Photo Credit: Tourism Nova Scotia

Creating a Competitive Business Environment for Nova Scotia

Seasonal Tourist Business Designation Proposed Pilot

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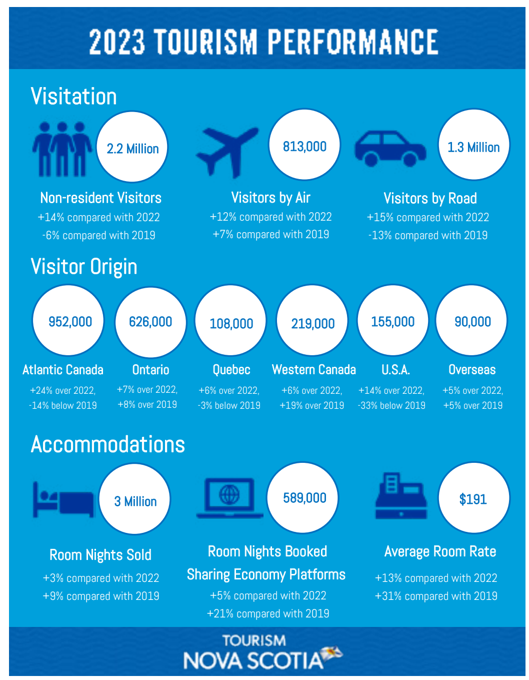
SEASONAL TOURIST BUSINESS DESIGNATION PROGRAM

PROPOSED PILOT RATIONALE

***Vision:** A 3-Year Pilot extension of the Seasonal Tourist Business Designation Program allowing businesses to be open beyond the usual program parameters, without commercial tax penalty. The program would have a graduated increase as business growth is realized over the 3-year timeframe.*

Context and the State of Tourism

The Tourism Industry is an economic powerhouse for Nova Scotia, generating over **$3 Billion in 2023**, providing over **$450 million in tax revenues** for the province. One of the unique attributes of tourism as a sector is that it is so widely distributed with attractive destinations in almost every corner of the province. That means jobs, incomes and business opportunities in many rural communities with few other industries. For every $1 spent in tourism another $3.2 is generated on main streets of communities across the province – the multiplier effect is the highest in the economy (WTTC). Tourism is Nova Scotia's #1 service export sector.



The tourism industry is important to the province. It is largely a service industry, which has employment at its base. One in every ten jobs in Canada is affected either directly or indirectly by tourism, and one in three Nova Scotians begin their working life in a tourism job. Tourism is an export industry, with a significant amount of travel spending coming from outside the region; although declining international travel has affected this, the potential is there for tourism to grow the provinces export revenue significantly.

While there has been positive growth, according to Destination Canada and Tourism Nova Scotia, recovery has been uneven geographically and across subsectors. As global and domestic markets reopened, the Nova Scotia Tourism Industry has been faced with a changing crossroad in the business landscape. This has included increased consumer expectations around quality, widespread acceptance of user generated reviews, shifting regulatory requirements and heightened global competition. All of this is challenging the industry to adapt and foster new, innovative approaches to doing business. Further, a new provincial strategic plan to foster broad growth for Nova Scotia's tourism sector is being developed, with **Building Towards a 365 Year-Round Visitor Economy** identified as a key pillar.

EXTENDING THE SEASON

OPPORTUNITY AND CHALLENGE

The Opportunity

As Nova Scotia works towards the development of a long-term growth strategy for tourism on a provincial scale, it has been identified that a number of challenges facing the tourism industry, especially in smaller, rural communities, would be mitigated if there was year-round capacity to attract and host visitors.

There is a need to align government policy to support community capacity, which in turn will spur product and experience development, and marketing efforts to build visitor economic activity during off peak months. Nova Scotia holds strong brand recognition and is consistently recognized in leading travel publications such as Forbes, Condé Nast, CN traveller and others, as a 'bucket-list' worthy destination. With incredibly beautiful scenery, diverse and rich cultures and heritage, and a healthy offering of tourism experiences, Nova Scotia is a natural destination of choice. However, the number of seasonal tourism businesses in Nova Scotia is disproportionate to the opportunities for full season operations. This is resulting in constrained growth and unrealized economic opportunities, particularly in rural areas. An '**Open for Business**' approach to policy would support decreased seasonality.

