

# **MANITOBA INTERACTIVE DIGITAL MEDIA TAX CREDIT GUIDELINES**

**Manitoba Business, Mining, Trade and Job Creation**

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Available in alternate formats upon request.

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# Manitoba Interactive Digital Media Tax Credit

## Tax credit overview

The Manitoba Interactive Digital Media Tax Credit (IDMTC) is a refundable corporate tax credit designed to help stimulate economic growth and job creation in Manitoba's interactive digital media industry and attract new investment to the sector.

The IDMTC provides a refundable corporate tax credit of up to 40% on qualified Manitoba labour expenditures, and certain marketing and distribution expenses, directly incurred in the development of eligible interactive digital media products.

Qualifying products must provide media interactions that enable the user to become a participant with the media, and not simply be a reader or spectator. Common examples of interactive digital media products include video games, simulators and multi-pathed, participatory e-learning products.

Budget 2023 expanded eligibility for the Interactive Digital Media Tax Credit to allow for more flexible forms of employee compensation and incentives to be included as eligible labour expenditures, effective April 1, 2023. Expanded eligibility now allows for the inclusion of other employee labour expenses beyond base salary and wages; including project related bonuses (e.g. project completion bonus to mark various milestones) and employee benefits directly attributable to the project. Labour expenditures such as bonuses tied to profits or revenues, stock options and signing bonuses are still ineligible labour expenditures under the tax credit.

The IDMTC is administered by the Economic Programs Branch of the Department of Business, Mining, Trade and Job Creation. A company is encouraged to contact a program representative to discuss the potential eligibility of their project.

Contact:

Interactive Digital Media Tax Credit  
Economic Programs Branch  
1010 – 259 Portage Avenue  
Winnipeg MB R3B 3P4

Email: [ecdevprograms@gov.mb.ca](mailto:ecdevprograms@gov.mb.ca)

Phone: 204-451-7099

***The Legislation and Regulations governing the Manitoba Interactive Digital Media Tax Credit will take precedence over the guidelines, application forms, or any other published information. Legislative authority for the credit is contained in Section 10.5 of The Income Tax Act (Manitoba) on the Government of Manitoba website at [https://www.gov.mb.ca/jec/busdev/financial/midmtc/pdfs/midmtc\\_legislation.pdf](https://www.gov.mb.ca/jec/busdev/financial/midmtc/pdfs/midmtc_legislation.pdf)***

## Who is eligible to apply?

To be eligible for the Interactive Digital Media Tax Credit, the corporation, the interactive digital media product being developed, and the project must all be eligible.

Corporations must first apply for a Certificate of Eligibility (COE) for a proposed project before eligible expenses can be incurred. Once approved, eligible project expenses may be incurred starting on the day the COE application is received by the department.

## Eligible corporations

An eligible corporation satisfies all of the following requirements for any taxation year in which eligible expenses are incurred:

- (a) It is a taxable Canadian corporation by virtue of being incorporated in Canada (either federally or provincially) as defined in subsection 89(1) of the Income Tax Act (Canada).
- (b) The corporation must have a permanent establishment in Manitoba throughout the year, or that part of the year in which eligible expenses are incurred. A permanent establishment normally refers to a fixed place of business in the province, assets in the province which are used to develop the product, and personnel in the province who can contract on behalf of the corporation.
- (c) Either of the following must apply:
  - (i) To qualify for a 40% tax credit on eligible expenditures, a corporation must pay at least 25% of its total corporate annual salaries and wages to employees who are Manitoba taxpaying residents during the year(s) in which eligible project expenses were incurred; or
  - (ii) To qualify for a 35% tax credit on eligible expenditures, a company that pays less than 25% of its salaries and wages to Manitoba residents must incur at least \$1,000,000 in total (cumulative) eligible Manitoba labour expenses during the corporate year related to its eligible projects, provided that the eligible expenses are not already supported by another form of government assistance (federal, provincial or municipal).

