



COMPUTER ANIMATION STUDIOS OF ONTARIO

CASO is a non-partisan, not-for-profit industry association committed to the growth and international competitiveness of Ontario's animation and visual effects industry, through advocacy, professional development, and marketing initiatives.

November 29, 2021

The Honourable Peter Bethlenfalvy
Ontario Minister of Finance
c/o Budget Secretariat, Frost Building North, 3rd Floor
95 Grosvenor Street, Toronto, ON M7A 1Z1

2022 Spring Budget Consultations

Dear Minister Bethlenfalvy,

On behalf of the Computer Animation studios of Ontario, we thank you for your continued commitment and support to the growth of our industry. The stability of Ontario's film and television industry tax credits are essential to our continued success.

The film and television industry, specifically vfx and animation, is well positioned to help Ontario emerge from the Covid-19 pandemic by creating thousands of new jobs and attracting investment across all regions of the province.

According to Ontario Creates, the film + television industry's direct spending in 2019, pre-covid, totaled almost \$2.2 billion, and even throughout 2020, delivered just under \$1.5 billion in direct spending.

Ontario's vfx and animation companies alone deliver over 7,500 jobs and over \$70 million in provincial taxes each year.¹

With the demand for screen-based content continuing to accelerate at a rapid pace, there is no doubt that the industry can reach the Premier's goal of \$5 billion. The two recommendations outlined here – and echoed in our work on Minister MacLeod's Film + Television Panel report is a necessity for the industry reach that goal while making sure that Ontario continues to deliver the best domestic and international productions.

¹ Business Intelligence: Ontario's Computer Animation and Visual Effects Companies, 2018.
<https://static1.squarespace.com/static/5b4e4ade85ede10d4404ca2c/t/5c9544d39b747a5c370802a6/1553286356806/CASO+-+Ontario%27s+Animation+and+VFX+Industry+2018+-+Final+Report.pdf>

Recommendations

1. **Untether OCASE from OPSTC and OFTTC, to reduce red tape for all companies, ensure that small companies entering the market have a fair chance at securing work, and enable Ontario Creates to work through the OCASE backlog.**
2. **Help Ontario compete for the best talent by adjusting residency requirements for OCASE tax credit so that individuals are eligible in the year that they undertake the animation or visual effects activity.**

Recommendation 1

Untether OCASE from OFTTC and OPSTC to reduce red tape and improve Ontario's industry competitiveness

In 2015, the previous Liberal government decided to tether the OCASE tax credit – a corporate tax credit filed annually by Ontario vfx and animation companies – to the OFTTC and OPSTC which are project-based tax credits filed per project, by Producers. *The resulting delays and complexity in the certification process make Ontario less competitive domestically and internationally.*

VFX and animation companies file for OCASE based on their fiscal year end whereas Producers file upon completion of project. This tethering now requires that Animation and VFX companies to wait until a Producer file for the Producers' tax credit even though they have already expended all the labour for that project in a previous year. This delay in processing of payments is seriously hampering the growth of studios in Ontario especially during a time where demand has doubled and capacity is limited in an effort to supply content to the industry at large.

In addition to slowing the turn-around on tax credit processing, this unnecessarily increases the financial burden for bridge financing to cover the shortfall payments of the tax credit, legal, accounting and banking. *These delays and additional costs diminishes the growth of Ontario vfx and animation companies, and can also dissuade clients from choosing our jurisdiction due to the tethering 'hassle factor'.*

The tethering has *also deterred some small and mid-sized Ontario vfx and animation companies from competing for projects, due to the complicated nature of the filing requirements*, which require foreign Producers to share some proprietary information (which is particularly difficult with international clients, as you might imagine!). This hinders the growth of the very companies that need OCASE the most.

We hope that this government will reverse the Liberal's burdensome Red Tape tethering of OCASE to OFTTC and OPSTC, to enable Ontario vfx and animation companies to file and fulfill OCASE more quickly and efficiently, and thereby compete effectively within Canada, and internationally.

Recommendation 2

Allow remuneration paid to vfx and animation workers in Ontario to be eligible for OCASE tax credits in the year their work commences.

Production is back with even higher volumes than the past few years. In addition, the demand for Animation increased during the pandemic as it became a pandemic-proof form of entertainment, with 92% of Visual Effects and Animation studios are experiencing high employee growth during the pandemic. This increased growth along with large international studios moving to Ontario has created a labour shortage that affects our ability to service this high volume of work. Ontario Studios need to recruit a large number of top talent from across Ontario, of course, but also from other jurisdictions across Canada and the world, as needed. Currently, multiple studios are turning down work as labour demands cannot be met.

Currently, Ontario's eligibility for OCASE requires a second year of residency to be eligible, which negatively affects our ability to attract the best talent to Ontario and compete effectively with other jurisdictions.

Minister, we ask for an opportunity to meet virtually with you +/- or your team, to walk through our Recommendations and answer any questions that may arise. We look forward to working together with you, Minister MacLeod, and this government, **to ensure efficiency, and continued stability, and predictability for Ontario's vfx and animation companies, and the film and television industry as a whole, so that we can continue delivering jobs, surplus tax revenues, and attracting private sector capital to Ontario.**

Sincerely,



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