Tourism Nova Scotia / Photographer: Acorn Art & Photography

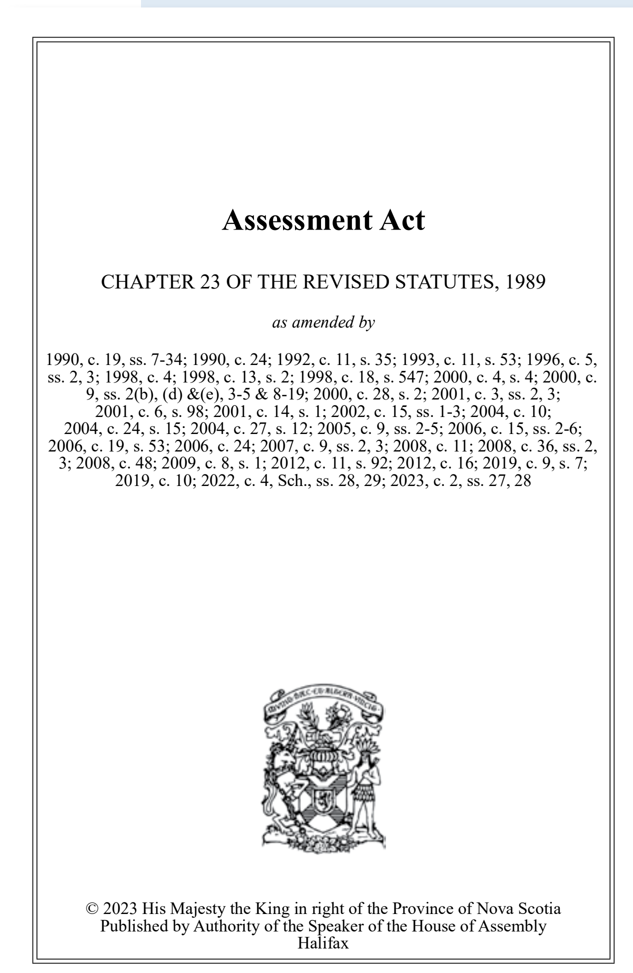
The majority of visitation to Nova Scotia has traditionally been in the summer months. While the introduction of unique shoulder events, such as the Celtic Colours International Festival, has supported season extension to some degree, the lack of services in many regions of the province in the off-peak months deters visitation. Driving interest in visitation to any area hinges on having a critical mass of tourism products and services open for visitors to decide to travel to a region. When more accommodations are available for visitors to stay overnight in a community, it builds confidence for neighbouring operators such a restaurants, attractions, museums and others, to also open. This creates community synergy, resulting in an increase in visitor spending, tax revenues, employment and other associated benefits. We need to support those businesses interested in moving to year-round business operations.

Seasonally operated business who open during some part of the taxation year but are closed for at least four months (or 120 non-consecutive days) in the same taxation year are eligible to receive a 25% reduction on their commercial municipal tax bill.

The Challenge

One of the significant challenges facing the Nova Scotia tourism industry is the importance of extending the tourism season beyond the traditional summer and early fall months. However, the current provincial taxation framework provides incentive for seasonally operated tourist business who open during some part of the taxation year but are closed for at least four months (or 120 non-consecutive days) in the same taxation year (April 1 to March 31). Under the Seasonal Tourist Business Designation Program (STBD), eligible Seasonal Tourist Businesses can receive a reduction on their commercial municipal tax bill of **25%.**

This represents a significant savings on operational expenses for the industry, particularly during the past couple of years which have been tremendously challenging for operators to survive and rebuild. Additional qualification requirements include the business must be a Restaurant; Roofed Accommodation; or a Campground and be operated by either the property owner or an immediate family member.



