



Canadian Camping and RV Council

2018 Pre-Budget Submission

About the CCRVC

The Canadian Camping and RV Council (CCRVC) is the national association representing the provincial private campground owners' associations and the 2347 private campgrounds across Canada. Provincial Associations include: British Columbia Lodging and Campgrounds Association, Parks and Campgrounds Owners' Association of Alberta, Manitoba Association of Campgrounds and Parks, Camping in Ontario, Camping Quebec, New Brunswick Campground Owners Association and the Association of Atlantic Parks and Campgrounds.

CCRVC's mission is to support Canada's camping and RV industries, foster projects to enhance the camping experience for both Canadians and international visitors, work with federal decision makers to ensure a thriving Canadian tourism sector and to serve as private campground owner's advocacy voice on a national level.

As part of a \$14.5-billion-dollar industry, private campgrounds across Canada have a considerable economic impact. In Canada there are a total of 4,231 campgrounds and 423,283 campsites. The camping industry creates over 60,420 full-time jobs for Canadians and generated \$2.9 billion in total salary and wages.

In 2014, 5,768,650 or 22% of the total adult population was the recorded total number of adult Canadians who enjoy camping. Annual travel related expenditures for campers' totalled \$2 billion, with another \$850 million in non-travel related camping expenditures.

Current Landscape and 2018 Budget Recommendation

Despite these robust figures which indicate that the camping industry is a lucrative business and successful tourist destination for Canada, the current misclassification of campgrounds as a "specified investment business" as opposed to an "active business" could result in potentially hundreds of campground closings if private campgrounds are deemed ineligible for the small business tax deduction (SBD) despite qualifying for the past several years. If this should occur, Canadian tourism and the Canadian economy in rural regions across the country will be adversely impacted the most with campground closings and severe job losses throughout.

Under the current Income Tax Act, a corporation must meet certain requirements in order to be eligible for the SBD. In particular, the SBD is not available to a corporation that carries on as a specified investment business if the business has a principal purpose of the business to earn income such as interest, dividends, rents and royalties from real or immovable property. One exception to this rule, is if the corporation employs more than five full-time employees in the business throughout the year. However with campgrounds operating on average for only 152 days in a calendar year, it is not economically responsible to operate and maintain seasonal part-time workers throughout the year to meet this minimum threshold requirement to qualify for the SBD.

Although these tax rules have remained unchanged in decades, a number of campgrounds in Ontario were denied the SBD in the past 18 months in a CRA small business compliance test. The current and future implications of these rulings are undeniable to our association as 75% of 2347 private campgrounds employ less than five full-time employees. The private campground industry's unclear future tax obligation is currently impacting most campgrounds' financial



forecasting and hundreds of small businesses nationally are now withholding hiring part-time employees and infrastructure improvements until the uncertainty vanishes.

Campgrounds are considered as recreational facilities offering the travelling and vacationing public access to campsites on a defined overnight and seasonal basis. Unlike permanent residence land properties like apartment buildings and mobile home parks for example, campgrounds do not offer tenants principal/permanent occupancy. Private campgrounds do not charge “rent” or “royalties” or “dividends” as described in the definition of a “specified investment business”, but rather overnight campsite and amenity/service fees to temporary and seasonal camping enthusiasts.

The vast majority of campgrounds have invested significant infrastructure costs including water treatment systems, sewage and septic systems, electrical infrastructure, amongst others, that have improved their land use to that of a campground which should be considered to be a dividing factor from the perception of some as just collecting “rent” from a “farmer’s field”. Moreover, private campgrounds generally provide several of the services/activities which have been listed as deciding factors in determining if a “specified investment business” is deemed “active” by the CRA: laundromat, snack bar and/or restaurant, washroom, showers, swimming pool, beach area, playground, recreation centre, WiFi, propane, organized activities, and many more.

CRA’s unclear tax distinction is adversely affecting the Camping and RV industry’s growth prospects and the threat could lead to campground closings and of equal concern, restrict needed improvements for the industry to remain competitive and attract foreign visitors which may be no longer affordable. This will harm the entire industry ultimately leading to: reduced number of campgrounds available for domestic and international tourism, loss of jobs throughout the industry, substantial loss of tax income to all levels of Government, and diminished economic benefits in small communities across the country. Currently the RV and Camping Industry needs more campgrounds and we cannot possibly afford to lose camp sites that are necessary to facilitate the growth in the RV and Camping Lifestyle.

We reference the CRA Bulletin released August 2016 and its ambiguity which campgrounds may or may not be able to qualify for the small business tax deduction: <http://www.cra-arc.gc.ca/nwsrm/stmnt/2016/st160823-eng.html>

Recommendation:

The CCRVC asks the Federal Government of Canada to implement a modification in the current *Income Tax Act* that clearly distinguishes the classification of campgrounds as an “active business” amongst all stakeholders which will properly reflect the industry’s business model and ensure that campgrounds across Canada are eligible for the small business tax deduction.

We respectfully ask that the Standing Committee on Finance reassert its recommendation from the 2017 Report to the Finance Minister “That the Government of Canada recognize the income earned by campgrounds and storage facilities as “active business income” for the purpose of determining eligibility for the small business deduction.

The Private campground Industry recommends that electrical, septic and infrastructure improvements be introduced as adjudicating factors by CRA along with services/activities as currently listed to create a clear and concise line when determining eligibility for the small business tax deduction for campgrounds.