application Guidelines](#).

# Canadian content point system: key creatives (CPTC)

## Live Action

Key Creative	Points
Director	2
Screenwriter	2
Lead Performer (receiving highest remuneration)	1
Lead Performer (receiving second highest remuneration)	1
Art Director	1
Music Composer	1
Director of Photography	1
Picture Editor	1

- Either the Director or Screenwriter must be Canadian
- Either the Lead Performer or Second Lead Performer must be Canadian
- Productions (other than documentaries) must obtain a minimum of 6 points to be eligible
- Documentaries may obtain less than 6 points as long as all key creative positions are occupied by Canadians

## Animation

Key Creative	Points
Director	1
Principal Screenwriter and Storyboard Supervisor	1
Lead Voice (receiving highest or second highest remuneration)	1
Design Supervisor	1
Music Composer	1
Picture Editor	1
Camera Operator (if done in Canada)	1
Layout and Background (done in Canada)	1
Key Animation (done in Canada)	1
Assistant Animation/in-betweening (done in Canada)	1

- Either the Director or both the Principal Screenwriter and Storyboard Supervisor must be Canadian
- Either the First or Second Lead Voice Performer must be Canadian
- Key animation must be done in Canada
- In some cases, points are awarded where the individuals occupying positions are Canadian. In some cases, points are awarded where the work is done in Canada
- Must obtain a minimum of 6 points to be eligible

# CAVCO Personnel Numbers (CAVCO IDs)

- [CAVCO Personnel Numbers](#) issued to **permanent residents** have a **zero** as the **first digit** in the numerical portion of the number (e.g. ABCD0654). CAVCO recommends that if the CAVCO Personnel Number provided to a production company identifies someone as a permanent resident, the production company should ensure that the individual can demonstrate, with a valid permanent resident card, that they have **permanent resident status at the time they are providing services to the production**.
- Note that for treaty co-productions, CAVCO Personnel Numbers are still required for Canadian key creatives and producer-related personnel.

# Lead Performer Policy

Determining who gets the lead performer points is a two-step process:

**Step 1:** Who are the lead performers (considering remuneration, billing and time-on-screen)?

**Step 2:** Who are the highest and second highest paid lead performers?

- Either the highest or second highest paid lead performer must be Canadian.
- There can be lead performers in non-fiction (including documentary) productions. For instance, hosts, narrators, dancers, singers, specialty act performers, featured experts, judges on a panel, and subjects in lifestyle/human interest productions will all be considered performers.
- See section [6.07 of the CPTC application guidelines](#) for the full details of this policy.

# Production Costs

- At least 75% of specified production costs must be Canadian.
- At least 75% of specified post-production costs must be incurred in Canada.

For more information see [section 7.10 of the CPTC Application Guidelines](#).

# Production Financing

## Key things to know

- Various sources of public or private financing may be used to fund a production.
- The most important thing for the purpose of calculating the CPTC tax credit estimate is to know whether a source of funding is assistance or not.
- Assistance includes any amount received from public or private Canadian sources or from foreign sources, in forms such as grants, subsidies, provincial tax credits, forgivable loans, deductions from tax, allowances, or any other form of inducement or assistance.
- The production company must report any assistance that is known or anticipated at the time of applying.
- The production company must attach copies of all documents related to the financing sources listed in an application.

For more information see [section 7.06 of the CPTC Application Guidelines](#).

# Production Financing - Sources

Assistance	Generally <u>not</u> assistance
<ul style="list-style-type: none"><li>Government equity (funding from federal/provincial/municipal governments or public authorities such as crown corporation or crown agencies)</li></ul>	<ul style="list-style-type: none"><li>Broadcast license fees (domestic or foreign broadcaster)</li></ul>
<ul style="list-style-type: none"><li>Forgivable loans</li></ul>	<ul style="list-style-type: none"><li>Distribution agreement (advances or minimum guarantees: domestic and foreign)</li></ul>
<ul style="list-style-type: none"><li>Provincial tax credits</li></ul>	<ul style="list-style-type: none"><li>Bona fide loan</li></ul>
<ul style="list-style-type: none"><li>Grants</li></ul>	<ul style="list-style-type: none"><li>Canada Media Fund (License fee top-ups)</li></ul>
<ul style="list-style-type: none"><li>Canada Media Fund (all financing other than license fee top-ups)</li></ul>	<ul style="list-style-type: none"><li>Gap financing</li></ul>
<ul style="list-style-type: none"><li>Labour deferrals</li></ul>	<ul style="list-style-type: none"><li>Private equity (e.g., Rogers Cable Network Fund)</li></ul>
<ul style="list-style-type: none"><li>Other deferrals</li></ul>	<ul style="list-style-type: none"><li>Share Purchase</li></ul>
<ul style="list-style-type: none"><li>Eurimages funding</li></ul>	<ul style="list-style-type: none"><li>Operating Capital</li></ul>
<ul style="list-style-type: none"><li>Crowdfunding</li></ul>	<ul style="list-style-type: none"><li>Sponsorship</li></ul>

