

**SASKATCHEWAN
FILM EMPLOYMENT
TAX CREDIT PROGRAM**

Policy Manual

October 2008

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This document is not intended to be a substitute for the official government Act and Regulations and is provided to production companies for reference only. SaskFilm assumes no responsibility for the use of this document and suggests that users consult a qualified professional for advice regarding any application made in connection with the Saskatchewan Film Employment Tax Credit Program.

OVERVIEW OF THE SASKATCHEWAN FILM EMPLOYMENT TAX CREDIT

This manual has been prepared to assist in the completion of initial and final applications for a Saskatchewan Film Employment Tax Credit (SFETC) certificate. Initial applications are reviewed by SaskFilm and then forwarded to the Ministry of Tourism, Parks, Culture and Sport (TPCS), which issues a SFETC Letter of Registration to the applicant. Final certificates are issued by TCPS following a review of the application by SaskFilm.

The legislation which governs the tax credit is The Film Employment Tax Credit Act, being Chapter F-13.11 of the *Statutes of Saskatchewan*, 1998. The relevant sections of the Act and the Regulations take precedence over this manual.

Introduction

The Saskatchewan Film Employment Tax Credit was announced in the 1998/99 provincial budget and applies to eligible expenditures made after January 1, 1998. The SFETC is administered by SaskFilm, through an agreement with the Ministry of Tourism, Parks, Culture and Sport. The process of application for the credit includes an "initial" application for registration and a "final" application for a SFETC certificate. The final certificate is then filed with the corporation's tax return.

Purpose

The Saskatchewan Film Employment Tax Credit is an incentive for the private film, television, and multi-media production industry to create economic and employment growth in the province. Saskatchewan producers may include the tax credit as a component of financing plans to support production. The tax credit can be interim-financed either by producers, a bank, or another financial institution.

Overview

The Saskatchewan Film Employment Tax Credit is a fully refundable corporate income tax credit available to qualifying producers of eligible productions. The SFETC will rebate 45% of the value of eligible salaries paid to Saskatchewan residents on eligible film, video and new media productions. In addition to the rebate of 45% of eligible salaries, the production may qualify for an additional 5% of eligible expenditures (see Rural Bonus as defined on page 4) and an additional 5% of eligible salaries (see Key Bonus as defined on page 5).

Calculation of the Tax Credit

45% Tax Credit rebate

- On all eligible Saskatchewan and deemed labour
- Eligible salaries are limited to 50% of a production's eligible production costs

5% Rural Bonus (as defined on page 4)

- On the lesser of all eligible Saskatchewan expenditures in the province or the eligible production costs

5% Key Bonus (as defined on page 4)

- On all eligible Saskatchewan and deemed labour

To determine the eligible production budget, government assistance, deferrals (as defined on page 3), and estimates to complete are subtracted ("ground out") from total eligible production costs.

Corporate Structure – Co Production

In order to be eligible for the SFETC an out-of-province company can co-venture with a Saskatchewan production company in one of two ways:

- Form a single purpose company incorporated in Canada and residing in Saskatchewan for the purpose of producing the project. This single purpose company would be required to meet all requirements as set out for production company eligibility. The Saskatchewan partner must have at least 50% control of the company.
- Establish a co-production between an eligible Saskatchewan based company and an out-of-province company or companies. In this case, the Saskatchewan based company must be the entity applying for and receiving the credit. Production company eligibility requirements will apply.

Other Features

- There are no copyright requirements.
- There are no Canadian or Saskatchewan content requirements.
- The amounts due to the production company may be offset by amounts owing to taxes, interest, penalty or payments in respect of employer contributions to Employment Insurance or the Canada Pension Plan.
- No administration fee is charged to administer the SFETC.

CRITERIA FOR ELIGIBILITY OF TAX CREDIT

Project Eligibility

Eligible productions are those that are intended for television, cinema, videotape, digital, CD-ROM, new media or non-theatrical formats.