Eligible corporations can be controlled by Canadian or foreign owners and there is no restriction on the size of the corporation (e.g. market capitalization, number of employees, etc.).

There is no requirement for the corporation to own the rights to the intellectual property of the eligible product. Fee-for-service work is allowed. A corporation may work on multiple eligible projects at one time, with no limit on the number of project applications a corporation can make in a given year.

## What products are eligible?

An eligible interactive digital media product consists of a combination of data (media) and software, in a digital format, that are designed to be operated together interactively by the user. An eligible product must be designed primarily to educate, inform or entertain a user and achieves this primary purpose by providing interactive media through at least two of: (a) text, (b) sound or (c) images.

Common examples of interactive digital media products include video games, simulators and multi-pathed participatory e-learning products.

An eligible product must provide non-linear media interactions that enable the user to become a participant with the media, and not simply be a reader or spectator. Products that are not intended to be used interactively (e.g. blogs, online magazines, slide shows, videos, PowerPoint presentations, video streaming

applications), products which simply display, source, generate or capture linear content, and products which collect information and then re-display that information back to the user or a community of users, are not considered interactive digital media products for the purposes of this tax credit.

For products that are complete, applicants may be asked to submit a copy of the product developed to the department where it will be reviewed to ensure compliance with The Income Tax Act (Manitoba) and Regulations.

For more information regarding the criteria and characteristics used to assess whether a product is considered to provide the user with a qualifying interactive media experience, please see *Appendix 1: What is a qualifying interactive digital media product? Demonstrating Feedback, Control and Adaptation*.

#### *Limitation for a government purchaser*

If the eligible product is primarily for sale or license to the Manitoba provincial government, a Manitoba municipality, their agencies, or any corporation controlled by these bodies or agencies, then a tax credit claim can only be made once the product is complete. The amount paid by the purchaser (taxpayers) and the IDMTC, when combined, cannot exceed 100% of total project costs.

## **What types of products are not eligible?**

Operating systems, hardware development, products used primarily for interpersonal communication, products that are primarily promotional, adults-only (AO) rated video games, and products deemed contrary to public policy are not eligible for this tax credit.

#### *Operating systems and interpersonal communication products*

Operating systems (e.g. platforms, search engines, internet content aggregators, word processing, linear reference-style databases, spreadsheets, calendar scheduling including shift or delivery tracking software), products used primarily for interpersonal communications (e.g. e-mail software), and social media networking products are ineligible for this tax credit.

#### *Primarily promotional products*

Products used primarily to market, present, or promote an entity, product or idea are not eligible for this tax credit. Similarly, generic products that are used primarily to enhance a sales experience or to primarily advertise, showcase or promote goods, services or ideologies that display brands, use brand mascots as characters, or use other marketing materials as a foundation for the product design will not qualify.

#### *Hardware development*

If a project includes the development of both interactive digital media software and associated hardware or firmware (i.e. what the software runs on), only the labour for the software development will be considered eligible under the IDMTC.

#### *Products deemed contrary to public policy*

A tax credit will not be provided for products that, in the opinion of the Minister, would be contrary to public policy to support with public funds. For greater clarification, this includes products that are pornographic in nature, have the undue exploitation of sex as their dominant characteristic, are considered offensive or are capable of inciting hatred against an identifiable group, including a section of the public distinguished by colour, race, religion, sex, sexual orientation or ethnic origin.

## **What is an eligible project?**

There are two types of eligible projects. An eligible project represents Manitoba labour activities undertaken to

- (a) develop an eligible interactive digital media product primarily for commercial use; or
- (b) develop or provide a qualifying product 'add-on' (an interactive digital media product update or enhancement), primarily for commercial use.

Qualifying add-ons represent Manitoba labour activities designed to maintain or enhance the user's experience when using the product. For instance, add-on development work can include product updates or enhancements (such as LiveOps), data analysis and management for product improvement, and the creation of additional content and features for an interactive digital media product.

