Tax Fairness for the Golf Industry

NAGA

NATIONAL ALLIED GOLF ASSOCIATIONS

GOLF CANADA

Canadian Golf Superintendents Association

Association Canadienne des Surintendants de Golf

PGA

CSCM The Canadian Society of Club Managers

NGCOA ANPTG

Our Request for Tax Fairness

Canada's golf industry generates more than $14 billion in Gross Domestic Product each year and employs over 300,000 Canadians throughout the country. With the highest participation rate of any sport, 5.7 million Canadians play golf at 2300 golf facilities that are located in every province and territory. Charitable donations from Canadian golf total over $533 million per year. Golf also adds substantial incremental value to related industries such as tourism and real estate. Tax revenues paid to all levels of government exceed $3 billion per year. Golf in Canada is not only a great game, but a vital industry!

Due to a 45-year-old tax reform, the Canada Revenue Agency does not allow deductions for expenses incurred by business people entertaining clients at golf courses. Canada's 2300 golf courses, most of whom are small business operators, cannot compete fairly with all other hospitality industries where CRA does support entertaining clients. Over time, the unfairness of this discrimination against the golf industry has become more and more significant. In 1971, our industry consisted mostly of member owned, not-for-profit, private golf clubs, which were actually social clubs, not businesses.

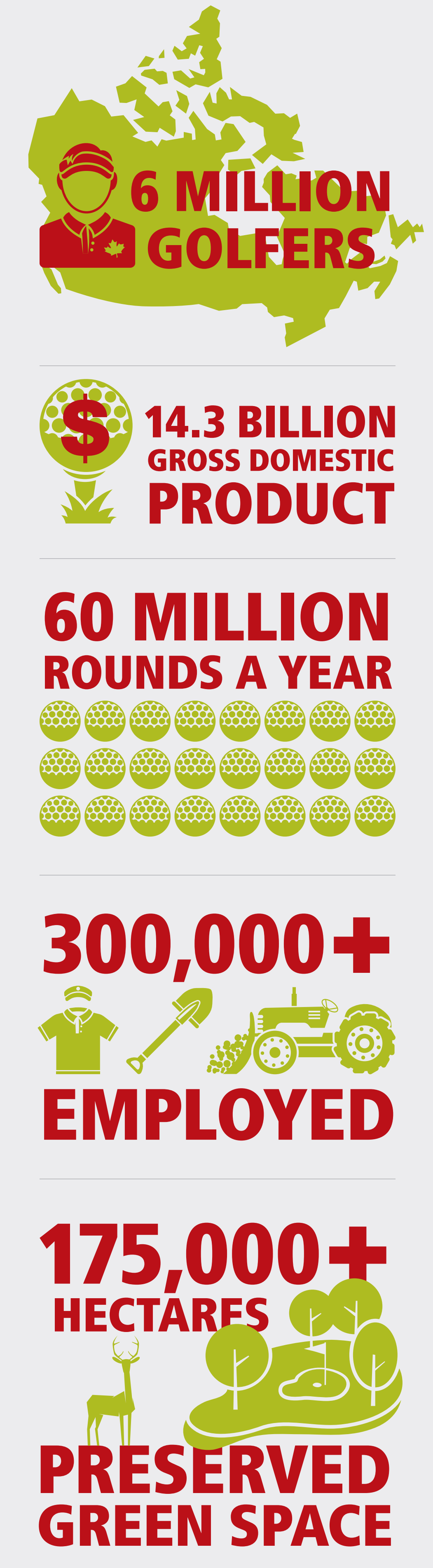
However, virtually all golf courses since then have been built as tax paying, for-profit businesses, competing in the marketplace with all others in the hospitality and entertainment industries. Therefore, the unfairness against golf courses dictated by the Income Tax Act is a much more widespread concern today. To these 2300 golf course operators, who are now facing the most competitive marketplace in our industry's history, this unfair tax legislation is no longer a tolerable disadvantage.