Assessment Act

CHAPTER 23 OF THE REVISED STATUTES, 1989

as amended by

1990, c. 19, ss. 7-34; 1990, c. 24; 1992, c. 11, s. 35; 1993, c. 11, s. 53; 1996, c. 5, ss. 2, 3; 1998, c. 4; 1998, c. 13, s. 2; 1998, c. 18, s. 547; 2000, c. 4, s. 4; 2000, c. 9, ss. 2(b), (d) &(e), 3-5 & 8-19; 2000, c. 28, s. 2; 2001, c. 3, ss. 2, 3; 2001, c. 6, s. 98; 2001, c. 14, s. 1; 2002, c. 15, ss. 1-3; 2004, c. 10; 2004, c. 24, s. 15; 2004, c. 27, s. 12; 2005, c. 9, ss. 2-5; 2006, c. 15, ss. 2-6; 2006, c. 19, s. 53; 2006, c. 24; 2007, c. 9, ss. 2, 3; 2008, c. 11; 2008, c. 36, ss. 2, 3; 2008, c. 48; 2009, c. 8, s. 1; 2012, c. 11, s. 92; 2012, c. 16; 2019, c. 9, s. 7; 2019, c. 10; 2022, c. 4, Sch., ss. 28, 29; 2023, c. 2, ss. 27, 28

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The program was formerly run by Service Nova Scotia but since 2007 has been administered by the Property Valuation Service Corporation (PVSC). They run under a Board of Directors comprised of municipal officials, municipal administrators, the Executive Director of the Nova Scotia Federation of Municipalities (NSFM) and independent members. The organization is governed by policies set by the Nova Scotia Department of Municipal Affairs and Housing. While PVSC delivers the STBD program, it is the **Provincial Assessment Act** which governs the regulations under which they operate.

TIANS supports continuation of the STBD program as it has played an important role in enabling the seasonal operations, to save on their commercial taxes. As the sector has matured and many rural communities strive to extend their operating season, it has resulted in the unintended consequences of limiting the availability of tourism product that is "**Open for Business**" in the off-peak months.

TIANS has long supported the principle that year-round tourism is necessary to enable incremental, sustainable tourism growth. Over the past two decades, the Association has led the conversation around the importance of not penalizing operators who wish to stay open beyond the traditional months and work towards building out an extended season. It is difficult for operators to commit to an additional 25% increase immediately in commercial costs before their business levels can offset the added costs.

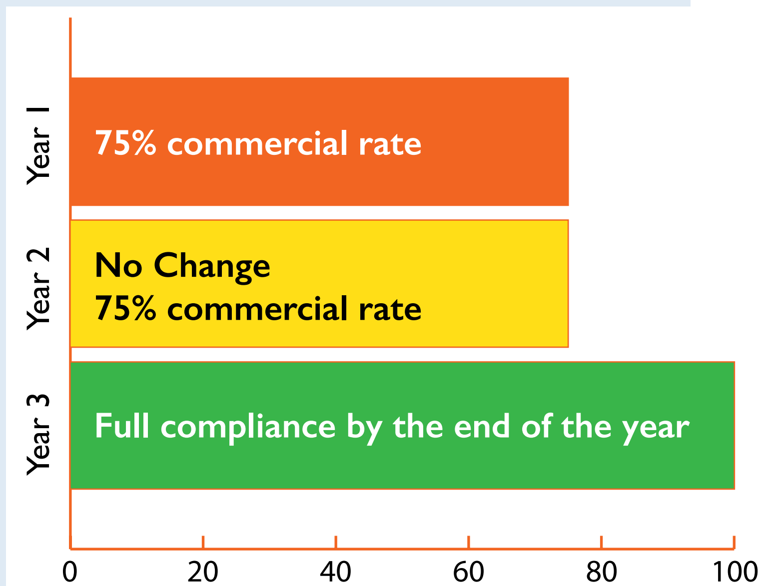
There is a need to encourage businesses to take a graduated approach to building seasonal extension without penalty.

RECOMMENDATION

'By waiving the required closure timelines for the STBD program during a pilot period, operators could stay open longer, extend employment of staff, without penalty for a defined time which would further broaden the associated economic spin-off in their communities from incremental spending and increased employment as they work toward year-round operations'. - TIANS 2024

TIANS recommends the province **support advancing an innovative approach** to the current Seasonal Tourist Business Designation Program that would foster the growth of more year-round tourism business. **The proposed model would maintain criteria for eligibility for businesses to access the program, while permitting the seasonal operator to stay open and work towards building visitation and business activity over a 3-year pilot period without penalty; Year 1 and Year 2 at 75% of the Commercial Rate with Full Compliance by end of Year 3.**

The short-term benefit to the province would be the generation of additional payroll and other taxes, increased employment in communities. There is no risk associated with such a pilot, and no expense to the province. There would be no loss of income to municipal governments as without the pilot, businesses will not make the commitment to move toward year-round. Implementation of some key metrics to measure impact and growth of the sector as a result of this pilot would demonstrate the value of this shift in policy and provide operators with the runway required to build sufficient revenues to balance the anticipated increase in commercial tax at the end of the three-year timeframe.