"For commercial use" means the product, or product add-on, must be able to generate revenue from an arms-length source. Commercial use can be demonstrated in a variety of ways. For example, revenue can be generated by the sale of the product to an arms-length buyer or to the public, by charging fees for the use of the product (including license fees and subscription fees through the purchase of in-product items for in-product use), or through the sale of third-party advertising that is displayed when using the interactive digital media product.

In the case of add-on enhancements to an interactive digital media product, the commercial use requirement can be met when the product, with the add-on included, continues to generate revenue.

To be eligible, a project must receive a Certificate of Eligibility (COE) in order for project-related expenses to qualify for tax credit consideration. A corporation may apply for more than one project within a single COE application.

Applicants are encouraged to contact a provincial representative to discuss the potential eligibility of proposed projects prior to submitting their COE application.

## **What expenditures can I claim?**

Eligible expenses may only be incurred after an application for a Certificate of Eligibility has been submitted, and received, by the department. In order to subsequently make a tax credit claim, a project must have received an approved Certificate of Eligibility.

For qualifying projects, eligible expenditures must relate to development labour costs that are directly attributable to the project.

Where the applicant owns and retains the intellectual property for an eligible product, certain marketing and distribution activities, up to a maximum of \$100,000 in eligible expenses, may also be eligible for a tax credit.

### **(A) Development labour costs**

The following development labour costs related to an eligible project may be submitted for assessment:

- 100% of qualifying salaries, wages, project related bonuses and employee benefits paid to Manitoba employees of the applicant corporation that are incurred, paid, and directly attributable to the development of an eligible product;
- 65% of the eligible Manitoba labour component of fees paid to a qualifying third-party contractor for work that is directly attributable to an eligible project;

- the qualifying portion of salaries and wages paid to a pre-approved Skills Transfer Allowance recipient. This is a deeming provision for individuals who work and provide mentorship in Manitoba during the project period but file their taxes elsewhere. Deemed work must be pre-approved before it is incurred.

To be eligible, a development labour expense must

- be directly attributable to an eligible project. For example, directly attributable expenses may include developmental activities such as (but not necessarily limited to) interactive content development and programming, creation of downloadable content, LiveOps work, and project-related IT and data analysis labour;
- be incurred by a qualifying corporation during an eligible project period, and after an application for a Certificate of Eligibility is submitted and received by the department;
- represent an eligible labour expense paid to a Manitoba resident (taxpayer), a qualifying third-party contractor, or a pre-approved Skills Transfer Allowance recipient;
- be reasonable in the circumstances in relation to industry standards;
- not be an expense that is already covered by another form of government assistance or tax credit (federal, provincial, municipal, or public body) – see page 8 for some exceptions;
- not have been claimed as an expense pertaining to any other eligible project;
- be incurred and paid prior to requesting a tax certificate (i.e. is not a payable or deferred expense);
- have been incurred and paid in the current corporate taxation claim year, or the preceding two taxation years.

The following types of development labour expenses are considered ineligible and will not qualify for IDMTC support:

- salary or wage amounts determined by reference to profits or revenues or stock options;
- labour for administrative related activities, accounting, payroll, project fundraising, application preparation, or management services other than management services directly pertaining to the project;
- development labour must not include services related to distribution, marketing or promotion; however, these expenses may be claimed as marketing and distribution costs when eligible.

### **Eligible Manitoba Resident Labour**

To qualify as an eligible Manitoba resident, an individual must live in Manitoba during the time that labour expenses are incurred; must normally report to a permanent establishment of the eligible corporation in Manitoba; and must subsequently file their taxes pertaining to that income as a Manitoban for the related tax year (except in the case of the Skills Transfer Allowance).

Note for claimants: A qualifying corporation will be required to collect, and provide on request, a **Declaration of Residency** completed by each employee for whom eligible salaries/wages are being claimed.