The Canadian golf industry, represented by the National Allied Golf Associations, is requesting a 50% allowable deduction for greens fees and golf car rental expenses incurred by business people entertaining their clients. This will correct the unfairness in the Income Tax Act, allow fair competition with other hospitality and entertainment industries, and result in more business done on the golf course. It's time for tax fairness for Canada's golf industry. Please note that our request does not include golf membership fees, and that the 50% deduction is equal to all other industries we compete with.

The National Allied Golf Associations (NAGA) has been advocating for tax fairness for the Canadian golf industry for many years. Due to a 45-year old reform to the Income Tax Act (ITA), golfing-related expenses are expressly forbidden from being claimed against corporate income despite the widespread use of golf as a business activity in our corporate sector. Given that our 2300 golf course operators are now competing against professional sporting events, music events, and other areas which have access to a 50 per cent deduction against corporate income tax, this is no longer a tolerable disadvantage for our sector.

We are a collection of small businesses who are simply asking to be treated fairly. The cost of our recommendation will be negligible, and will be very close to cost-neutral for the federal treasury when induced spending is taken into account.

Over the years, we have met with 200 Members of Parliament and Senators from all parties and there is multi-partisan support for our recommendation. The business community across Canada is also supportive of restoring tax fairness for Canada's golf industry and its hundreds of thousands of employees.



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 any other 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.
- More business gets done on the golf course than in the boardroom.

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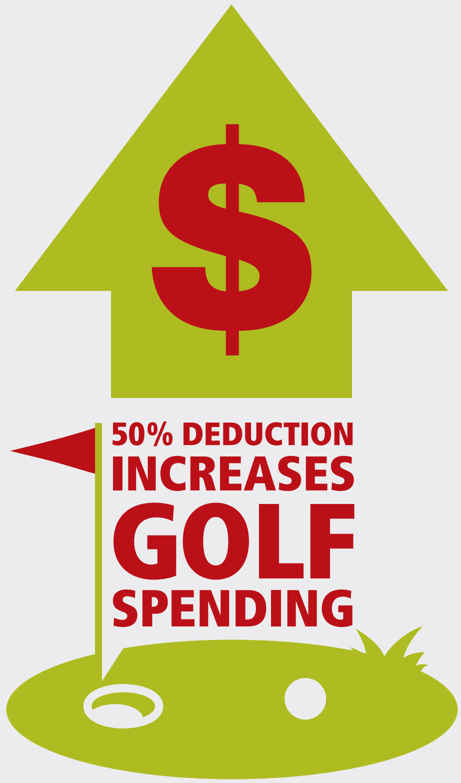
Key Messages on Costing for Golf-Expense Deductibility

- Our own data indicates that there is more than $300 million spent on corporate golf every year in Canada.
- With a 50 per cent deduction, multiplied by the average corporate tax rate, we arrive at a static estimate of $20 million for the reduction to the federal treasury as a result of this policy.
- However the estimate is static: it only applies current corporate golf spending to the average corporate tax rate paid in Canada and does not account for any induced spending effects this policy would bring about.
- Implementing our recommendation would have the effect of making the cost of corporate golf more competitive with the other entertainment sectors which have access to the 50 per cent deduction and so would spur more spending at golf courses.
- The induced economic effect of allowing the deduction would therefore bring down the $20 million cost estimate significantly, which makes the recommendation effectively revenue neutral in the context of a $300 billion federal budget.

$300 MILLION SPENT IN CANADA ON CORPORATE GOLF



NAGA
National Allied Golf Associations 300-66 Queen Street Ottawa, Ontario K1P 5C6

Expense Deductibility

"Golf Tax authorities seem to have great difficulty recognizing that golf can serve a legitimate business purpose. Indeed, they remain unconvinced that golf courses sometimes double as meeting rooms – at least after the winter snow has melted. The Income Tax Act expressly states that expenses relating to a "golf course or facility" (e.g. annual dues, green fees, cart rentals costs and initiation fees) are not deductible."[1]

