NGCOA ANPTG

National Golf Course Owners Association Canada
Association nationale des propriétaires de terrains de golf du Canada

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

Presented by:
The National Golf Course Owners Association Canada

A Necessary Update of the Income Tax Act to Stimulate Economic Growth, Small Business Success, Youth Employment, Charitable Fundraising, Healthy Recreation, Preservation of Green Space and Fair Competition Between Industries.

515 Legget Drive, Suite 810 • Ottawa, Ontario K2K 3G4
t. 866 | 626 | 4262 • f. 613 | 226 | 4148 • www.ngcoa.ca

Recommendation:
That the government amend the Income Tax Act, Section 18 (1.1) in order to remove the outdated exclusion of Golf as an allowable Client Entertainment Expense, subject to the same 50% deduction on Business Income generated as is applied to all other relevant forms of Client Entertainment Expenses.

Background:
Building client relationships and discussing strategic business opportunities are critical to generating sales for most Canadian businesses. Therefore management typically dedicates significant expense and effort into these strategies. And the most effective option for building successful client relations is Golf, hence the well-known expression "There's more business done on the golf course than in the boardroom".

However, as Golf emerged over several decades to become the most effective client entertainment investment, the Income Tax Act was never updated to reflect this evolution. Businesses are therefore reluctantly avoiding Golf, solely due to this flaw in the Income Tax Act, redirecting their client relations strategies to all other allowable participation sports, spectator events, restaurant meals, concerts, theatre and numerous other experiential activities.

This flaw in the Income Tax Act hurts those businesses who wish they could capitalize on the effectiveness of Golf to drive their sales, which in turn generates employment, tax revenues and other positive economic impacts. Furthermore, it damages those businesses in the golf industry itself, all of which are small businesses by definition, which is not only unfair but also limits investment in Golf, youth employment, preservation of green space, healthy recreation for Canadians, charitable fundraising, tourism and real estate development, and the subsequent lost tax revenues from these limitations.

The Solution:
Section 18, which defines allowable business entertainment expenses, currently states that Golf is specifically excluded. By simply removing this exclusion, Canadian businesses will be able to leverage the effectiveness of Golf, stimulating economic growth and resolving the unfairness issue.

The net financial impact to the Department of Finance is "revenue neutral" in the short term and "revenue positive" once the incremental client entertaining drives the noted economic growth. The Library of Parliament assessment of these economic impacts confirms that the short term reduced tax revenue is minor.

Supporting Facts:

- The Canadian Chamber of Commerce supports this proposal
- The Canadian Federation of Independent Business supports this proposal
- Tourism Industry Association of Canada supports this proposal
- Golf Canada, PGA of Canada, and all other Canadian golf associations support this proposal
- More Canadians play golf than any other sport, including being #1 for women
- Golf is the most effective form of client entertainment
- Golf employs more Canadians and more youth than any other participation sport
- More charity fundraising is achieved through golf in Canada than any other sport
- Golf generates more economic impact than all other participation sports in Canada

On behalf of over 2300 small business golf course operators and the entire Canadian business community who need effective client entertainment strategies, thank you for your attention to this important matter. We are available for further discussion at any time and looking forward to an updated Income Tax Act that will properly reflect the importance of client relations in 2019 and beyond.

Respectfully,

Jeff Calderwood
CEO
National Golf Course Owners Association Canada
613-226-3616
jcalderwood@ngcoa.ca