

Proposed Film/TV and Digital Tax Credit Formula – Fact Sheet

On Friday, May 4, 2012, Bill Hutchinson, Minister of Tourism, Parks, Culture and Recreation announced a Creative Industries Plan. For details of the press release, see the attached: <http://www.gov.sk.ca/news?newsId=494dc677-0fec-4619-ace6-5ad208ee6b48>

The proposed non-refundable credit offers a 25% non-refundable tax credit on production expenses, as well as bonuses for a total possible incentive of 43%.

Example 1 - \$5,000,000 spend

For example, a production with a total budget of \$7,000,000, including eligible Saskatchewan costs of \$5,000,000 would qualify for a non-refundable base credit of \$1,250,000 on the assumption that no further bonuses apply. This tax credit would be available to offset Saskatchewan corporate income taxes. At a Saskatchewan corporate small business income tax rate of 2% on the first \$500,000 and 12% on the remaining income, the corporation would need to earn \$10,833,333 to utilize the credit in the first year.

			Current SFETC	Proposed Non-refundable Credit
Total Production Costs			\$ 7,000,000	\$ 7,000,000
Total Saskatchewan Costs			\$ 5,000,000	\$ 5,000,000
Total Saskatchewan Labour			\$ 2,054,848	
Total Eligible Labour			\$ 2,054,848	
Base Rate	45%			
Key Bonus	5%			
Tax Credit	50%		\$ 1,027,424	
Taxable Income			\$ -	\$ -
			\$ 1,027,424	
Base rate - all spend	25%			
Assume no bonus				\$ 1,250,000
Taxable income required to utilize credit				
first 500,000 (2%)			\$ 10,000.00	\$ 500,000.00
over 500,000 (12%)			\$ 1,240,000.00	\$ 10,333,333.33
Taxable income required to utilize credit at small business rate				\$ 10,833,333

If the income is earned over 10 years, the taxable income needed to utilize the credit increases to \$14,583,333.

Example 2 - \$3,000,000 spend

For example, a production with a total budget of \$5,000,000, including eligible Saskatchewan costs of \$3,000,000 would qualify for a non-refundable base credit of \$750,000 on the assumption that no further bonuses apply. This tax credit would be available to offset Saskatchewan corporate income taxes. At a Saskatchewan corporate small business income tax rate of 2% on the first \$500,000 and 12% on the remaining income, the corporation would need to earn \$6,666,667 to utilize the credit in the first year.

			Current SFETC	Proposed Non-refundable Credit
Total Production Costs			\$ 5,000,000	\$ 5,000,000
Total Saskatchewan Costs			\$ 3,000,000	\$ 3,000,000
Total Saskatchewan Labour			\$ 1,500,000	
Total Eligible Labour			<u>\$ 1,500,000</u>	
Base Rate	45%			
Key Bonus	5%			
Tax Credit	50%		<u>\$ 750,000</u>	
Taxable Income			\$ -	\$ -
			<u>\$ 750,000</u>	
Base rate - all spend	25%			
Assume no bonus				<u>\$ 750,000</u>
Taxable income required to utilize credit				
first 500,000 (2%)			\$ 10,000.00	\$ 500,000.00
over 500,000 (12%)			\$ 740,000.00	\$ 6,166,666.67
Taxable income required to utilize credit at small business rate				<u>\$ 6,666,667</u>

If the income is earned over 10 years, the taxable income needed to utilize the credit increases to \$10,416,667.

Example 3 - \$200,000 spend

For example, a production with a total budget of \$200,000, including eligible Saskatchewan costs of \$200,000 would qualify for a non-refundable base credit of \$50,000 on the assumption that no further bonuses apply. This tax credit would be available to offset Saskatchewan corporate income taxes. At a Saskatchewan corporate small business income tax rate of 2% on the first \$500,000 and 12% on the remaining income, the corporation would need to earn \$833,333 to utilize the credit in the first year.

			Current SFETC	Proposed Non-refundable Credit
Total Production Costs			\$ 200,000	\$ 200,000
Total Saskatchewan Costs			\$ 200,000	\$ 200,000
Total Saskatchewan Labour			\$ 100,000	
Total Eligible Labour			<u>\$ 100,000</u>	
Base Rate	45%			
Key Bonus	5%			
Tax Credit	50%		<u>\$ 50,000</u>	
Taxable Income			\$ -	\$ -
			<u>\$ 50,000</u>	
Base rate - all spend	25%			
Assume no bonus				<u>\$ 50,000</u>
Taxable income required to utilize credit				
first 500,000 (2%)			\$ 10,000.00	\$ 500,000.00
over 500,000 (12%)			\$ 40,000.00	\$ 333,333.33
Taxable income required to utilize credit at small business rate				<u>\$ 833,333</u>

If the income is earned over 10 years, the taxable income needed to utilize the credit increases to \$2,500,000.

The Saskatchewan corporate income tax rates can be found on the Ministry of Finance webpage: <http://www.finance.gov.sk.ca/taxes/cit/>

The Saskatchewan Film Employment Tax Credit Program, which will be eliminated effective June 30, 2012, provided for a refundable tax credit comprised of a base rebate on Saskatchewan eligible labour expenditures of 45%, in addition to a 5% rural bonus and 5% key bonus rebate.

Calculations provided by Saskatchewan Media Production Industry Association, (306) 525-9899, <http://www.smpia.sk.ca/>