The long-term impact of modernizing this policy will **enable the province to benefit from strengthened economic revenues** from the tourism sector, gains in year-round employment across the province and enhanced quality of life for both visitors and residents.

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APPENDIX A

Background of STBD program

The Tourism Industry Association of Nova Scotia has been a long-time advocate for season extension and growing the shoulder season for tourism in the province. TIANS worked with the government of the day to push for a pilot that would allow for more flexible criteria for the STBD, without penalty on the taxation front. Below is an overview of the existing criteria.

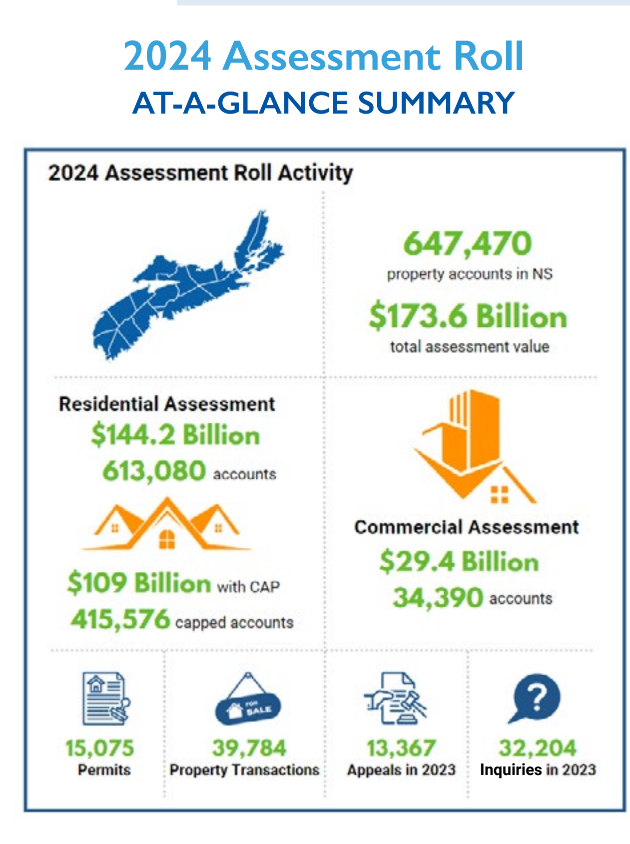
What is a Seasonal Tourist Business?

A seasonal tourist business is a restaurant, roofed accommodation or camping establishment that is closed at least four months in the taxation year.

What are the Criteria for Seasonal Tourist Business Designation?

To be eligible for the reduced commercial tax rate, property owners must apply every year and demonstrate that the seasonally operated tourist business meets all the following criteria:

1. It is open during some part of the taxation year but closed for at least four months (120 days accumulated) in the same taxation year (Note: the taxation year is from April 1st to March 31st).
2. It is occupied or used for the sole purpose of:
    a. A restaurant (not including any part of the premises licensed under the Liquor Control Act as a cabaret, tavern, beverage room or lounge);
    b. A roofed accommodation licensed under the Tourist Accommodation Registration Act (not including any part of the premises licensed under the Liquor Control Act as a cabaret, tavern, beverage room or lounge) ;
    c. A camping establishment, as defined in the Assessment Act (not including any part of the premises licensed under the Liquor Control Act as a cabaret, tavern, beverage room or lounge).
    *Example: if a business is operated as a restaurant during the day and converts to a lounge or nightclub at any time, it is not eligible.
3. It is operated by the assessed property owner or their father, mother, brother, sister, son, daughter, grandson, granddaughter, or spouse.
4. It is managed and at least 50% owned by the assessed property owner, or their relative, as listed above.



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