



Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget

Submitted By:

Canadian Camping and RV Council



Canadian Camping and RV Council

2020 Pre-Budget Submission

Recommendation 1:

- That the Federal Government amend the Income Act of Canada or by any other appropriate measure to clearly define, identify and recognize that income earned by Private Campgrounds who employ less than 5 full time employees year round is to be considered as “active business income” for the purpose of determining their eligibility for the small business tax deduction should they offer any of the following minimum services:
 - Electrical Infrastructure and/or
 - Water and/or
 - Sewage Treatment



About the CCRVC

The Canadian Camping and RV Council (CCRVC) is a national association consisting of Provincial Private Campground Owners' Associations, the 2347 Private Campgrounds across Canada, the Recreational Vehicle Dealers Association (RVDA) of Canada and the Canadian Recreational Vehicle Association (CRVA).

CCRVC's mission is to support the Canadian Camping and RV Industry, 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 \$6.1-billion-dollar RV and Camping Industry, Private Campgrounds in Canada make a considerable contribution to our economy. In 2014, 5,768,650 or 22% of the total Canadian adult population in an economic survey were estimated to enjoy camping as a lifestyle. The RV and Camping Industry creates over 66,000 full-time jobs for Canadians, generates \$4.2 billion in total salary and wages, contributes \$1.9 Billion in Tax Revenue and \$3.3 Billion to Canadian Tourism.

Current Landscape and 2020 Budget Recommendation

Despite these robust financial figures, owning a Private Campground is not generally considered to be a lucrative business and owners must work up to 15 hours a day, 7 days a week during the camping season for their business to survive. The classification of a Private Campground employing less than 5 full time employees year-round being classified as a Passive "Specified Investment Business" as opposed to an "Active Business" exasperates the situation further and as a result remains to be the #1 threat to the future of the Canadian Camping and RV Industry.

Under the current ***Income Tax Act***, there is considerable ambiguity amongst Campground Owners and Industry Professionals whether a small Private Campground employing less than 5 full time and having the required services would qualify as an "Active" business by the Canada Revenue Agency and eligible for the Small Business Deduction or instead considered to be a "Specified Investment Business" resulting in an approximate 50% Tax Rate to the Private Campground.

We estimate that 75% of our 2347 private campgrounds employ less than five full-time employees and thus required the arduous annual task proving to the Canada Revenue Agency that they have the necessary criteria to qualify for the Small Business Deduction as an Active Business.

We reference the CRA Bulletin released in August 2016 and its arbitrary nature which under the current guidelines outlines how 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>

Although the current tax classification has remained unchanged in decades (since the 1970's), a significant number of campgrounds across Canada have been denied the Small Business Tax Deduction in the past 36 months and have been re-assessed as a Specified Investment Business despite their Campgrounds having several of the listed amenities or services.



As it stands in the **Income Tax Act**, a Campground employing less than 5 employees year-round is considered a Specified Investment Business *unless* they prove to the CRA otherwise. Determination of a Private Campground qualifying for the SBD previously had not been in question, but recent history has proved that policy has changed and decisions are now arbitrary and inconsistent.

It is unrealistic to expect Private Campgrounds who operate on average for only **152 days** in a calendar year, to maintain full time workers throughout the off season when they are not in operation just so that they can exceed the minimal threshold of 5 full time employees year-round and hence qualify for the Small Business Tax Deduction.



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: including, laundromat, snack bar and/or restaurant, washroom, showers, swimming pool, beach area, playground, recreation centre, Wi-Fi, propane, organized activities, and many more but there are several recent examples where these amenities are being either disregarded or overlooked by the Canada Revenue Agency Auditor.

Private campground owners are extremely active in their business outside running their campground including performing the accounting, marketing (Social Media), customer service and other daily activities, etc. throughout the year unlike an investment business.

Additionally, the vast majority of private campgrounds have invested significant infrastructure costs including water treatment systems, sewage and septic systems, electrical infrastructure, amongst others, that have improved the land use to that of a campground which we recommend should be considered to be a dividing factor from the perception of some as just collecting “rent” from a “farmer’s field”.



Since the current rules and tax obligation is unclear to the campground owner, the current situation has impacted the financial forecasting of hundreds of small family run private campgrounds across Canada who are now withholding hiring additional part-time employees, infrastructure improvements and capital expenditures to build additional campsites has been placed on hold until the current threat is removed.

If a small family run Private Campground has the SBD denied by CRA when filing their Corporate Tax Return, it results in more than a 300% Tax Increase (approx. 15% vs 50%) to the Private Campground which is unsustainable.

Campgrounds are recreational facilities offering the travelling and vacationing public access to full service campsites on a defined overnight and seasonal basis. However, under the current tax rule, private campgrounds are unfairly included in the same tax category as an Apartment Building or a Mobile Home Park which is unacceptable and makes no sense. An Apartment Building or a Mobile Home Park offers year-round permanent living whereas a Private Campground offers seasonal and temporary recreational stays to multiple travelling consumers.

