The
CHAMBER.

November 25, 2019

Honourable Mélanie Joly
Minister of Economic Development and Official Languages
Via email: Melanie.Joly@parl.gc.ca

Honourable Mary Ng
Minister of Small Business, Export Promotion and International Trade
Via email: Mary.Ng@parl.gc.ca

Honourable William Morneau
Minister of Finance
Via email: Bill.Morneau@parl.gc.ca

Dear Honourable Ministers,

In order to directly engage the Federal Government on policy issues of interest to our region, the Northern Ontario Chambers of Commerce wish to highlight our concerns surrounding the Federal Government's recent announcement to remove the status of small business from incorporated campgrounds who otherwise do not employ five full-time year-round staff or more.

In a recent court decision by the Tax Court of Canada, any seasonal and extended seasonal campground that does not meet the criteria noted above, may be subject to steep penalties in having to pay back taxes and interest incurred on those back taxes to the Canada Revenue Agency. Additionally, it will raise the income tax paid by campgrounds going forward to a rate three times higher than what was currently being paid. The tax adjustment can cost hundreds of thousands of dollars for campgrounds, critically impacting their capital gains and could have the potential to shut down many campgrounds privately operating within Canada.

In 2015, the Canadian Campground and RV Council noted that the industry generates close to $4.7 billion in Gross Domestic Product (GDP), creates 60,000 jobs supported by the industry and contributes $1 billion in taxes. Should the government decide to remove these incentives, there will be heavy economic impacts to the Canadian camping industry as there are nearly 2,500 privately owned campgrounds in Canada. Additionally, 45 percent of Canadian campsites are seasonal, and therefore do not see year-round staff employed.

An unfortunate byproduct will be the heavy hit to the rural communities that rely on tourism and the economic surge that campgrounds create throughout Canada, shutting down economic drivers for rural towns and smaller communities.

In December 2016, a report from the Federal Standing Committee on Finance entitled *Creating the Conditions for Economic Growth: Tools for People, Business and Communities* echoed the Canadian Camping and RV Council and the Canadian Federation of Independent Business asking that campgrounds and storage facilities respectively should be considered "active businesses" for the purpose of being eligible for the small business deduction.

The committee ultimately recommended that the Government of Canada recognize the income earned by campgrounds and storage facilities as "active business income" for the purpose of determining eligibility for the small business deduction. Businesses seeking to engage in succession planning should be able to consider as many options as possible for transferring their business, that the tax treatment of business income should reflect the nature of a business' operations and that capital cost allowance rates should be linked to the useful life of assets.

The Northern Chambers echo the committee's recommendation as removing small business status would heavily impact regional economies and Canada's tourism industry as a whole. To build on the committee's recommendations, the Northern Chambers of Commerce recommend the following:

1. Alter the classification of private campgrounds to ensure a level playing field with hotels and motels which are exempt from the deriving income from property tax classification because they are considered service providers.
2. Should the first recommendation not be considered, to instead stipulate which and how many services a campground should provide in order to comply as a "service provider" rather than a "special investment business":
    a. Work with stakeholders such as camping associations and private campground owners to create a comprehensive list of services which campground businesses must offer in order to be classified as a service provider.

As Canadian campgrounds are an integral part of federal, provincial, and municipal economies, we trust you will consider these companies as "active businesses" in a way that will promote the growth of their operation. We would welcome the opportunity to discuss this issue with you, either individually or collectively, at your earliest convenience.

Respectfully,

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