Activity	Expense Category	Deduction Allowed 0%	Deduction Allowed 50%	Deduction Allowed 100%
GOLF	Food and beverages consumed on site (only if billed separately)		●	
	Promotional items (golf balls, shirts, caps, etc.)			●
	Annual dues/green fees/cart rental/initiation fees	●		
OTHER SPORTS	Recreational club membership	●		
	Tickets to sports events		●	
	In-house company sports equipment (recreational facilities)			●
	Corporate box rental (sports arena)/ski resort season/lift tickets		●	
TRAVEL	Conventions (maximum two per year)/business trips			●
	Business trips (expenses attributable to spouse/children)	●		
LEISURE	Suite rental for clients (e.g. cocktail reception)		●	
	Escort services (illicit)	●		
	Security escort services / tour guide services		●	
ENTERTAINMENT	Movie tickets		●	
	Client gifts (promotional items)			●
	Client gifts (entertainment)		●	
	Activities provided to all employees (excluding golf)			●
FOOD & BEVERAGE	Food and beverages consumed while travelling (bus/plane/train)			●
	Food and beverages consumed while travelling (ferry/boat)		●	
	Food and beverages billed to clients			●
	Food and beverages included in employees' income			●
	Food and beverages provided to all employees			●
	Client gifts (food and beverages)		●	
	Food and beverage reimbursement not included in employees' income		●	
PRIVATE BUSINESS CLUB	Annual dues			●

Source and for [1]: CAmagazine (Canada's Leading Accounting Publication), May 2007

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Letter of Support from the Canadian Federation of Independent Business

April 30, 2016

The Honourable Bill Morneau
Minister of Finance
House of Commons
Ottawa, ON   K1A 0A6

CANADIAN FEDERATION OF INDEPENDENT BUSINESS™
1202-99 Metcalfe Street
Ottawa, ON K1P 6L7

Re: Amendment of the Income Tax Act for Golf Expenses

Dear Minister Morneau,

As you may know, the CFIB is a non-profit, non-partisan business association that seeks to give independent business a greater voice in determining the laws that govern business and the country. With 109,000 members across Canada, we are the largest organization exclusively representing the interests of small- and medium-sized businesses to all levels of government. From time to time our members contact us to provide us with valuable feedback on a variety of issues, and it is for this reason that we write to you today.

We have been recently contacted by a member who has notified us about their concerns with how the *Income Tax Act* treats the golf industry. It is our understanding that businesses and businesses owners in Canada are currently unable to claim certain types of golf expenses for client entertainment purposes on their taxes, whereas most other hospitality and entertainment industry-related expenses can be deducted.

As per section 18.1 of the *Income Tax Act*, the Canada Revenue Agency does not allow deductions for expenses incurred by business people entertaining clients at golf courses. As a result, this deters many business people from using golfing activities for client entertainment purposes on the basis of taxation alone.

Today there are over 2,000 golf courses in Canada, most of which are small businesses, and they feel that this income tax rule hinders their ability to compete fairly with other industries. Given that golf can be an effective way for building client relationships, CFIB is requesting that the government review this provision and ultimately amend the *Income Tax Act* to allow a 50 per cent tax deduction for green fees and golf cart rentals. This would level out the playing field with other hospitality and entertainment industries.

Thank you for the opportunity to raise this concern. We look forward to hearing from you. If you have questions, please contact us at 1-888-234-2232.

Sincerely,

Corinne Pohlmann
Senior Vice-President, National Affairs

CC: The Honourable Diane Lebouthillier, Minister of National Revenue

NATIONAL ALLIED GOLF ASSOCIATIONS

HELPING TO DRIVE CANADA'S

ECONOMY

ENVIRONMENTAL STEWARDSHIP

GOOD HEALTH

Proposed Budget Language for Income Tax Amendment

Replace Section 18 (1)(l)(i) with:

"for the use or maintenance of property that is a yacht, a camp or a lodge, unless the taxpayer made or incurred the outlay or expense in the ordinary course of the taxpayer's business of providing the property for hire or reward, or"

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Proud to partner with:

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