### **Qualifying third-party contractor fees**

An applicant corporation may claim 65% of eligible Manitoba labour fees paid to a qualifying third-party contractor.

To be eligible, a third-party contractor fee must represent a labour expense paid to a Manitoba resident for work performed directly on an eligible project on behalf of the qualifying third-party contractor. A qualifying third-party contractor can be an individual Manitoba resident, a taxable Canadian corporation with a permanent establishment in Manitoba, or a partnership carrying on business in Canada.

All qualifying contractor invoices must be accompanied by a **Third-party Contractor Declaration**. Invoices should indicate the Manitoba labour portion, and include a description of the services or activities performed by Manitoba residents.

Note: It is recommended that an applicant company confirm **in advance** that they have engaged a qualifying third-party company and that the contractor is employing eligible Manitoba resident labour.

### **Skills Transfer Allowance**

In certain circumstances, an applicant corporation can seek pre-approval through the Skills Transfer Allowance to hire or contract an individual who is not a Manitoban taxpayer and be eligible to receive a tax credit for a qualifying portion of their eligible wages. There are a number of terms and conditions pertaining to selection of an eligible Skills Transfer individual, including a requirement that the recipient live and work in Manitoba during the project period and mentor Manitobans during the project. Please contact a provincial representative for further details regarding the criteria and requirements of this allowance.

### **Government assistance**

Outside of the exceptions outlined below, any development labour expense, or marketing and distribution expenditure which is already supported through another means of government assistance is not eligible to be claimed under the IDMTC program. These amounts will be deducted from the total eligible expenditures before the tax credit is calculated (i.e. no double-counting).

Government assistance represents monies an applicant corporation receives, or is entitled to receive, from a federal or provincial government, municipality or other public authority (body) in relation to a project's total costs. Assistance may be a grant, subsidy, payroll rebate, forgivable loan, deduction from tax, investment allowance or any other form of financial support.

#### *Exceptions*

In the event that total government assistance does not exceed total project costs, the following sources of government assistance will not be deducted when calculating the IDMTC:

- i. assistance that is recoupable or repaid, including an amount from the Canada Media Fund
- ii. revenues received or receivable from paid work experience tax credits (The Income Tax Act (Manitoba), Section 10.1)

Note: For all projects, the combined total of the IDMTC credit and the amount of all other government assistance attributed to a project (whether that assistance is eligible for an exemption or not) cannot exceed 100% of total project costs.

### **(B) Marketing and distribution costs**

A qualifying corporation that owns and retains the intellectual property rights to an eligible product may be eligible to claim a tax credit on certain marketing and distribution costs directly attributable to the advertising, promoting or distributing of its eligible interactive digital media product. Activities and expenses related to general promotion of the company will not qualify.

A maximum of \$100,000 in eligible marketing and distribution expenses may be submitted per product.



Products that are developed under agreement with an arms-length purchaser (i.e. fee-for-service products), and applicant corporations that do not meet the 25% Manitoba total salary threshold, are not eligible to claim marketing and distribution costs.

Marketing and distribution cannot be claimed for add-on projects on their own. However, if a corporation owns an existing product that is currently qualified for marketing support, then the corporation can include the add-ons with their qualified product, and continue to claim marketing support for the base product up to the product's marketing cap.

The following marketing and development expenses may be submitted for assessment:

- 100% of qualifying marketing and distribution expenses directly attributable to an eligible product
- 50% of expenditures for food, non-alcoholic beverages and entertainment directly related to the marketing and distribution of the eligible product

To be eligible, a marketing and distribution cost must

- be directly attributable to the advertising, promoting or distributing of an eligible interactive digital media product. General advertising, promotion or networking of a company is not eligible;
- be reasonable in the circumstances in relation to industry standards;
- not be directly related to processing a customer's order, or shipping or streaming an eligible product directly to a consumer;
- not include GST;
- represent an expense greater than \$50.00;
- not be an expense that is already covered by another form of federal, provincial or municipal government, or public body assistance;
- not have been claimed previously;
- not have been already claimed as a development labour expense;
- not be claimed as an expense pertaining to any other eligible project;
- be incurred and paid prior to requesting a tax certificate (i.e. is not a pending or deferred expense);
- have been incurred and paid within a project period relating to a Certificate of Eligibility; and
- have been incurred and paid during the current corporate taxation claim year, or the preceding two taxation years.