Eligible genres include:

- drama
- variety
- animation
- children's programming
- music programming
- educational resource
- informational series
- documentary

Ineligible genres include:

- news, current affairs or public affairs programming, or programs that include weather or market reports
- talk shows
- game shows, questionnaires or contests, other than productions directed primarily for children (under 18 years of age)
- sports events or activities
- gala presentations or awards shows
- productions that solicit funds
- reality television
- pornography
- advertising and commercials
- productions produced primarily for industrial, corporate or institutional purposes
- productions that primarily consist of stock footage (other than documentaries)

Production Company Eligibility

- Eligible applicants must have a permanent establishment in Saskatchewan. The production company must be incorporated in Canada (either federally or provincially), be a taxable Canadian corporation and be producing an eligible film.
- The production company must pay at least 25% of the total salaries and wages of the production to eligible Saskatchewan residents.
- The production company cannot be a shareholder in a Canadian broadcaster or specialty channel.
- The production company cannot be a wholly owned subsidiary of a corporation based outside Saskatchewan.
- The production company cannot be controlled by a corporation based outside Saskatchewan.

Application for Registration of an Eligible Film

An eligible corporation must apply for registration of an eligible film on or before the last day of principal photography.

For productions where principal photography is completed on or before December 31, 2005, the final application must be submitted no later than December 31, 2007. Where principal photography is completed after December 31, 2005, the final application must be submitted no more than 730 days after the end of the tax year in which principal photography was completed.

GOVERNMENT ASSISTANCE

Government assistance is a grant, subsidy, forgivable loan, deduction from tax, investment allowance or any other form of assistance received or that the applicant is entitled to receive from the following:

- Government, or government agency including SaskFilm, grants
- Municipality or other public authority

Government assistance reduces the eligible total production cost and is considered a grind on the SFETC. The following government financing sources are excluded from government assistance and **do not** grind down the SFETC:

- Saskatchewan Tax Credit
- Federal Tax Credit (CAVCO credit)
- Equity from the Canadian Television Fund Equity Investment Program (EIP), or Telefilm
- Canadian Broadcasting Corporation (CBC)
- National Film Board (NFB)
- Any license fee for broadcast rights provided by a public broadcaster
- Any legitimate investment provided by a public agency, corporation or department with a reasonable expectation for return
- Any legitimate usage fees provided by a public agency, corporation or department

RURAL BONUS

Definition

The Rural Bonus is a 5% rebate provided on total Saskatchewan production costs. Eligible costs include Saskatchewan salaries, purchases, material etc. spent in the province of Saskatchewan. Eligible costs do not include salaries for non-Saskatchewan residents, companies or deemed labour.

Requirements

In order to qualify for a Rural Bonus:

- A production office must be located at least 40 kilometers from Saskatoon or Regina
- At least 50% of principal photography must take place outside Regina or Saskatoon and in Saskatchewan. When calculating the number of days outside Regina or Saskatoon, second unit days are not included in the calculation of eligible days.

KEY BONUS

Definition

The Key Bonus is a 5% rebate provided on total Eligible Salaries for productions with budgets of \$3,000,000 Canadian dollars or greater.

Requirements

In order to qualify for the Key Bonus the production must employ Saskatchewan residents in six out of ten prescribed key positions as follows:

Position	Points
Costume Designer	1
First Assistant Director	1
Property Master	1
Dolly Grip	1
Key Grip	1
Locations Manager	1
Production Coordinator	1
Production Designer	1
Construction Coordinator	1
Sound Recordist	1

Where the Saskatchewan resident shares the functions of a defined key position with a non-Saskatchewan resident, to qualify for the designated point the Saskatchewan resident must:

- a) Equally fulfill all of the functions specific to the key position in question;
- b) Receive equal or greater remuneration for services provided;
- c) Receive equal credit positioning; and
- d) Render services for an equal or greater number of production days than the non-Saskatchewan resident.

QUALIFIED LABOUR EXPENDITURES

Amounts Included in Salaries or Wages

Eligible salaries must be directly attributable to the production of the eligible film under Section 3 of the Tax Credit Act. A production is limited to claiming 50% of the total eligible production cost of the eligible film as labour. For example, a production with a total production cost of \$10,000,000 and no government assistance, deferrals, or estimates to complete is limited to claiming \$5,000,000 of eligible salaries.

For the purpose of calculating the eligible salaries, “salaries or wages” is defined as income from an office or employment but does not include stock options and any amounts determined by reference to profits or revenues.

