



Written Submission for the Pre-Budget Consultations in Advance of the 2021 Budget

Submitted By:

The Canadian Camping and RV Council





Canadian Camping and RV Council

2021 Pre-Budget Submission

Recommendation 1:

- That the Federal Government make an administrative change that would exempt a seasonal Private Campground from being classified as a “Specified Investment Business” and qualify for the small business tax deduction if the business has invested significant infrastructure improvements at their premises which may include the following:

- Electrical Infrastructure and/or
- Water Service and/or
- Sewage Treatment Facility

and offer services and amenities such as but not limited to:

- Coin operated laundry
- Swimming Pool
- Playground
- Refuse disposal
- Convenience Store
- Propane



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. CCRVC is a member of the Tourism Industry Association of Canada (TIAC).

As part of a \$6.1-billion-dollar RV and Camping Industry, Private Campgrounds in Canada make a considerable contribution to our economy. In 2018, 22% of the total Canadian adult population in an economic survey were estimated to enjoy camping as a lifestyle. In total, the RV sector directly and indirectly supported an estimated 67,200 jobs and delivered \$4.8 billion in added economic value to the Canadian economy from an initial expenditure of \$6.2 billion in 2019.

Current Landscape and 2021 Budget Recommendation

Despite these robust financial figures, owning a Private Campground is generally not considered lucrative with most being family operated who must work up to 15 hours a day, 7 days a week during the average camping season of 152 days for their business to survive.

The current classification of a Private Campground employing less than 5 full-time employees **year-round** as a Passive "Specified Investment Business" as opposed to an "Active Business" makes this business much more financially challenging for the owner who is currently operating under the threat of a potential **50%** Investment Tax Rate rather than the Small Business Rate of approximately **15%**.

From the Canada Revenue Agency,

"Generally, the business of a campground involves the renting of property and providing basic services typical to that type of rental operation. In such a situation, the principal purpose of that business would be to earn rental income from real or immovable property and the corporation would not be eligible for the small business deduction, unless it employs more than five full-time employees in that business throughout the year. However, if a corporation carrying on a campground business does not employ more than five full-time employees throughout the year, but does provide significant additional services that are integral to the success of its business operations, the CRA may consider it eligible for the small business deduction.

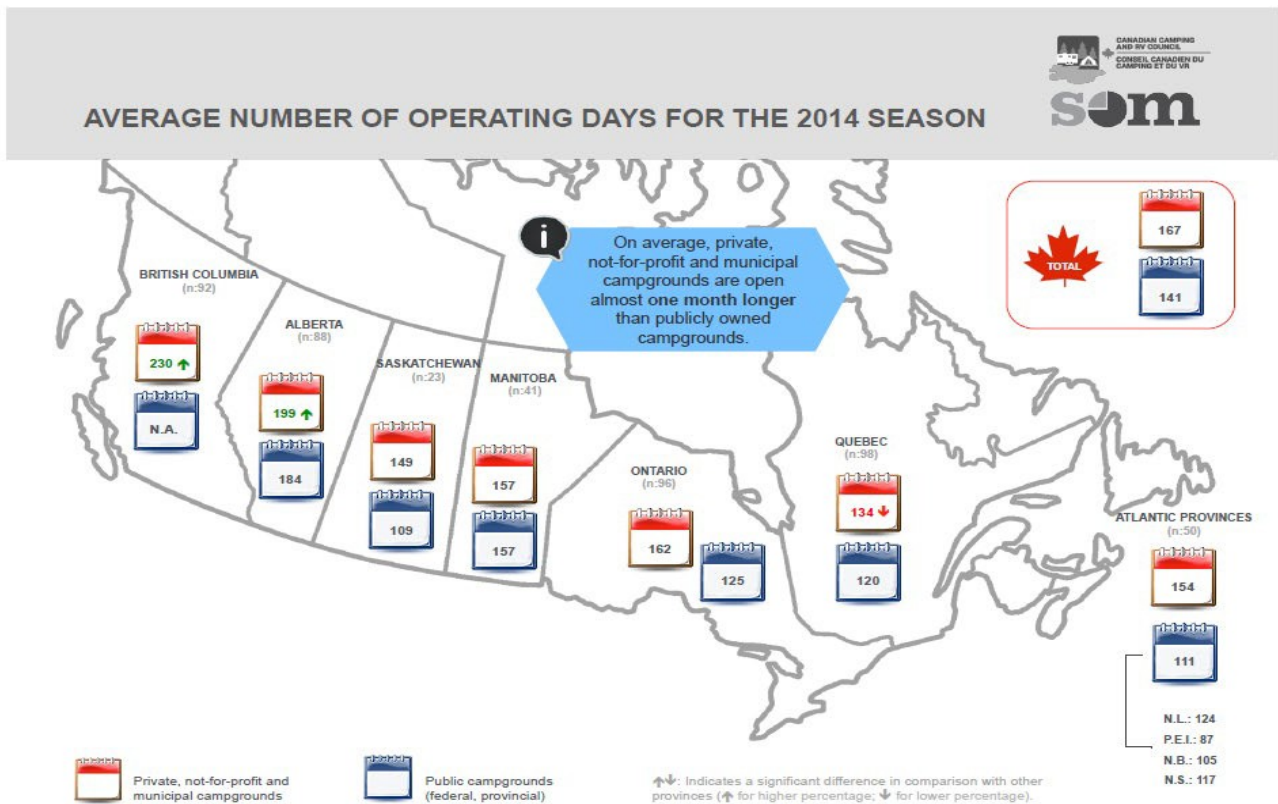
Full Report- <http://www.cra-arc.gc.ca/nwsrm/stmnt/2016/st160823-eng.html>