Marketing and distribution expenditures may include expenses for labour, or non-labour, activities.

Eligible marketing and distribution expenditures may be paid to individuals and entities that do not have a permanent establishment in Manitoba and can be for goods and services provided outside Manitoba.

In the case of an expense related to multiple products, the expense may be proportionately divided among products. Only the portions directly attributable to an eligible product, during a time period made eligible by a Certificate of Eligibility, will qualify. No portion may be claimed more than once.

Examples of potential marketing and distribution expenditures are as follows:

- Expenses associated with attending trade shows where the eligible product is being promoted
- Advertising costs (including design) for promoting the eligible product in print and other forms of media
- Market research and focus group testing
- Product displays, demonstrations and in-store promotions
- Direct mail and telemarketing expenses
- News releases and media kits
- Salaries related to the marketing and distributing of the product
- Development of a visual identity (branding)

## **Are products that are developed partly in Manitoba and partly in other locations eligible?**

Yes. If an eligible product is developed partly in Manitoba and partly in other locations, developmental labour expenses for the work undertaken in Manitoba can potentially qualify for an IDMTC if all other requirements are met. Please contact a provincial representative for further details regarding criteria and requirements for products that are developed partially in Manitoba.

## **I think I qualify – how do I apply?**

**Step 1: Contact us and apply for a Certificate of Eligibility before starting work on your project**

**Step 2:** Undertake development work on your interactive digital media project

**Step 3:** Submit eligible expenses to the province to receive a Tax Credit Certificate

**Step 4:** File your Tax Credit Certificate with the Canada Revenue Agency

The Department of Business, Mining, Trade and Job Creation is the administrator of the Manitoba Interactive Digital Media Tax Credit.

The department is responsible for issuing Certificates of Eligibility, which reflect an estimate of project expenses. A Certificate of Eligibility application must be received prior to incurring eligible expenses.

The department is also responsible for issuing Tax Credit Certificates. Qualifying corporations submit the Tax Credit Certificates to the Canada Revenue Agency with their corporate (T2) income tax return to claim the IDMTC. Tax Credit Certificates indicate the value of the tax credit for a taxation year and are assessed based on qualifying expenses that are incurred and paid during the course of an eligible project.

## **How do I apply for a Certificate of Eligibility?**

Applicants are encouraged to contact the Department of Business, Mining, Trade and Job Creation prior to applying for a Certificate of Eligibility (COE) to discuss tax credit parameters and project eligibility. Please see contact information found on page 3 of this document.

The COE initiates the IDMTC eligibility process for a proposed project. To apply, a corporation must send a completed COE Application Form to the department. Eligible project expenses may only be incurred after the COE Application Form has been received.

A corporation can apply for multiple concurrent projects in a given tax year. A corporation may apply for one or more projects at a time using a single COE application.

Certificate of Eligibility applications are reviewed on a case by case basis. The eligibility of the corporation, the proposed project, and the end product will all be assessed in determining whether a COE will be issued.

A Certificate of Eligibility is intended to give the applicant a preliminary indication (advanced ruling) as to whether the project will be eligible and an estimate of the final tax credit amount. The Certificate of Eligibility does not constitute a guaranteed issuance of a Tax Credit Certificate.

Should a change occur to a project once it is in progress, a corporation can ask for an amendment to its original Certificate of Eligibility by applying for an Amended Certificate of Eligibility. The Amended Certificate of Eligibility will document and certify the changes or extension. For instance, if product development is ongoing, annual extensions can be requested through an Amended Certificate of Eligibility.