The salaries or wages include amounts paid to employees such as vacation pay, statutory holiday pay, sick leave pay, and any other benefits that are taxable in the hands of the employee (corporation’s contribution to the employees’ RRSP, group insurance plan, meals, travel expenses, etc). Expenses such as meals, travel, and stand-by charges must be included on the employee’s T-4 in order to be eligible.

The employer’s contributions to the following plans must not be included in salary or wages:

- Canada Pension Plan
- Canada Employment Insurance Plan
- Worker’s Compensation Board
- Employee Pension Plan
- Dental care plan
- Employee medical care or vision/optical care plan

Expenditures for extended vacation or extended sick leave of an employee are not included as salary or wages. Extended leave is not considered directly attributable to the production as it is in excess of the usual leave earned by an employee.

Amounts Included from a Service Provider

Eligible salaries that are directly attributable to the production from a service provider may be included. An example of a service provider is a post-production company, accounting firm, law firm, etc.

The SFETC will accept 65% of the labour portion of an invoice as a reasonable estimate of the labour directly attributable to the production. The remaining 35% is considered overhead and profit of the service provider. The 65% rate applies only to the labour portion of the invoice. Non-labour expenses include rental fees, facilities, taxes, travel and living expenses, etc. These non-labour expenses must be removed from the invoiced amount before the 65% is applied.

Example

ABC Construction Ltd. provides services to build a set for a production company. This service is directly attributable to the production. ABC Construction Ltd. sends an invoice for \$2,000 to the production company of which \$600 is rental of equipment and materials. The remaining \$1,400 is the labour portion of the invoice, which is then calculated at 65%. (65% of \$1,400 is \$910). This \$910 is then included in the list of eligible salaries.

A higher percentage than the 65% industry standard may be used to calculate claimable labour. However, if this is a case, a Service Provider Form must be submitted to verify the higher labour amount does not include any profit margin or overhead.

Catering Expenses

Catering expenses are included as eligible salaries. Like other service providers, the labour amount may be separated on the invoice and the standard 65% used to calculate eligible labour. However, if labour is not broken out on the invoice, 50% of the invoice will be considered labour (of which 65% will be calculated as the eligible portion).

Example

Saskatchewan Catering Ltd. provides catering services to a production company for a low budget feature film. The total invoice is \$30,000, of which 50% can be considered labour, which is then calculated at 65%. (50% of \$30,000 = \$15,000 is the labour portion of the invoice. This is then calculated at 65% of \$15,000 = \$9,750). This \$9,750 is then included as eligible salaries.

This calculation of catering costs assumes that the production crew was not charged a taxable benefit for meals. If the crew was charged a taxable benefit for meals, the cost of the meals would be included on each employee's T-4 as employment income and would be already included in the regular labour tax credit calculation of 45%.

Amounts Excluded from a Service Provider

Eligible labour must be directly attributable to the production in order to qualify. Ineligible service provider labour costs are defined as but not limited to:

- Hotel costs
- Dry-cleaning costs
- Courier services
- Rental costs
- Insurance costs
- Other goods and materials

Note: These costs are considered eligible costs of production, but not eligible salary expenditures.

Amounts Included from a Solely Owned Company

Labour from a company solely owned by an individual, where the sole owner is the recipient of payment, qualifies as eligible labour at 100% of its value. This company, including all shares (except directors' qualifying shares) must be solely owned by one individual. All labour amounts must be attributable to services rendered personally by the individual to the production company and cannot exceed the salaries and wages of the individual. It is assumed in these cases that the labour portion of the invoice does not include any profit margin or overhead and the labour amount will be claimed as income by the sole owner.

Post-Production Services

Post- Production services are included in eligible salaries. The Saskatchewan Film Employment Tax Credit Program will follow the CAVCO guidelines with respect to computing post-production labour expenditures.

RESIDENCY REQUIREMENTS

In accordance with Section 13 of the Act, a person can be a resident the year of the production, or the year prior to production. This allows flexibility to include an employee who has moved to the province in the year of production. The residency form must be signed by an official of the production company. In most cases the majority of crew will sign the residency form stating they were a resident on December 31st of the year before production started.

