Why are so many Canadian physicians opposed to the Government of Canada’s recent proposal regarding tax reform?

The Canadian Medical Association (CMA) has raised concerns about the unintended consequences of government proposals that would change the way Canadians use incorporated private corporations.

The majority of physicians (66% or 54,000) in Canada have established private medical practices and these proposed changes would take away legitimate and effective business planning options – including their ability to mitigate planned and unplanned events in their medical practice. Encouraged by governments at all levels, this approach has allowed physicians to create their own self-funded safety net. The changes may also undermine the societal and economic contributions of physicians in communities across Canada where they employ staff, procure goods and invest in much needed medical services.

Canadian physicians support making our tax system fairer but believe that the 75-day consultation is inadequate to deal with the scope of changes to a tax structure that has been in place for 45 years.

What is the CMA proposing instead?

The CMA believes that the government needs to hit the pause button and initiate a comprehensive review of the tax system that considers the unique aspects of all sectors. If fairness is the goal, then a more holistic, system-wide approach is needed.

The CMA is calling on the federal government to:

- suspend the current proposals;
- conduct a comprehensive review of these proposals to ensure that legislation can meet policy objectives without significant unintended consequences; and
- engage with all Canadians in a comprehensive review of the tax system considering unique aspects of all sectors including safety net provisions.

Is the CMA alone in its opposition to these tax proposals?

The CMA is working with the Coalition for Small Business Tax Fairness, a unified voice of more than 75 organizations representing hundreds of thousands of business owners across the country.
Entrepreneurs and small business owners fuel growth, employment, innovation and income security in Canada. Now is not the time to hinder small- and medium-sized businesses that generate so many jobs and economic activity in our country.

How has the CMA engaged with the federal government on this issue?

The CMA was the first to receive an invitation to meet with federal Finance Minister Bill Morneau in late August to discuss the concern of physicians. The CMA president, president-elect, and the chairs of the boards of Doctors of BC and the OMA represented the physician voice at the meeting, and were supported by the CMA CEO, and other officials.

As part of the pre-budget consultation process, the CMA seized the opportunity to highlight this issue and its unintended consequences for incorporated physicians and for Canada’s health care system. The CMA also appeared in front of the House of Commons Standing Committee on Finance as part of their two-day consultation process.

Most recently, the CMA delivered a comprehensive brief that provides a more detailed analysis of the impact of the government’s tax proposals.

Many provincial medical associations and individual physicians have taken the time to let the government know of their concerns. In fact, members used the CMA letter-writing tool to reach out to MPs. More than 10,000 letters were sent to MPs and these proved instrumental in getting MPs to bring the concerns of their constituents to Minister Morneau and Prime Minister Trudeau.

What are the key issues that the CMA is bringing to the government’s attention?

For years now – encouraged by the governments – physicians have used financial and tax planning options that allow them to function as incorporated small businesses. This option provides tax and investment arrangements for the medical practice and that allow physicians to set aside resources for the cost of running an office in their community, maternity and education leave and, in the long-term, their retirements. In a way, this arrangement is a self-funded safety net for physicians.

In its submissions to government, the CMA has focused on:

- the tax treatment of physicians and unfair proposed changes that would make it more difficult for physicians to run medical practices from coast to coast to coast;
- the short timeframe for consultations about these tax proposals and the need for a more comprehensive review of the tax system;
- the unintended consequences of adding to the tax burden of small businesses;
the importance of creating the most attractive conditions to recruit and retain physicians, and the capacity of physicians to deliver medical care in their communities; and

- the economic and social contributions of the medical profession in communities across Canada.

What is the CMA’s response to the federal government’s recent suggestion that it will put a cap of $50,000 on passive investments made by incorporated companies in Canada?

The CMA and the Coalition for Small Business Tax Fairness believe that the federal government should retain the existing passive investment that allow physicians and small business owners to plan for their future needs, while also funding a safety net to weather the ups and downs of running a business. Should the government remain committed to a cap on passive investment, the CMA calls for an increased amount, and one that is adjusted for inflation and cumulative.

What is the CMA’s position on income sprinkling?

The CMA and the Coalition for Small Business Tax Fairness support recognizing spouses as an economic unit, as they share the risks and benefits of operating a small business. We will continue to press for a spousal exception to income sprinkling since it is a legitimate business practice recognized in tax law. We are awaiting further clarification from the federal government’s legislative plans regarding these provisions.

What is the CMA doing now that the finance minister has indicated that he will adjust his tax reform proposal related to tax planning using private corporations?

Despite some adjustments announced by the federal finance minister in October, the CMA remains very concerned with the tax proposal. As a result, the CMA continues with a strong advocacy campaign, including working with its members and the Coalition for Small Business Tax Fairness to drive further changes.

We are currently mapping out our advocacy plan until the federal budget, anticipate for spring 2018. We continue to appear in front of committees to voice the concerns of the medical profession as small business owners. As well, we encourage all physicians to participate in the effort, by writing to and meeting with their local MP.

What specific activities will the CMA pursue?

Between now and February, when the federal budget is expected, the CMA will:

- continue to meet with key ministers, MPs and Senators to advance our recommendations.
- engage with Finance Department officials to provide technical information on the implications of what is being proposed.
• actively work with the Coalition for Small Business Tax Fairness to collectively respond to government announcements and to maintain strong momentum for change.
• provide the necessary tools and information for physician-members to connect with their local MP.
• Actively elevate the issue and the recommendations of the CMA and the Coalition through social media, traditional media, and other public fora.

We will continue to speak with a strong, collective voice on this fundamental issue that affects our members and the sustainability of Canada’s national health care system.