Note for claimants: Once a project has received a Certificate of Eligibility (or Amended Certificate of Eligibility), the applicant subsequently needs to apply for, and be issued, a Tax Credit Certificate from the province which is used to claim a tax credit with the Canada Revenue Agency.

### **How do I apply for a Tax Credit Certificate?**

Before claiming an IDMTC with the Canada Revenue Agency, a qualifying corporation must submit its qualifying expenses, with all necessary supporting documentation, to the Department of Business, Mining, Trade and Job Creation. The department will issue a Tax Credit Certificate based on an assessment of eligible expenses incurred and paid by the qualifying corporation to develop the eligible product.

Tax Credit Certificate requests are evaluated based on actual costs and actual product characteristics demonstrated. Costs will be assessed for eligibility each time a claim for a Tax Credit Certificate is made.

A Tax Credit Certificate is required to claim a tax credit with the Canada Revenue Agency. Tax refunds are issued by the Canada Revenue Agency in accordance with their assessments and processing standards.

Corporations may apply for a Tax Credit Certificate either at project completion, or at the end of each taxation year for which qualifying expenditures are incurred. Note: Projects that develop a product for a Manitoba government purchaser may only apply for a tax credit following the product's completion.

A Certificate of Eligibility or a Tax Credit Certificate may be revoked in the event that any information provided by the corporation to obtain the certificate is false or misleading, or if the project ceases to be an eligible project. If a certificate is revoked, re-assessment of the related tax credits may result in a debt due to the province.

For a checklist of items to include with your Tax Credit Certificate request, please see *Appendix 2* .

### **Important deadlines!**

Unless the project is being developed for a government purchaser, companies may apply for a tax credit at the end of every corporate year end. Companies may also apply at the end of the project; however, only the expenses incurred in the current corporate taxation claim year, or the two years immediately preceding the current year of claim, are eligible for a tax credit.

Applicants are responsible for applying to the province for a Tax Credit Certificate early enough to meet the Canada Revenue Agency's tax filing deadline requirements.

### **Ready to begin?**

Please contact a Manitoba Interactive Digital Media Tax Credit representative at:

Interactive Digital Media Tax Credit  
Economic Programs Branch  
1010 – 259 Portage Avenue  
Winnipeg MB R3B 3P4

Email: [ecdevprograms@gov.mb.ca](mailto:ecdevprograms@gov.mb.ca) Phone: 204-945-7343

## **Frequently asked questions**

### **1. What is a Certificate of Eligibility?**

A Certificate of Eligibility (COE) is intended to give the eligible corporation an opportunity to receive an advanced ruling on whether the project is eligible for the credit. These applications will also allow provincial staff to provide an estimate as to the size of the credit before the formal claim request is made.

Once a Certificate of Eligibility application is approved, a corporation may incur eligible project expenses starting on the day the application was received by the department. An approved Certificate of Eligibility is required prior to making a claim.

Advanced rulings do not constitute a guarantee of product eligibility, the issuance of a Tax Credit Certificate, nor the amount of the certificate should it be issued. Certificate of Eligibility applications are intended to give the applicant a preliminary indication as to whether the project is eligible. Tax credit amounts are subsequently determined based on actual eligible expenses incurred and paid.

A company is encouraged to contact a program representative in advance of applying for a Certificate of Eligibility in order to discuss the potential eligibility of their project. Please see the contact information provided below.

### **2. What happens if there are changes to a project or the end product once work is in progress?**

Once a project is in progress, the activities, status and/or scope of a project may change or evolve due to circumstances that were unanticipated or unknown at the time of the original Certificate of Eligibility (COE) application.

Should there be a change to a project once it is in progress, a corporation can request an amendment to its original COE by applying for an Amended Certificate of Eligibility in order to document and certify the changes or extension. For instance, if product development is ongoing beyond the original COE parameters, an Amended Certificate of Eligibility is used to identify and certify the estimated budget for the new extended timeframe.