A Statement of Saskatchewan Residency Form is required for each Saskatchewan resident whose salary or wages is included in the calculation of Saskatchewan labour and whose total salary and wages is greater than \$500.

Statement of Saskatchewan Residency forms are required from any person the production company is claiming as eligible labour. This includes:

- Saskatchewan resident employees
- Employees from service provider companies
- An individual service provider from a solely owed company

Residency forms are not required from:

- A individual claimed as deemed labour
- An individual not claimed as eligible salaries for the purpose of the tax credit
- An individual who earns a total of \$500 or less on the production

DEEMING PROVISION

Overview

Deemed labour is the labour of out-of-province personnel who are deemed to be a resident of Saskatchewan for the purpose of the tax credit. Out-of-province “mentors” may be considered deemed labour when:

- No qualified Saskatchewan employee is available
- The proposed mentor is deemed qualified to train
- The mentor is hired specifically to train a Saskatchewan resident employee in addition to his or her regular duties

Deemed labour may be included in the 45% credit on eligible salaries. Both above the line and below the line crew are eligible for deeming consideration. Eligible deemed salaries shall not exceed 25% of the total eligible salaries for an eligible film. A deemed resident earning in excess of \$150,000 on a production is eligible to be deemed at a maximum eligible salary of \$150,000.

Guidelines for Deeming Non-Saskatchewan Residents

1. *Prior to production starting*, the producer must obtain the applicable union or guild, a listing of all trainees who have attended the SIAST Set Protocol and Set Safety Courses and/or have been approved by the applicable union or guild. When the trainee is an experienced crew member looking to upgrade their current skills or change their current position, approval must be obtained from the appropriate union or guild for the upgrading or change. In cooperation with department keys and the relevant labour organization the producer/production manager determines the individuals to be trained, the position for which they are to be trained, and the respective mentor.
2. In the instance where the producer/production manager or department head wishes to use a trainee that has not been approved by the applicable labour organization, the producer must state in writing to SaskFilm justification for the hiring. SaskFilm, in conjunction with the appropriate parties, will then review the proposal and state in writing to the production company a decision as to whether the trainee/mentor qualifies under the SFETC Deeming Provision. Under no circumstances will a mentor/trainee position take place if there is a qualified, available union or guild member available.
3. Once the mentor and trainee have been assigned, the production company must complete the *Application For Deeming* with all relevant signatures and submit the form, a training plan and resumes for each position and person, along with a deeming budget, to SaskFilm. It is up to the production and applicable union or guild to state the training expectations to the mentor. The applicable union or guild has the right to refuse any training positions, trainees or mentors and will notify the producer of such decisions in a timely manner.
4. Where possible, a SaskFilm representative will visit the training location to evaluate the training and to consult with the trainee and mentor.
5. At the conclusion of the training period, SaskFilm, in cooperation with the applicable labour organization, will conduct an evaluation. It is the responsibility of the production company to have all concerned parties sign a *Letter of Completion* confirming that relevant training took place.
6. If at any time during the production, the mentor and/or trainee are laid off and/or replaced, the production company must immediately inform SaskFilm and the applicable labour organization in writing and submit a new *Request For Deeming* application.
7. Following completion and delivery of all required documentation SaskFilm will issue a letter listing all completed mentor/trainee positions, which the production will file with their final application for the SFETC.

FREQUENTLY ASKED QUESTIONS

Are there any caps on the size of the production that can apply for the tax credit?

There are no dollar caps per production or per producer. The tax credit is designed to encourage spending on Saskatchewan labour. The more eligible labour utilized, the more tax credit is received.

Do co-productions qualify?

The tax credit encourages outside collaboration with non-Saskatchewan producers, however, application for the Film Employment Tax Credit must be made by the Saskatchewan partner in the production. *(See page 2 of this manual.)*

Can you shoot outside the province?

Yes, filming outside the province is allowable within the spirit and intent of the tax credit. It is recognized that certain productions, e.g. co-productions, documentaries and second unit filming require shooting outside of Saskatchewan. For eligibility purposes, a minimum of 25% of all salaries and wages paid by the production must be paid to Saskatchewan residents.

How is the tax credit considered in the financing structure?

