

## National Allied Golf Associations



### **Pre-Budget Submission Presented to the Standing Committee on Finance Of the House of Commons August 2016**

#### **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, 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.

In the context of the federal government's currently ongoing review of federal tax expenditures and the overall tax code, the upcoming budget represents an ideal time to address what has been an increasingly challenging issue for Canada's golf industry for many years. It is time to restore tax fairness for Canada's golf industry.

#### **Recommendation**

In order to encourage economy growth, NAGA recommends that the government amend the Income Tax Act (ITA) to allow business people entertaining clients a 50% deduction for greens fees and golf cart rentals, which would then permit fair competition with other hospitality and entertainment industries. Due to a 1971 tax reform, the Canada Revenue Agency does not allow deductions for expenses incurred by business people entertaining clients at golf courses, as per section 18.1.1 of the ITA. This influences business people to avoid golf on the basis of taxation alone. The role of the ITA includes the principle of fairness and tax neutrality, and therefore should not be discriminating against the country's golf industry in this way, an unfairness that we simply cannot sustain any longer. Furthermore, golf is universally recognized as the single most effective means of driving new business, building sales, and cementing relationships. This makes it even more perplexing to the industry that it remains singled out in the Income Tax Act as explicitly forbidden from partial deductions from corporate income.

To Canada's 2,300 golf course operators, who are now 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 associations are calling on the federal government to correct this problem and establish tax fairness for Canada's golf industry.

The Federal government has committed to reducing the amount of red tape businesses are currently subjected to, Canada's 2,300 golf courses cannot compete fairly with all the other industries where CRA

does appreciate the need for entertaining clients. It is essential the government support Canada's small business owners as they are important contributors to the future success of the country's economy.

In the context of tax expenditure review, the 2017 budget cycle will represent the ideal moment to restore tax fairness for Canadian golf. We estimate that this measure – though very important to the golf industry – would be very close to revenue-neutral for the federal government.

Correcting this 45-year-old inequity in the Income Tax Act will help spur jobs and growth not only in the golf industry but across many sectors at a negligible cost to the federal government.

### **Canadian Golf by the Numbers**

- \$14.3 billion 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.
- \$1.5 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, hockey included.
- All ages, male & female, multi-cultural, all playing abilities: the most diversified participation sport in Canada.
- 2300 golf facilities, present in every province and territory: more golf courses per capita than country in the world.
- 60 million rounds of golf played per year: generating these substantial economic impact results, but declining over the past 10 years.
- Over 175,000 hectares of preserved green space, including 30,000 hectares of unmanaged wildlife...golf courses are the single most environmentally friendly development of land.
- 5 hours of quality social time...an ideal environment for combining an enjoyable recreational activity and quality time with family, friends and business associates.
- One of the most effective business tactics for increasing sales.