



**Pre-Budget Submission
Presented to the Standing Committee on Finance
Of the House of Commons**

Background

NAGA is a national golf organization comprised of the Canadian Golf Industry Association (CGIA), Canadian Golf Superintendents Association (CGSA), Professional Golfers' Association of Canada (PGA of Canada), Canadian Society of Club Managers (CSCM), Golf Canada, and the National Golf Course Owners Association Canada (NGCOA), dedicated to improving all sectors of golf in Canada. Formed in 1999, NAGA's objective is to work cooperatively together as industry leaders ensuring a strong future for golf in Canada.

Recommendation

In order to encourage economic growth and fairness, NAGA recommends that the government amend the Income Tax Act (ITA) to allow business people entertaining clients the same 50% deduction that all competing hospitality and entertainment industries have and deserve. In our case, that applies to greens fees and cart rentals, not golf memberships. Due to a 1971 tax reform, the Canada Revenue Agency does not allow clients to be taken to the golf course, as per section 18.1 of the ITA, despite golf being the most effective activity for doing business. This influences business people to avoid golf on the basis of taxation alone. The role of the ITA includes the principle of fairness and it should not be discriminating against the country's golf industry in this way.

It is important to note that the golf industry in 1971 is much different than at present. 45 years ago, the golf industry was smaller and dominated by private clubs, and golf itself was very much considered an elitist sport. Much has changed and golf is now a substantial industry in Canada that is heavily made up of small businesses who are forced to compete with all other sports, hospitality and entertainment industries. In fact, golf is widely recognized as being one of the most effective client relations tools available, an opinion popularized by the saying "There's more business done on the golf course than in the boardroom". The average cost of a round of golf in Canada is now less than \$40, hardly elitist when considering the cost of other entertainment industries, like NHL games or concerts, that are allowed the 50% deduction.

Given this, to still be applying the outdated 1971 tax legislation in 2016 when the golf industry has evolved to such a mainstream activity with huge client golf potential is ridiculous, and puts every golf business in the country at a serious and very unfair disadvantage. The business community wants to take their clients to the golf course to improve sales outcomes, and the golf industry can't sustain this unfair disadvantage within the ITA any longer.

To Canada's 2,346 golf course operators and over 300,000 who derive employment from Canadian golf, facing the most competitive marketplace in our industry's history, this unfair and antiquated tax hindrance is no longer a tolerable disadvantage. NAGA and its member golf associations are calling on the Federal Government to correct this outdated problem and establish tax fairness for Canada's golf industry and the business community who should be leveraging golf to increase sales.

The upcoming budget cycle offers the ideal moment to restore tax fairness for Canadian golf. Any short term cost to the Department of Finance, which would be no more than \$20 million, will be offset once the incremental client golf generates additional tax revenues. The induced economic impact may indeed be revenue-positive if the increase in client golf is substantial. More importantly, the benefit to the golf industry is potentially hundreds of millions of dollars per year since we are dealing in gross sales of golf rather than the Department of Finance's net tax revenue. The sustainability of many golf operations throughout Canada requires these client golf sales that the ITA is currently not permitting.

The correction to the ITA is a very simple one, removing the stated exclusion of golf in section 18.1 where business expenses for all other client entertainment are already defined. Correcting this 45-year-old unfairness will help spur jobs and growth not only in the golf industry but across many related sectors, at a negligible cost to the federal government.

The Federal Government has committed to an agenda that supports small business and the middle class. However the Canadian golf industry remains encumbered by this serious inequity in the ITA and still cannot compete fairly with all the other industries which are granted the tax deduction when clients are entertained in their facilities. It is essential the Government support Canada's small business owners, such as our golf industry, as we are critical contributors to the future success of the country's economy and middle class.

Canadian Golf by the Numbers

- \$14.3 billion direct gross domestic product: a significant contributor to the economies of every province and Canada, representing approximately 1% of total GDP.
- 300,000 total employment, including 126,000 directly employed in golf...effective job creation, often the largest employer in many communities.
- 37% of those employed in golf are students: valuable work experience for our youth, and a reliable income source to support the funding of their college and university educations.
- Over \$533 million per year raised for charities, #1 of all sports.
- \$1.5 billion of incremental property value for those living in golf course communities...a key driver of real estate development.
- 1 million overnight golf trips per year by Canadians within Canada, plus 9 million by Americans: a key driver of Canadian tourism.
- \$3 billion dollars of tax generated annually to all levels of government...a substantial revenue stream for funding worthwhile government services at the federal, provincial and municipal levels.
- 5.7 million golfers in Canada: highest participation rate of any sport.

- All ages, male & female, multi-cultural, all playing abilities, from \$10 to \$250: the most diversified participation sport in Canada.
- 2346 golf facilities: accessible in every province and territory.
- 60 million rounds of golf played per year: generating these substantial economic impact results.
- Over 175,000 hectares of preserved green space, including 30,000 hectares of unmanaged wildlife habitat...golf courses are the single most environmentally friendly form of land development.
- Hours of quality social time...an ideal environment for combining an enjoyable recreational activity and quality time with family, friends and business associates.

On behalf of the entire Canadian golf industry, thank you for your attention to this important matter and we look forward to your action correcting this oversight in the ITA.