Additionally, Private Campgrounds do not charge “rent” as described in the definition of a “specified investment business” in the *Income Tax Act*, but rather overnight campsite and amenity/service fees to multiple temporary and seasonal camping enthusiasts.

CRA’s unclear tax distinction is adversely affecting the Camping and RV industry’s growth prospects and the threat has led to campground closings and of equal concern, restricted much needed infrastructure improvements for the industry to remain competitive and attract foreign visitors which may be no longer affordable.

This trend, if continued, will harm the entire RV and Camping 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.

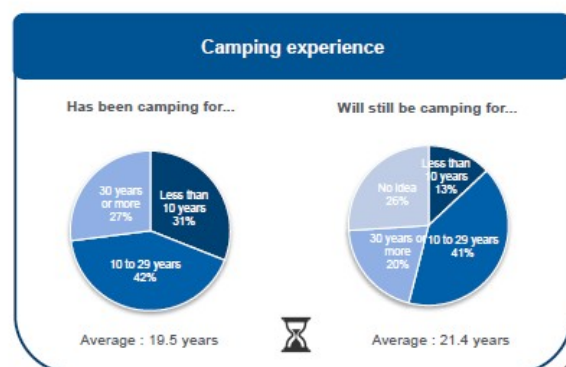
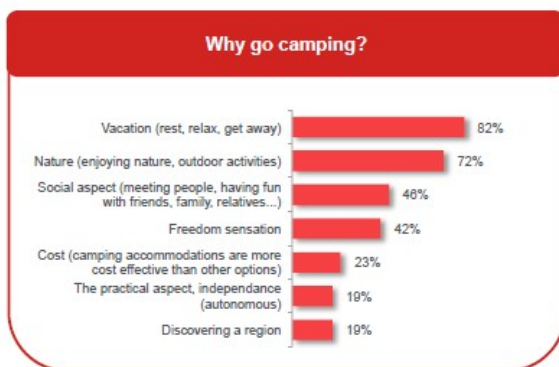
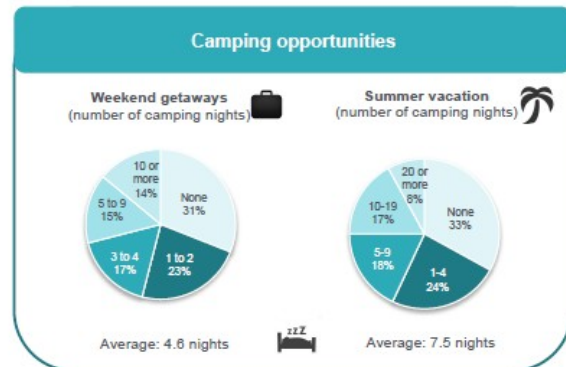
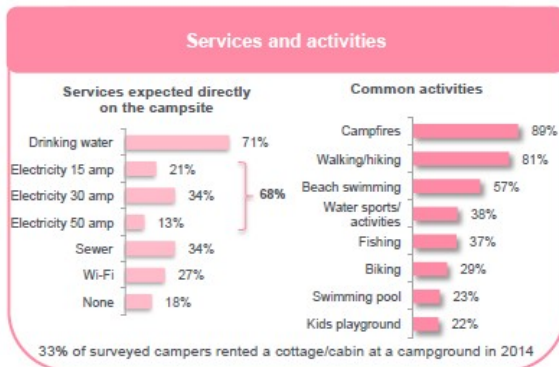
With more RVs on the road today, the RV and Camping Industry needs more private sector campgrounds offering full services to facilitate the growth in the RV and Camping Lifestyle.

It is now necessary to have clear understanding of the tax implications of running a campground and a policy that can serve as a guideline for the Canada Revenue Agency and Private Campground Owners to follow in order to remove any ambiguity that currently exists.

Camping at our Private Campgrounds is a generations long pastime for nearly 6,000,000 Canadians. We ask the Federal Government for support in ensuring that this continues.



CANADIAN CAMPER MARKET AT A GLANCE (CONTINUED)



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We hereby respectfully ask the House of Commons Standing Committee on Finance to include the following recommendation in your Report to the Minister of Finance ensuring that our Private Campgrounds remain financially viable and competitive.

Recommendation:

- That the Federal Government amend the Income Act of Canada or by any other appropriate measure to clearly define, identify and recognize that income earned by Private Campgrounds who employ less than 5 full time employees year round is to be considered as “active business income” for the purpose of determining their eligibility for the small business tax deduction should they offer any of the following minimum services:
 - Electrical Infrastructure and/or
 - Water Hookups and/or
 - Sewage Treatment Facilities