The Saskatchewan Film Employment Tax Credit accrues to the production company and may be used in the financing of the production. The tax credit can be interim-financed either by producers, a bank or another financial institution.

How is eligible labour cost determined for companies or services that may contain costs other than labour?

Eligible Salaries are defined in the Act under Section 3. Labour must be clearly identified with a specific person and job function and be distinguished from any element of profit or overhead. *(See Qualified Labour Expenditure on page 6 of this manual.)*

Who needs to have ownership of the project?

The Saskatchewan tax credit has no requirement that a Saskatchewan company must own the copyright of the production. There are also no Canadian or Saskatchewan content requirements.

How does a production qualify for a Rural Bonus?

The production office must be located at least 40 km outside Regina or Saskatoon for at least 50% of the production and at least 50% of principal photography must take place outside that zone and in Saskatchewan. *(See page 5 of this manual.)*

How do I go about getting a person “deemed to be a Saskatchewan resident” on a production?

The SaskFilm office in cooperation with applicable labour organizations handles all the documentation for deeming a resident to the province. Out-of-province “mentors” may be considered deemed labour when no qualified Saskatchewan employee is available and the proposed mentor is qualified to provide training. *(See Deeming Provision on page 9 of this manual.)*

Is the Saskatchewan tax credit compatible with other tax credit programs?

Yes, the Saskatchewan tax credit may be used in conjunction with the federal or other provincial tax credits. Saskatchewan labour may be used in the calculation for both the federal tax credits and provincial credits. Federal tax credits do not grind the SFETC.

How long does it take to process an initial tax credit application?

Upon receipt of a completed application and all required documentation, administration of the initial tax credit will take up to three weeks dependent upon review requirements.

How long does it take to process a final tax credit application and receive an SFETC Certificate?

Upon receipt of a completed application and all required documentation, administration and signing of the tax credit certificate will take up to two months dependent upon review requirements.

Can I file a final tax credit application more than once for the same project?

There is only one instance where a second final filing is permitted. Eligible labour includes employees who have resided in the province on December 31st of the year of, or the year prior to, the start of production. When an employee moves to the province during the year production starts they will not be able to declare residency until December 31st of that year. This would result in the inability of the applicant to claim that employee's wages as eligible labour until after the residency certificate is signed on December 31st. In this instance a second tax credit application may be filed at a later date, at which time the applicant can claim the wages of that employee and provide a declaration of residency for that employee.

For example: An applicant is prepared to submit their final tax credit application on July 31st. Production labour includes several residents who moved to Saskatchewan in February of that year. These employees would therefore be unable to claim that they resided in Saskatchewan on December 31st of that year. The applicant would file a tax credit application on July 31st with a subsequent application following December 31st at which time the employees can provide declarations of residency and the remaining eligible labour could be claimed.

REPORTING REQUIREMENTS

A. For Initial Applications

1. A detailed budget breakdown. This must be separated into expenditures inside and outside of Saskatchewan if applying for the Rural Bonus.
2. A detailed breakdown of eligible salaries that includes Saskatchewan labour and deemed labour. This must be separated by position and individual labour amounts (name, address and social insurance numbers are optional).
3. Confirmation of any government assistance (if applicable).
4. A script for the production (if applicable).
5. A Production Company Corporate Declaration Form certifying that the production company consents to provide recognition of the Saskatchewan Film Employment Tax Credit in the credits of the production, including all promotional materials.
6. Incorporation documents for the production company, with list of shareholders and directors indicating citizenship.
7. A corporate secretary's certificate naming the shareholders and the number and class of shares held by each.
8. A two paragraph synopsis of the production,