# Sample Financing Scenario and CPTC calculation

**Total production budget: \$335,000**

**Financing:**

IPF – Equity	\$150,000
Provincial Tax Credit	\$100,000*
Broadcaster Licence	\$ 50,000
Distribution Advance	\$ 5,000
Producer/Crew Deferrals	\$ 10,000*
Operating Capital	\$ 10,000
Services/Facilities In-Kind	\$ 5,000*
Sponsor	\$ 5,000

**\*Amounts considered assistance**

**Maximum tax credit calculation (cap):**

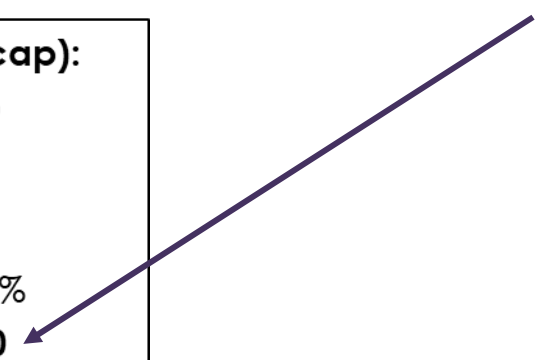
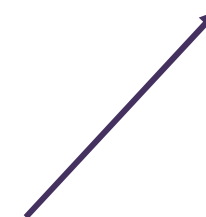
Total production cost	\$ 335,000
Less assistance	- \$ 115,000
Net production cost	\$ 220,000
Maximum %	x 60%
Eligible production cost	<b>\$ 132,000</b>

**Total labour expenditure: \$167,500**

**The lesser of these two amounts is the “qualified labour expenditure” for the production.**

**The tax credit is equal to this amount x 25%:**

**\$33,000**



# Exploitation (“Shown in Canada”)

- The Canadian producer must control the initial licensing of commercial exploitation of the production.
- There must be a written commitment by either a **CRTC-licensed broadcaster** or a **Canadian distributor** to show the production in Canada in the 2-year period after it is complete.
- In cases of distribution by a **related party** or where only a distribution agreement is provided for a series or MOW, CAVCO may ask for further information about where a production will be shown and ask for sub-distribution/licence agreements.

For more information see [section 8 of the CPTC Application Guidelines](#).

# Online-only production

## When a production is being shown exclusively online:

- The production company still needs to have an agreement in writing with a CRTC-licensed broadcaster or a Canadian distributor to meet the “shown-in-Canada” requirement
- A production company cannot contract directly with the online service to meet the “two-year clause” requirement
- Online video services must be on the list of acceptable services published on CAVCO’s website if they are being used to meet the requirement to have the production shown in Canada (2-year clause)
- Make sure the service you want to use is on the list **before** you apply
- Requests for CAVCO to assess the acceptability of an online service should be sent to [bcpacc-cavcoc@pch.gc.ca](mailto:bcpacc-cavcoc@pch.gc.ca). The request must be made by the online service.

For more information see [section 8.07 of the CPTC Application Guidelines](#).

# Distribution

- The production cannot be distributed in Canada by a non-Canadian during the two-year period after it is complete.
- The producer must retain an acceptable share of revenues from distribution of the production (25% of net receipts.)