As a seasonal business, we estimate that 75%-80% of our 2347 Private Campgrounds in Canada employ less than the **five full-time** employees **year round** and are required to annually prove to the Canada Revenue Agency that they have the necessary criteria, which is currently ambiguous and arbitrary, to qualify for the Small Business Deduction.

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 4 years who have been denied the Small Business Tax Rate for the 1st time despite their Campgrounds having several of the listed amenities or services while unaffected campgrounds operate under the threat of being reassessed.

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It is both unfair and unrealistic to expect Private Campgrounds who operate on average for only **152 days** in a calendar year, to maintain full time workers throughout year especially during the off season when they are closed just so that they can exceed the minimal threshold of 5 full time employees year-round and be certain that they would qualify for the Small Business Tax Deduction.



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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 from the 2016 Bulletin : 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.

To provide differentiation from “raw” land, we are recommending adding infrastructure investments including Electrical, Water or Sewage which would significantly improve the real property satisfying Canada Revenue Agency’s concerns.

Without change, private campgrounds across Canada will continue to withhold hiring additional part-time employees, infrastructure improvements and capital expenditures to build additional campsites with their financial future uncertain.

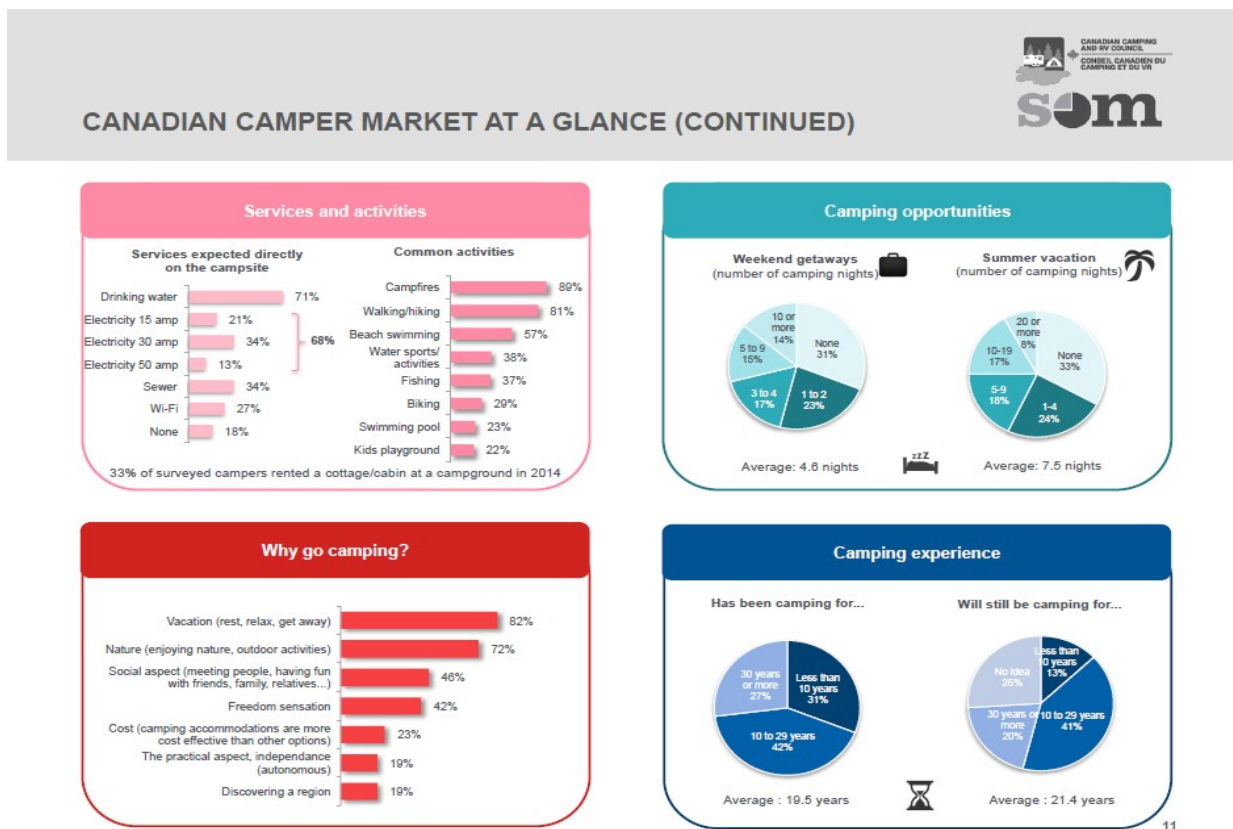
If a small family run Private Campground has the SBD denied by CRA when filing their Corporate Tax Return, it results in more than a 300% Tax Increase (approx. 15% vs 50%) to the Private Campground which is unsustainable.

A “Campground” is defined:

