

DAVE Tax Credit

The Digital Animation, Visual Effects and Post-Production (“DAVE”) Tax Credit is a refundable bonus tax credit under the Film Incentive BC (FIBC) and Production Services Tax Credit (PSTC) programs that is equal to: 16% of eligible BC labour expenditure directly attributable to digital animation, visual effects and post-production activities paid to BC-based individuals and corporations. Under PSTC, the BC labour expenditure eligible for the DAVE tax credit must be for services rendered in BC.

DAVE Eligibility Requirements

- A production corporation must be eligible for and claim the Basic tax credit under FIBC or PSTC on an eligible production.
- The production includes eligible DAVE activities.
- The DAVE activities are created primarily with digital technology.
- The BC DAVE labour expenditure is an eligible BC labour expenditure directly attributable to DAVE activity.

DAVE Activities

Digital animation is animation created primarily with the use of digital technology including computer animation hardware and software.

Visual effects, commonly used in connection with live action productions, are the process by which digital imagery is created to manipulate or enhance real world footage to create environments which look realistic but would be dangerous, expensive, impractical, time consuming or impossible to capture on film. The effect may be created by digitally augmenting and manipulating visual imagery originating on film, tape or 2D or 3D digital elements generated in the computer and compositing the modified imagery, back onto film or tape, or to create the final digital output.

Post-production work means goods and services directly related to post-production activities but does not include stock footage. Prescribed digital post-production activities are post-production activities carried out primarily with digital technology, excluding prescribed digital animation or visual effects activities; re-shooting of scenes; mass duplication of video recordings; and activities relating to promotional material for the production.

Examples of eligible DAVE activities include, but are not limited to:

- designing, modeling, rendering, lighting, painting, animating, compositing, visual effects photography (blue or green screen photography, element photography, plate photography, motion control photography, motion capture sessions, texture photography), digital scanning or surveying of actors, set pieces or entire sets, and post production (editing, video/film post production picture/sound including audio effects, voice-overs, credit rolls, title sequences, subtitles, music composition, versioning).

Activities that are not eligible for the DAVE Tax Credit:

- Excluded prescribed digital animation and VFX: audio effects, in camera effects, credit rolls, subtitles, animation or VFX all or substantially all of which are created by editing activities, or animation or VFX created for use in promotional material for the production (trailer etc.).
- Excluded prescribed digital post-production: prescribed digital animation and VFX activities, re-shooting of scenes, mass duplication of video recordings, or activities relating to promotional material for the production.
- Music licenses and other non-labour expenditures.

“Directly attributable” means salary or wages can be traced back to the DAVE activity (there must be a direct link between the labour expenditure and the specific DAVE activity). The expenditure must relate to time spent on DAVE activities or time spent in direct support of those activities. If the duties performed by an individual include some activities that are not directly attributable to the effect, only a portion of that individual’s salary or wages may be allocated to the DAVE activities – see more information on allocation under the “On-set DAVE” section below.

“Primarily digital” means that more than 50% of the effect, animation or post-production activity is created or carried out with digital technology. The digital labour amount acts as a de facto cap on the amount of “mechanical” or “on-set” labour the production corporation can claim under the DAVE.

To determine “primarily digital”, the production may use one of the following methods:

- Cost method – divide the labour expenditure for digital work by the total labour expenditure (mechanical and digital) of creating the effect.
- Hour method – divide the hours spent on digital work by the total work hours (mechanical and digital) spent on the effect.
- Other method – that can be substantiated and that reflects the total effort expended to create the effect.

The method used must be reasonable, clearly documented and applied consistently to the production.

“On-set DAVE” for Live Action Productions

In general, live action productions can claim the “on-set” or “mechanical” BC labour under the DAVE tax credit provided it is directly attributable to the creation of the VFX. For example, the production can allocate part of the eligible labour costs of building a green-screen or virtual set towards DAVE labour. But if an individual works 70% of the time on non-DAVE activities, then only 30% of the individual’s salary or wages would be considered directly attributable to DAVE activities.

What are examples of acceptable methodologies for determining “on-set” DAVE labour?

Some examples of methodologies used to determine DAVE on-set labour activities directly attributable to the creation of the effect are:

- a tracker of VFX on-set work clearly documented in the daily production reports (daily shot logs);
- a tracker of hours spent on creation of the effect on set (production reports, VFX logs);
- a percentage of the number of VFX shots of the total shots per day, per set, per unit; or
- any other method that is reasonable, consistent, and clearly documented.

Can BC on-set DAVE labour be claimed if VFX are not done in BC?

Yes, provided the “primarily digital” requirement is met, the production corporation can claim eligible on-set DAVE labour. Global VFX work can be used in the primarily digital calculation, but the production corporation can only claim eligible BC labour under DAVE.

Digital Labour: { (BC VFX) or (BC VFX + non-BC VFX) } + BC Post Production (excluding VFX)

Primarily Digital Percentage: Digital Labour / { Digital Labour + BC on-set (or mechanical) Labour }

Is deferred BC labour expenditure eligible for the DAVE Tax Credit?

No. Deferrals are not considered a BC labour expenditure and cannot be claimed for the DAVE tax credit.

How to claim the DAVE Tax Credit?

To claim the DAVE tax credit, use the B.C. Film and Television Tax Credit form (T1196) or the Production Services Tax Credit form (T1197).

Legislation and Regulation relevant to DAVE:

Links to the relevant sections of the BC Income Tax Act and regulation:

[Film Incentive BC – see Section 81.2](#)

[Production Services Tax Credit – see Section 82.3](#)

[Income Tax Act Film and Television Tax Credit Regulation - Sections 10 \(1\) and 10.1](#)

Note: This document is intended as a general overview. It is not exhaustive and should not be relied upon to determine eligibility or the final amount of an anticipated tax credit. In case of any discrepancies between this document and the Income Tax Act (BC) and Regulation (the “Act”), the provisions of the Act prevail.