If the status of an approved project changes unexpectedly and the project can no longer be completed as outlined in the Certificate of Eligibility, development labour expenditures incurred to that point may still be claimed provided all other eligibility criteria are met.

### **3. Does a product have to be completed before applying for a Tax Credit Certificate?**

No. Companies can apply for a Tax Credit Certificate for a project at the end of every corporate taxation year whether the product is completed or not. Only the expenses incurred in the current corporate taxation claim year, or the two years preceding the claim year, are eligible for a tax credit.

### **4. Is there an application fee?**

No, there are no administration fees required for processing IDMTC applications.

## **5. Can a certificate be revoked?**

The Minister may revoke a certificate issued to a corporation for a project if any information provided by the corporation to obtain the certificate is false or misleading or fails to disclose a material fact. A Certificate of Eligibility, or Amended Certificate of Eligibility, may also be revoked if the project ceases to meet the requirements for certification as an eligible project.

### **Contact us at:**

Interactive Digital Media Tax Credit  
Economic Programs Branch  
1010 – 259 Portage Avenue  
Winnipeg, Manitoba R3B 3P4

Email: [ecdevprograms@gov.mb.ca](mailto:ecdevprograms@gov.mb.ca)  
Phone: 204-945-7343

## **Appendix 1: What is a qualifying interactive digital media product? Demonstrating feedback, control and adaptation**

A qualifying end product must provide a combination of digital media and software that, when operated together interactively by the user has the capacity to provide the user with a non-linear media experience, allowing the user to become an interactive participant with the media, and not simply be a reader or a spectator. End products are reviewed to assess whether interactive digital media criteria is met.

Indicators of a user's ability to interact with the media include:

- A product must demonstrate that it provides the user with the ability to influence and manipulate the digital media, actively impacting how his or her unique experience unfolds. The degree to which the media can be influenced by, and adapts to, a user's strategies, ability level, skill-based decisions and judgment are used to help determine a product's qualifying status.
- Products that only allow the user to read/view, choose, or access linear content (such as slide shows, text, video, audio feeds, reference databases or general websites), but do not allow the user any further ability to influence or interact with the media content, other than selecting the order in which it will appear, will not be considered eligible interactive media products.
- Similarly, products that primarily source, or access, linear data or media from the internet, products that gather inputs or uploads from the user for re-display, or use sourced data to generate linear displays for reading or viewing, but allow no further interactive action to be taken by the user, will not be considered interactive digital media for the purposes of this tax credit.
- Where decision trees (branching databases) are employed, the program should provide for a variety of scenarios where multiple progressive paths are possible, allowing a user to build on previous decisions and actions, rather than simply providing access to reference-style databases or websites where each section can be viewed independently regardless of the preceding sequence.

A product may contain both interactive and linear media components and still be considered eligible, as long as the overall user's experience primarily consists of interactions that are non-linear and media-based. For instance, a simple, small-scale media product may display limited media interactivity when compared to a complex, large-scale product, yet still be considered sufficiently interactive to qualify for tax credit support.

The characteristics of **feedback**, **control** and **adaptation** serve as important guides in the evaluation of whether a product qualifies as an interactive digital media product.

## **Demonstrating Feedback, Control and Adaptation**

### **Feedback**

Feedback is the degree to which a product's digital media responds to a user's specific input.

An example of feedback in Augmented and Virtual Reality (AR/VR) would be a product's ability to allow a user to search and find hidden objects, or to provide options for various media elements to react or display in different ways in response to a user's specific actions.

Interactive educational software, for instance, would comment on the user's responses, generate customized evaluations, suggest additional practice exercises tailored to the specific areas where the user had difficulty or showed strength, or would provide tests and content with branching levels of difficulty based on the user's demonstrated ability. If every user sees the same panel (e.g. a scorecard tally, or 'section completed') following a test or module, regardless of a user's specific input, it would be considered a limited or non-interactive media experience.