B. For Final Applications only

1. A detailed final cost report. This must be separated into expenditures inside and outside of Saskatchewan if applying for the Rural Bonus.
2. A detailed breakdown of eligible salaries which includes Saskatchewan labour, Saskatchewan service provider labour, and deemed labour. This must include position, name, company, address and social insurance numbers. For deemed labour please include: deemed name, deemed position, Saskatchewan trainee name, Saskatchewan trainee position, and deemed amount.
3. Statement of Saskatchewan Residency Forms for all claimed Saskatchewan residents whose labour is in excess of \$500.
4. An audited financial statement that includes an audited detailed listing of eligible labour expenditures is required for all productions with total production costs of \$500,000 or more. The Minister will accept a Review Engagement Report (as defined in sections 8100 and 8200 of the *Canadian Institute of Chartered Accountants Handbook*) for productions with total production costs of \$200,000 to \$499,000. For productions with total production costs of less than \$200,000, the producer is required to sign a Production Company Statutory Declaration Form with respect to production costs.
5. Copies of all agreements relating to the financing of the production.
6. Confirmation of approval of relevant deemed labour.
7. A recoupment schedule.
8. A summary of expected revenue (sales forecast) for the production.
9. A printed copy of all opening and closing credits.
10. A VHS, DVD (or CD-ROM for multimedia projects) copy of the production, including all promotional materials,
11. A list of names of Saskatchewan residents and non-Saskatchewan residents employed in each position during the production (crew list).

SaskFilm reserves the right to request any additional information that it deems necessary in order to process the initial tax credit application.

ELIGIBLE LABOUR EXPENDITURE SCHEDULE

A suggested format for the eligible labour schedule is:

Column	Description
1	Individual Name
2	Company Name (if applicable)
3	Social Insurance Number
4	SK Labour Paid or Invoiced Amount
5	% Allocation to Eligible Labour (e.g. 65%, 100%)
6	Eligible SK Labour (column 5 * column 4)
7	Deemed Labour
8	Total Eligible Labour (column 6 + column 7)

For initial applications the same information must be provided in the same format with the exception that the individual's or service provider's position or service may be substituted for their name. Social insurance numbers are not required for the initial application.

AUDIT GUIDELINES

An audited Statement of Production Costs and an audited Schedule of Eligible Labour Expenditures is required for all productions with a budget of \$500,000 or more. A Review Engagement Report (as defined in sections 8100 and 8200 of the CICA Handbook) will be accepted for productions with a budget of \$200,000 to \$499,999. For productions with a budget of less than \$200,000, the producer will be required to sign an approved affidavit attesting to the cost of the production and the value of the Saskatchewan labour expenditures being claimed.

It is the producer's responsibility to ensure that all required information is provided. SaskFilm will not accept audited statements that do not conform to the guidelines outlined herein.

General

- The auditor must be an independent third party, not related to the producer.
- The auditor's report must be addressed to the party that has engaged the auditor, that is, the Directors of the production company or the producer of the production.
- The auditor's name, address and telephone number must be evident.
- The auditor's report must be dated as at the completion of the audit field work.
- The audit must be performed in accordance with generally accepted accounting principles and with principles generally recognized in the film and television industry.
- The auditor must have sufficient knowledge of the film and television industry and be familiar with the operations of the production company being audited.
- The auditor must have sufficient knowledge of the Saskatchewan Film Employment Tax Credit Act (1998) including regulations and amendments.

Identification of the Production

- The title of the production and, when applicable, the episode numbers, must be disclosed.
- The title of the statement must indicate the type of costs reported: a) "Statement of Production Costs" means the standard statement of negative costs; and, b) "Eligible Labour Expenditures" means the format as specified in the Saskatchewan tax credit application.
- The period during which the costs were incurred must be disclosed.

Cost Report

- The cost report must be in Canadian dollars and conform as much as possible to the industry standard model (as required by Telefilm and CAVCO).
- Only expenditures that were incurred for the production can be recorded as production costs; these must be charged to the proper budgetary item.
- Refunds and credit notes received for discounts, rebates, invoicing errors and purchase returns must be credited to the production costs; similarly, proceeds from the sale of props and other production assets must be deducted from the costs presented in the cost report. In cases where props and other productions assets are kept in inventory for future productions, they must also be deducted, at fair market value, from the costs presented in the cost report.
- Completion bond expenditures must reflect any "no-claims rebate" received (the amount reported must be net after rebate).
- Amortization of series costs must be allocated to specific cost categories.

Report of Eligible Labour Expenditures

- The list of eligible labour expenditures must be in Canadian dollars and be presented in the format provided. (See *Eligible Labour Expenditures Schedule* example)
- Labour expenditures claimed must comply with the definition of "eligible salaries" contained in the Saskatchewan Film Employment Tax Credit Act.
- The listing of eligible labour expenditures must be sub-divided into the following categories: Saskatchewan Resident Labour (paid to individuals, employees, extras); Saskatchewan Service Provider Labour (paid to third-parties where the production company and the labour performer are the first two parties); and, Saskatchewan Deemed Labour.