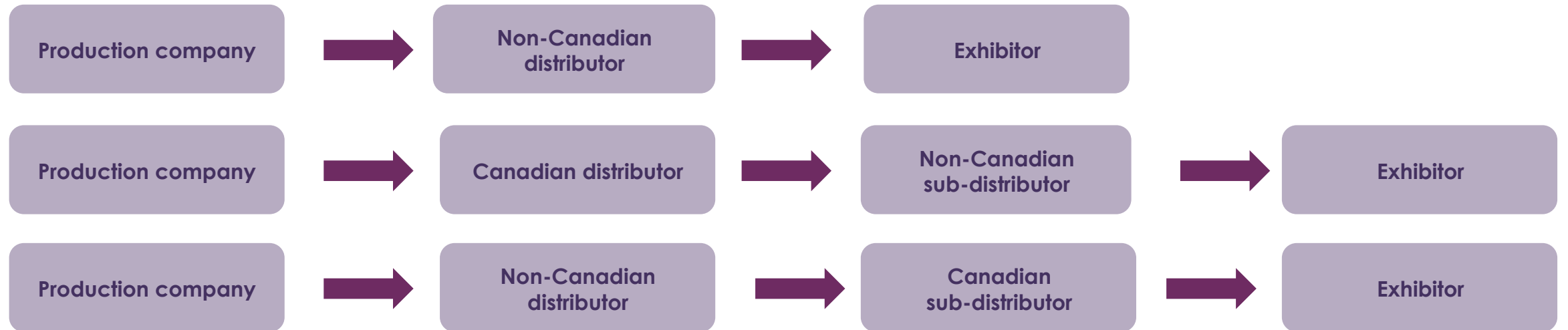
For more information see [section 8.08 of the CPTC Application Guidelines](#).

# Example of distribution by a non-Canadian (CPTC)

✓ Acceptable



✗ Not Acceptable



# Production Costs - Overview

## Key things to know

- Applicants provide cost information in several ways:
  - Costs Section (in application)
  - Locked budget (Part A)
  - Breakdown of Costs (Part B)
  - Audited Schedule of Production Costs (Part B)

## Labour Expenditures:

- must be reasonable in the circumstances;
- must be included in the cost of the production;
- must be incurred from the production commencement time to the end of post-production stage; and
- must be directly attributable to the production.

For more information see [section 7 of the CPTC Application Guidelines](#).

# Production Costs - Audit Requirements

## At the Part B application stage:

- An audit is required for a production with a final cost of \$500,000 or more.
- Confirmation of the final production cost amount (as part of the attestation made for an application) is required for a production with a cost of less than \$500,000.

For more information see [section 7.09 of the CPTC Application Guidelines](#).

# Domestic coproductions vs. treaty coproductions (CPTC)

**A domestic coproduction is a production for which more than one Canadian production company incurs expenses:**

- Only one application for certification is submitted to CAVCO for the production, and only one certificate is issued
- Where two or more partnering Canadian production companies incorporate a subsidiary company to be the sole production company for a production, the production should not be identified as a domestic coproduction

**A treaty coproduction is produced according to the terms of a coproduction treaty between Canada and another country and is granted national status in each country:**

- Treaty coproductions are eligible for the CPTC where they meet all other applicable requirements under the Income Tax Regulations
- Canada presently has close to 60 treaties and memorandums of understanding with various countries, which can be found on [International treaties and memorandums of understanding | Telefilm Canada](#)

# How to claim the CPTC and PSTC

- For the CPTC, the **Part A certificate** and a **CRA T1131 “Canadian Film or Video Production Tax Credit” form** must be filed with a corporation’s T2 Income Tax Return.
- For the PSTC, the **accreditation certificate** and a **CRA T1177 “Film or Video Production Services Tax Credit” form** must be filed with a corporation’s T2 Income Tax Return.
- CRA will issue any amounts owed, if applicable.

For more information see [CRA's Film and Media Tax Credits](#).

# Pre-assessments

**A production company may ask CAVCO to provide a preliminary opinion on the eligibility of a production for CPTC certification or PSTC accreditation, with respect to a specific issue:**

- This opinion is based strictly on the information made available at the time to CAVCO and is not binding with respect to whether the production will ultimately be eligible
- Commonly reviewed pre-assessment issues include:
  - Genre eligibility concerns
  - Lead performer concerns
- **Requests for pre-assessments can be sent to CAVCO's Compliance Committee at [bcpacc-cavcoc@pch.gc.ca](mailto:bcpacc-cavcoc@pch.gc.ca)**

For more information see [section 1.13 of the CPTC Application Guidelines](#).

# Contact Us – We're here to help!

While applying to the CPTC can seem like a complicated process, CAVCO is here to answer any questions related to its programs, either by e-mail or telephone.

Please do not hesitate to contact us!

Email: [bcpac-cavco@pch.gc.ca](mailto:bcpac-cavco@pch.gc.ca)

Telephone: 1-888-433-2200 (toll-free)

TTY - 1-888-997-3123 (toll-free)