Presentation to the House of Commons
Standing Committee on Finance

Dr. Laurent Marcoux
President
Canadian Medical Association
Ottawa, Ont.
September 28, 2017

Check against delivery
Like many other organizations representing small businesses in Canada, the CMA remains very concerned with the magnitude of the proposed changes and the time period that has been allotted to assess the impact of the proposals in detail. We believe that the 75-day consultation is inadequate to deal with the scope of these changes to a structure that has been in place for 45 years.

I would like to address three central issues that speak to the unintended consequences of the tax proposal as presented.

On the question of promoting economic health: You have heard from the Coalition for Small Business Tax Fairness that small and medium size businesses are the economic engines of Canada. This extends to physicians’ offices, as they generate significant economic activity while delivering essential medical care in communities that make up our great country.

Maintaining the conditions necessary to support the continued success of medical practices becomes very compelling when the contribution to economic growth and critical service delivery are considered. Here are a few facts:

- In 2016, the direct GDP produced by physicians’ offices in Canada was $22.3 billion.
- Medical professionals paid $6.2 billion in wages and salaries, and employed 137,000 people.
- Medical practices contributed $643 million in tax revenues to governments.

The tax proposals being considered will force physicians operating medical practices, like other business owners, to adjust their business model. This would have the unintended consequences of decreasing the economic footprint of medical practices and potentially limiting services to Canadians.

On the question of why incorporation makes sense for so many doctors in Canada: The majority of physicians (66% or 54,000) own and operate a private corporation. This provides the structure that supports the viability of their medical practice, including access to working capital.

Physicians rely on working capital to invest in their medical practice, including purchasing equipment, refitting exam rooms, transitioning to electronic medical records, among other clinic investments. Working capital is also essential when physicians seek to expand services to meet the growing health care needs in their
communities. The structure also permits funds to be available to offset sick leave, parental leave staff turn-over and to provide retirement savings.

As a legitimate business vehicle for physicians — one sanctioned and encouraged by successive governments for decades — the risks and benefits of incorporation are well established.

On the final and most important question — why we need to get this right: Thriving medical practices are essential! They provide Canadians access to medical care throughout our vast country. Any changes to the existing tax regime can have the unintended consequences of forcing owners of medical practices to curtail their operations and stifle expansion to provide much-needed medical services.

We have an opportunity to get this right, and Canadians want us to!

The proposals announced in July have far-reaching implications and unintended consequences. As a result, we strongly urge the government to undertake a comprehensive review of the tax system with fairness as a principal driver of change.

A fair tax system accommodates taxpayers who assume different levels of risk and is flexible enough to allow small business owners — including physicians who operate a medical practice — to manage in various circumstances.

A fair tax system also recognizes spouses/partners as integral to the risk and development of a business enterprise.

Finally, fairness also dictates that if self-funded safety net provisions are eliminated or significantly adjusted in the new tax regime, other vehicles must cover planned and unplanned events.

In our submission to government, the CMA will ask that the proposal be suspended to allow for a complete review. Canadians must all be engaged in a comprehensive review of the tax system that considers the unique aspects of all sectors.