



TaxNewsFlash Canada

Canadian News Media — Budget Details New Labour Tax Credit

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Canadian news organizations may be able to benefit from a new labour tax credit that takes effect in 2019. The new 25% refundable credit, which was announced in the 2019 federal budget, is available for salary or wages of eligible news organizations that are primarily engaged in producing certain types of original news content. To qualify, news organizations will have to meet specific criteria and be recognized by an administrative body that will be established for this purpose. The credit is part of several new tax measures included in the budget that are intended to support Canadian journalism.

Background

In Canada's 2018 Fall Economic Update, Finance Canada announced that it would introduce a new refundable tax credit to support labour costs for qualifying news organizations and a new temporary non-refundable tax credit for qualifying subscribers of certain digital news media, among other measures. In the Update, Finance acknowledged the current challenges of journalism and the news media industry, including small local community media outlets. Finance noted that these changes, for which it would provide additional details in the 2019 federal budget, are intended to support Canadian journalism and help news organizations maintain financially sustainable business models. For details, see *TaxNewsFlash-Canada* 2018-48, "[Canadian News Media — Watch for Upcoming Tax Relief](#)".

Canada's 2019 federal budget delivered on the promise of its Fall Economic Update to introduce a 25% refundable tax credit for salary and wages of journalists. In addition to the new tax credit, the budget announces other measures to support Canadian journalism, including changes to allow news organizations to register as qualified entities for charitable tax credits as of 2020 and introduces a temporary non-refundable 15% tax credit for individuals who subscribe to certain digital news publications. For

more details on these measures, see *TaxNewsFlash-Canada* 2019-11, “[2019 Federal Budget Highlights](#)”). These measures are welcome news for an industry that has been affected by the conversion from print to digital.

Canadian news organizations — Who qualifies?

The first step to be eligible for the new tax credit is to qualify the entity that employs journalists as a “Qualified Canadian Journalism Organization”. Canadian-controlled organizations that produce original written news content and satisfy certain additional requirements will be considered Qualified Canadian Journalism Organizations and will generally be eligible to claim the new labour tax credit.

To qualify, the news organization must be Canadian, and specific rules on incorporation, residency and composition of the board of directors apply. Next, if the organization publishes content, it must be published in Canada. Finally, the organization must be *primarily* engaged in the production of news content that focuses on matters of general interest and reports of current events (including coverage of democratic institutions and processes). News organizations may not be eligible if they primarily produce news content that focuses on certain particular topics, such as industry-specific news, sports, recreation, arts, lifestyle or entertainment. There are other rules to disqualify news organizations that *significantly* engage in the production of content to promote goods or services, or to promote the interests of an organization, an association or their members (including reporting on their activities). Because the definition of a Qualified Canadian Journalism Organization has tests around the purpose of the news content, organizations may want to consider how they might meet the rules.

An administrative body will be established to determine whether news organizations meet the criteria to be considered a Qualified Canadian Journalism Organization. This administrative body will be able to designate qualifying news organizations as of January 1, 2019, according to the budget. The budget is unclear on whether this designation will be annual or for multiple years, or whether the determination will be done at the start of a year, during, or after the organization’s year-end.

Refundable labour tax credit — Additional criteria

If your organization is designated to be a Qualified Canadian Journalism Organization you may then qualify for a new 25% refundable tax credit on salary or wages paid to eligible newsroom employees on or after January 1, 2019, up to a maximum of \$55,000 per eligible newsroom employee per year. However, organizations that receive funding from the Aid to Publishers component of the Canada Periodical Fund, or that carry on a “broadcasting undertaking”, will not be eligible for the credit, according to the budget. If you receive Aid to Publishers, you may want to consider a cost-benefit analysis of the new credit to determine whether you may want to forgo the Aid to Publishers. If your organization operates a

broadcasting undertaking, you may want to determine how to remain eligible for the tax credit.

The labour credit will be available for an employee of a qualifying organization that generally works at least an average of 26 hours per week, and is employed (or is expected to be employed) for at least 40 consecutive weeks. In addition, an eligible employee must spend at least 75% of his or her time engaged in producing original news content. Specifically, this may include researching, collecting information, verifying facts, photographing, writing, editing, designing and otherwise preparing content.

The credit is available for salary or wages paid to eligible newsroom employees for a taxation year, reduced by the amount of any government or other assistance received. Salary or wages are only considered eligible expenses if they are in respect of a period throughout which an organization is considered a Qualified Canadian Journalism Organization.

The budget notes that these rules will be amended if necessary, pending input on the criteria from an independent panel.

We can help

Your KPMG adviser can help you assess whether your organization is a Qualified Canadian Journalism Organization and whether you will be eligible for the new refundable labour tax credit. We can also ensure that your credit calculations are complete and the credit is maximized. We will keep you abreast of the progress of these new credits as they make their way into law.

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