



Written brief to the Standing Committee on Industry, Science and Technology (INDU)

Impacts of Canada's Regulatory Structure on Small Business

Prepared by the Canadian Camping and RV Council



The Canadian Camping and RV Council (CCRVC) is a national association consisting of the 2347 Private Campgrounds across Canada, Recreational Vehicle Dealers Association of Canada and the Canadian Recreational Vehicle Association.

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 2017, 5,768,650 or 22% of the total Canadian adult population were estimated to enjoy camping as a lifestyle while the RV and Camping Industry contributed \$3.1 Billion to Canadian Tourism, \$1.9 Billion in Tax Revenue and created 66,000 full-time jobs for Canadians.

Despite these robust financial figures which indicate that owning a Private Campground is a lucrative business and successful tourist destination in Canada, Private Campgrounds in Canada operating as a small business have been unfairly classified to be what's called a Passive "Specified Investment Business" by the Canada Revenue Agency as opposed to an "Active Business". See explanation below.

Specified Investment Business

Income Tax Act s. 125(7)

A specified investment business is a corporation whose principal purpose is to derive income (interest, rent, dividends and royalties) from property, unless the business employs more than 5 full time employees. Income from property would include rental or leasing income from land or buildings, but would exclude income from renting or leasing moveable property such as machinery and equipment. A specified investment business is not eligible for the small business deduction and the income is taxed in the corporation in the same way that investment income is taxed.

A change in interpretation by CRA in the past 3 years has resulted in a number of small Private Campgrounds denied the Small Business Tax Deduction and re-assessed at an Investment Rate, some retroactively 2-3 years, resulting in a corporate tax rate increase to nearly 50% vs 14%.

While there is an exception whereby a small Private Campground can qualify for the Small Business Tax Deduction, they must first prove to the CRA they provide a number of "services and activities" summarized in a bulletin published by the Canada Revenue Agency in August 2016 but there are not any steadfast guidelines. As a result, determination of **whether or not** a small Private Campground is considered to be an Active Business is entirely up to the individual CRA Auditor which has led to inconsistency and arbitrary rulings.

Alarming, we estimate that 75% of our 2347 private campgrounds employ less than five full-time employees and are required the tedious task to prove annually that they are indeed an Active Business to CRA. The current rules and campgrounds unclear tax obligation 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 until this threat is removed.



Not only is it realistic to expect Private Campgrounds who operate on average for only 152 days in a calendar year, to maintain workers throughout the off season when they are not in operation it is equally unfair to say that the owners of these small family campgrounds who work so tirelessly during the season are not “Active” in their business while they are open.

We have received correspondence letters from Ministers, Members of Parliament and Staffers indicating that if a “business does not like the assessment, they can appeal the CRA ruling”. A Campground in northern Alberta was denied the Small Business Tax Rate in 2018 and ended up successfully appealing the ruling at a cost of \$8,000 they really could not afford in order to save the re-assessed figure of \$33,000. An argument that appealing a ruling is always present is easy for the Federal Government and the Canada Revenue Agency to argue, but hiring a lawyer or their accountant to battle the ruling is really not an option for a small campground owner.

We have communicated our concerns with the Ministry of Finance, The Ministry of Small Business and The Ministry of National Revenue to correct this unfair tax status over the past 3 years without success. We appeared before the House of Commons Standing Committee on Finance and were successful having our recommendation in both 2016 and 2017 in their report to the Minister of Finance both years. We are now hopeful that Standing Committee on Industry, Science and Technology (INDU) will review our concerns and advocate change on our behalf.

Campgrounds are recreational facilities offering the travelling and vacationing public access to 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 say an Apartment Building which is inappropriate and makes little 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 travelling consumers.

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.

It is becoming increasingly apparent that a tax classification change that would have family owned private campgrounds qualify for the Small Business Deduction and a clear understanding and policy for the Canada Revenue Agency to follow is necessary to finally remove any and all ambiguity that currently exists.



We hereby ask that the Standing Committee on Industry, Science and Technology (INDU) endorse our recommendation for change with the Minister of Finance ensuring our Private Campgrounds remain financially viable and competitive with similar camping destinations located in the United States.

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 small Private Campgrounds is to be considered as “active business income” for the purpose of determining their eligibility for the small business tax deduction.

RVs: DRIVING CANADA'S ECONOMY FROM COAST-TO-COAST

Canadians love their recreation vehicles!
And the RV industry contributes a lot to
Canada's prosperity every year.

**3 OUT OF 20
CANADIANS
OWN AN RV**



**\$6.1
BILLION**

IN DIRECT SPENDING BY CANADIANS

**8.8
MILLION
RV TRIPS**

GENERATING **\$3.3 BILLION** IN TOURISM

THE RV INDUSTRY CONTRIBUTED:

**\$4.2
BILLION
IN LABOUR INCOME**

**\$1.9
BILLION
IN TAX REVENUE**



**\$470
MILLION
IN MANUFACTURING
SALES**

**\$3.4
BILLION
IN RETAIL SALES**

66,000 JOBS

IN MANUFACTURING, SALES,
SERVICE AND STORAGE

**TO
THE
CANADIAN
ECONOMY
IN 2017**

The RV industry was a significant contributor to the Canadian economy in 2017 as the number of RV users and trips continues to increase.

For more information, visit The Canadian Recreational Vehicle Association

www.crva.ca

Source: Portage Group Inc. and Urbanmetrics Inc, *Economic Impact of the Canadian Recreation Vehicle Industry, 2017*