- An individual's name, address and SIN must accompany each labour expense being claimed and must be identified by position. For labour services provided by third parties, the company name, employee name, address, and SIN must be provided. Deemed labour must include deemed position, deemed name, Saskatchewan trainee name, trainee position and deemed amount.

Notes to the Schedule of Eligible Labour Expenditures

- The auditor is not required to confirm residency status.
- The auditor must verify that the calculation of eligible labour expenditures conforms to the definition of "eligible salaries" as presented in Section 3 of the Film Employment Tax Credit Act.
- For related companies, the auditor must specifically verify that expenses claimed do not exceed the actual salaries of the individuals for that period, given that the same individual may be providing services on overlapping productions.

Notes to the Cost Report

Sources of Funds

- All sources of funds that were used to finance the production must be disclosed, including any non-monetary transactions (as defined in Section 3830 of the CICA Handbook) that were included in the cost of production.
- Non-monetary transactions must be disclosed at fair market value as at the ending date of the cost report. The nature of the services provided and the consideration given in exchange for the services must be disclosed. The methodology used to determine the fair market value of these transactions must be outlined.
- If there were no non-cash transactions, the statement must include a note to that effect.

Accounts payable, accrued charges, provisions and deferrals

- The amounts of accounts payable, accrued charges, provisions, estimates to complete and deferrals must be presented separately as at the ending date of the cost report.
- If there are no accounts payable, accrued charges, provisions or deferrals, the cost report must include a note to that effect.

Related Party Transactions

The notes to the Statement of Production Costs must provide a breakdown of all related party transactions (as defined in Section 3840 of the CICA Handbook), and include:

- the name of the related party
- the nature of the relationship between the related party and the production company
- the nature of the transaction
- the amount of the transaction

The methodology used to determine the fair market value of these transactions must be outlined. If there are no related party transactions, the statement must include a note to that effect.

Example Audit Report Letter:

AUDITOR'S REPORT

To the Directors of
The Production Company Inc.

We have audited the statement of production costs and the eligible labour expenditure schedule applicable to the production entitled "ABC" for the period from _____ to _____. This financial information is the responsibility of the producers. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by the producers, as well as evaluating the overall presentation of financial information.

In our opinion, the statement of production costs, and the eligible labour expenditure schedule presents fairly, in all material respects, the production costs of the production entitled "ABC" for the period ended _____ in accordance with generally accepted accounting principles.

Independent Accountants

(City, Canada)

(Date)

SCREEN CREDIT REQUIREMENTS

The tail credits must include the following credit:

Produced with the participation of the

Saskatchewan Logo: Saskatchewan Film Employment Tax Credit

This credit is to appear in all domestic and international versions of each production and in all related advertising, publicity and promotional materials.

FILING YOUR TAX CREDIT CERTIFICATE

Following the tax credit application analysis by SaskFilm, the application is forwarded to the Ministry of Tourism, Parks, Culture and Sport for processing and final approval by the Minister. The original certificate signed by the Minister is then sent to the production company.

The original Film Tax Credit certificate should be attached to the production company's tax return that is sent to the Canada Revenue Agency (CRA). To accelerate the processing of federal or provincial tax credits, forward the completed tax returns to the appropriate tax service office (addresses below), to the attention of the Research and Development Coordinator.

If a production company's tax return has been filed prior to receiving the tax credit certificate, the following process should be followed:

1. Determine that the tax return has been filed for the certificate in question. A Film Tax Credit certificate cannot be processed without the production company first filing a tax return.
2. Forward a letter to the CRA requesting an amendment to the tax return already filed. Regina and area production companies can direct their letters to the Research and Development Coordinator, CRA, Box 557, Regina, SK, S4P 3A3. Saskatoon and area production companies can direct their letters to the Research and Development Coordinator, CRA, 340 3rd Avenue North, Saskatoon, SK, S7K 0A8.
3. Attach the original Tax Credit Certificate, signed by the Minister, along with the letter to CRA.