



Canadian
Physiotherapy
Association

Association
canadienne de
physiothérapie

Call to Action: Canadian Physiotherapy Association Position on Tax Reform

On July 18, 2017, Prime Minister Justin Trudeau and his Finance Minister Bill Morneau opened a 75-day consultation period on closing “loopholes” in the tax system associated with:

- “Sprinkling” income to family members;
- Putting lower tax cash (passive income) in investment funds; and/or
- Converting dividends and claiming income as a ‘capital gain’.

This proposal has resulted in angry statements from small business and professional service business owners across Canada. The change is being pitched as supporting tax fairness and claims to target the top 10% of earners in the country; however, this is just not the case. The proposed changes will affect every Canadian-controlled private corporation regardless of size or profitability.

The proposed changes are punitive to incorporated physiotherapists in private practice. What this proposal does not consider is that every start-up private corporation or clinic is taking a risk when opening their doors to the public, and are not afforded the benefits of a large and seasoned corporation. For example:

- Access to benefit plans is limited and expensive
- Owners are not able to collect EI (employment insurance) benefits if their practice slows or discontinues for unforeseen purposes
- No sick leave, parental leave or mandatory vacation time
- No pension plan available, therefore the practice owner must create their own retirement funds

While the effective tax rate is around 15% for corporations, clinic owners still need to pay themselves, which means they will be paying their own personal taxes. If this proposal goes through, the ability for clinic owners to minimize tax burden while building and benefit from the equity they have built in their corporation will be eliminated.

There is an argument that there are other benefits to incorporating, such as shielding owners from personal liability if their company does poorly; however, the proposed changes reduce the benefits of incorporation almost completely and what remains will be of limited practical benefit.

In summary, the proposed impact on small clinics and incorporated physiotherapists does not create fairness. It threatens to crush small business in Canada, substantially increasing the financial risk and burden to those entrepreneurs who wish to build our profession, and may ultimately drive our professionals out of the country.

Despite the very short window we have been afforded, the government is currently consulting with Canadians. This is a fight the Canadian Physiotherapy Association supports and I encourage you, as our members, to [reach out to our Finance Minister Morneau](#) to express your dissatisfaction. We have reached out to the Minister and are awaiting his response.

We are stronger when we work together. Please take the time to reach out and [share your feedback](#).

Further information:

Webinar explaining changes

<http://www.mnp.ca/en/posts/tax-changes-and-impacts-mnp-webinar-recording>

Summary document – Analysis

<https://www.mnp.ca/SiteAssets/media/PDFs/Tax%20Alerts/Summary-Analysis-of-Federal-Tax-Changes-for-Private-Corporations.pdf>