

# Private Campground Tax Classification Leaves Owners Out in the Cold

## Issue

The tax classification which considers private campground corporations a “specified investment business deriving income from property” by Canada Revenue Agency, coupled with a restrictive small business tax exemption, has put private campground owners in a gray area of corporate tax regulations, facing massive tax bills and possible closure as a result.

## Background

Tourism is a critical sector to so many regions throughout Canada, and campgrounds are a big part of what brings Canadians and international guests to rural areas. The currently unstipulated number of services a campground may offer in order to alter their “principal purpose” from property rental to that of service provider leaves private campground owners unsure how much tax they will be expected to pay. Most campgrounds offer services such as playgrounds, retail stores, refuse disposal, water hook-ups etc., but without knowing which, or how many, of these services qualifies a campground for a change in tax classification, campground owners are in a terrible position of uncertainty.

Exacerbating the issue, the small business exemption excludes the inherently seasonal campground industry by stipulating 5+ full-time employees who work all year long. Due to municipal zoning, many campgrounds are not even permitted to be open year ‘round.

These two issues together mean potentially very high tax bills for a grass roots, intrinsically seasonal businesses, which, in turn, generates a great deal of tourism-based spending in rural areas and supports many secondary tourist businesses. If campgrounds are unable to remain open due to the threat of excessively high tax bills, the rural, tourist-based economies they help to support will surely suffer as a result.

An example of the contribution private campgrounds make to the Canadian economy is as follows:

- The Campground and RV industry national economic impact: \$4.7-billion.
- Total jobs created: 60,000 in communities across the country.
- Total taxes collected from Canadian campground and RV industries: \$1-billion.
- Total wages/salaries generated by campground and RV sectors: \$2.9-billion.

## Recommendations

That the federal government change the classification of private campgrounds’ “principal purpose” from “specified investment business deriving income from property” to that of “service provider”.