“As a recreational facility that offers temporary or seasonal access to the vacationing and traveling public for use of individual campsites at a set rate. Campgrounds may, but are not required to, offer a variety of services – such as hydro, water, sewage and/or recreational activities - to campground guests that support the recreational nature of their business.

Campsites are equipped for use by all types Recreational Vehicles such as Travel Trailers, Fifth Wheels, Truck Campers, Folding Campers, Motor Homes and Park Model RVs. Campsites may also accommodate camping equipment including Tents and “Rental Units” such as cabins and yurts. Mobile Homes as described below are strictly prohibited in a Campground”

Under the current income tax rule, private campgrounds are included in the same tax category as an Apartment Building or a Mobile Home Trailer Park which is illogical. An Apartment Building or a Mobile Home Park offers year-round permanent living whereas a Private Campground offers seasonal and temporary recreational stays to travelling consumers. An Apartment or Mobile Home Park has a minimal number of employees year-round vs a Private Campground having several employed on a seasonal basis.



From months-long emergency shutdowns to travel restrictions, the outdoor sector has been hit hard by the COVID-19 pandemic. Outdoor recreation businesses are often lifelines for their communities, providing jobs and economic stability that rely on trips and travel bringing a steady stream of visitors to our public and private campgrounds.

Other factors that our industry relies on—accessibility to recreation assets, adequate recreation infrastructure, and the certainty of manufacturing and trade—have also been interrupted by COVID-19.

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

We hereby respectfully ask the House of Commons Standing Committee on Finance includes our recommendation in your report to the Minister of Finance that will help ensure that our Private Campgrounds remain financially viable and competitive.

Recommendation:

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