### **Control**

The user is considered to have a degree of control over a product's digital media when the user can influence their experience with the media and affect the way in which the program unfolds. For example, the user can make choices, implement a strategy, use logical reasoning, move objects or reconstitute, modify or create an image.

In a video game, for instance, the user would be able to influence how they advance through the game based on individual choices, decision-making, unique actions and strategy to create a personalized gameplay experience.

In an AR/VR setting, a user could input variables and visualize where to optimally build a bridge. The user would be able to manipulate the VR scene to allow for forecasting or testing scenarios based on various bridge placements.

Participatory educational e-products that include gameplay, puzzles and digital challenges or simulations would be considered to provide the user with considerably more control than simple multiple-choice media matching, or other point and click exercises.

### **Adaptation**

A product adapts to the user's needs if the program's action and the reaction of the media to the user depends on a number of situations that have been provided for within the program.

Adaptive, non-linear interactive digital media products typically have the capacity to provide the user with multiple paths, offering a variety of decision points that result in a different experience with the media for each user. Several scenarios should be offered, but the specific action will take into account the user's level of ability, judgment, decisions, actions, reactions or other input which creates a unique experience for each user.

For example, in a driving simulation, the product could assess areas of weakness for each driver and modify the simulation that the driver receives. As a result, the product provides highly adapted experience to each user.

An AR/VR product may be considered adaptive when a product's simulated objects react to the environment (whether physical, virtual or augmented) that they are placed in. For example, a product that adjusts where or how a 3D image is displayed based on the location of the objects in the vicinity of the image's placement.

## Appendix 2: Claim checklist – Documents to submit with a Tax Credit Certificate request

Application for an interactive digital media Tax Credit Certificate can be made by submitting the following to the Department of Business, Mining, Trade and Job Creation:

- 1) A completed, signed and dated **Tax Credit Certificate Claim Form**.  
This form includes an applicant affidavit confirming the application is correct and authorizing the department to exchange and share information related to the application with other provincial departments and the Canada Revenue Agency for audit and verification purposes.
- 2) A Project Report, that describes progress to date (which may include pictures or screenshots of product activities), and outlines any known or anticipated changes to the project (such as project scope, timelines or budget).
- 3) For products that are complete, a copy of the product, or product with the add-on(s) included, or a live demonstration of the product in operation may be requested.
- 4) A signed **Declaration of Residency Form** for each employee of the applicant corporation for whom development labour is being claimed. Failure to collect and provide completed forms upon request, for any employee, may result in that individual's salary being ineligible for a tax credit.
- 5) An **Expenditure Report Form** which outlines eligible development labour costs (hours worked and hourly rate per employee); and, when applicable, lists marketing and distribution expenses.
- 6) Timesheets detailing individual employee's work on an eligible project.
- 7) Proof of payment to employees of the qualifying company. This may be provided through one of the following options:
  - (i) T4s for each employee of the applying corporation involved in the project for each tax year in which eligible expenses were incurred, accompanied by the last paystub of the claim period for each employee; **or**
  - (ii) External payroll company documents indicating payroll for each employee and bank statements showing payment to the payroll company; **or**
  - (iii) Printed copies of employee pay stubs, cancelled cheques or direct deposit records and corporate bank statements for each month.
- 8) Invoices and proof of payment for all third-party work completed.  
  
Invoices must indicate the portion of the invoice that represents the Manitoba resident labour component directly attributable to the project being claimed. Invoices must contain the following information: total sale, business name of seller, invoice date, total amount paid, GST amount, seller's business number, buyer's name, a brief description of the goods or services provided (in relation to the project), and terms of payment.
- 9) A copy of the most recent corporate financial statements.
- 10) Sales information for three years after initial launch may be requested for program assessment purposes.
- 11) The province may also require additional documentation or information in order to issue a credit. All documentation or information received from an applicant will be maintained in strictest confidence.