



College of Licensed Counselling Therapists of  
New Brunswick / Collège de conseillers et  
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## Equity with respect to tax exemptions for all practitioners of psychotherapy services

Submission to the  
House of Commons Standing Committee on Finance  
as part of the Pre-budget Consultations for the 2018 Budget

August 4, 2017

We are pleased to have the opportunity to participate in the 2018 pre-budget consultations of the Standing Committee on Finance. **We are a group of professional associations and college representing counselling therapists and psychotherapists in four provinces where the practice of counselling and psychotherapy is regulated: New Brunswick, Nova Scotia, Ontario and Quebec.**

Given that we are all aware that mental health is an important issue for Prime Minister Justin Trudeau, we want to collaborate with the Canadian government to make psychotherapy services more accessible to all Canadians.

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## Context

The number of Canadians seeking psychotherapy services will increase in the coming years due to a projected increase in incidences and cases of mental illness. By 2020, depression will be the second leading cause of disability worldwide, superseded only by heart disease.<sup>1</sup> One in five Canadians will experience mental illness in their lifetime.<sup>2</sup>

Considering these facts, Prime Minister Trudeau has spoken eloquently and at length about his government's commitment to addressing mental health issues by providing better access to mental health services, particularly for the most vulnerable of Canadians. In his statement during Mental Health Week on May 1, 2017, the Prime Minister of Canada noted that "All too often, long delays or limited services prevent Canadians from getting the health care they need".

Despite the Government of Canada's commitment to making mental health services more accessible, psychotherapy services are not considered basic health services for Canadians, according to an internal directive of the Department of Finance. For example, many Canadians with mental health issues are obliged to pay the GST / HST for services provided by some, but not all, psychotherapists.

Not all psychotherapy services are exempt from the GST / HST. Among all the professionals authorized to provide psychotherapy services, only the services of some are exempt from taxes.

The Canada Revenue Agency (CRA) requires the addition of GST / HST to the fees of certain psychotherapists, while for other professionals authorized to provide psychotherapy services (such as physicians, nurses, social workers, psychologists and occupational therapists) the CRA recognizes their right to a service tax exemption, thereby confirming that their psychotherapy services are a non-taxable health service.

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<sup>1</sup> Cambridge, M.A., Murray, C.J.L., et Lopez, A.D., (1996). The global burden of disease: A comprehensive assessment of mortality and disability from diseases, injuries, and risk factors in 1990 and projected to 2020. Published by the Harvard School of Public Health on behalf of the World Health Organization and the World Bank. Distributed by Harvard University Press.

<sup>2</sup> Smetanin et al. (2012). The life and economic impact of major mental illnesses in Canada: 2011-2041. Prepared on Behalf of the Mental Health Commission of Canada by Risk Analytica.

The CRA applies this conflicting double standard tax treatment for psychotherapy services according to occupation. We fail to understand the logic underlying such treatment. The CRA is justified in stating that they are following the guidelines of the Excise Tax Act (ETA) and that the latter does not include psychotherapy services as basic health services. According to the CRA, the Ministry of Finance must amend the ETA so that psychotherapy services are included as basic health services.

In order to add a non-taxable health service to the ETA, the Department of Finance adheres to the following internal directive:

*The Government of Canada has taken an objective approach to determining which services are to be considered basic health services and therefore exempt from the GST / HST. The following three criteria are used:*

- *If a service is covered by the public health insurance plan in a particular province or territory, it is exempt in that province or territory.*
- *If a service is covered by the public health insurance plan in two or more provinces or territories, it is exempt in all provinces and territories.*
- ***If a profession is regulated as a health profession by at least five provinces or territories, services in this occupation are exempt in all provinces and territories.***

The requirement for regulation in five provinces does not exist anywhere in the ETA. The Department of Finance is therefore creating a situation in which a federal directive supersedes federal legislation passed by legislators in the House of Commons. As a result, the treatment of taxation is done not only without legal justification, but also on the basis of a totally arbitrary criterion.

## Issues

Canadians should not have to bear the additional cost of taxes for psychotherapy provided by a licensed professional of their choice that is not tax-exempt. As a result, many Canadians are deprived of competent professionals, and access to psychotherapy is restricted.

Self-employed psychotherapists with an annual income of over \$ 30,000 must add taxes to their services, unlike other professions providing the same services. Thus, the inequitable application of the GST / HST for the same service creates two classes of professionals, something which the provinces absolutely sought to avoid when they created a legal framework to regulate psychotherapy.

Currently, inequity in the application of the Excise Tax Act limits access to psychotherapy services. It appears unjust to us that the clients of many psychotherapists are obliged to bear the costs.

## Recommendation

In order to provide all Canadians with greater access to non-taxable psychotherapy services, to exempt all health care professionals licensed to practice psychotherapy from the GST / HST and to comply with the various legal frameworks regarding psychotherapy by province, we recommend a clear and simple solution; namely to ignore the internal directive of the Ministry of

Finance and to amend Articles 1 and 7 of the Excise Tax Act – Schedule V - Exempt supplies - PART II - Health Care Services by adding the wording in red as follows:

1 The following definitions apply in this Part.

**practitioner**, in respect of a supply of optometric, chiropractic, physiotherapy, chiropodic, podiatric, osteopathic, audiological, speech-language pathology, occupational therapy, psychological, **psychotherapy**, midwifery, dietetic, acupuncture or naturopathic services, means a person who

- (a) practises the profession of optometry, chiropractic, physiotherapy, chiropody, podiatry, osteopathy, audiology, speech-language pathology, occupational therapy, psychology, **psychotherapy**, midwifery, dietetics, acupuncture or naturopathy as a naturopathic doctor, as the case may be,
- (b) where the person is required to be licensed or otherwise certified to practise the profession in the province in which the service is supplied, is so licensed or certified, and
- (c) where the person is not required to be licensed or otherwise certified to practise the profession in that province, has the qualifications equivalent to those necessary to be so licensed or otherwise certified in another province.

7 A supply of any of the following services if the service is rendered to an individual by a practitioner of the service:

n) **psychotherapy services**

## Arguments

The criterion regarding the regulation of a profession in five provinces for the services of this profession to be exempt is arbitrary. A criterion, if criterion is necessary, that is more representative of the Canadian population would be more appropriate. Note that the populations of the four provinces where the practice of psychotherapy is legislated represent 66% of the Canadian population.<sup>3</sup>

Osteopathic services exempted by section 7 (f) do not meet the profession's regulatory requirement in five provinces. The profession of osteopath is not regulated in any province or territory.

Indeed 66% of Canadians in the four regulated provinces should not have to wait for a fifth province to access untaxed psychotherapy services.

Psychotherapists from the four regulated provinces hold a license from the Ordre des psychologues du Québec, the College of Registered Psychotherapists in Ontario, the New Brunswick College of Counseling Therapists or the Nova Scotia College of Counseling Therapists. Thus, persons receiving the services of a psychotherapist who holds such a permit benefit from the same guarantees of competence, integrity and accountability offered by all professional systems.

Canadians in the lowest income group are 3-4 times more likely than those in the highest income group to report low to fair mental health.<sup>4</sup> For these low-income Canadians, the additional cost of GST / HST is a disincentive to seeking help and makes it more difficult to access mental health services. This is particularly true when one considers that this group often

<sup>3</sup> Source: Statistics Canada, CANSIM, table 051-0001.

<sup>4</sup> Mawani and Gilmour (2010). Validation of self-rated mental health. Statistics Canada Catalogue no. 82-003-X.

does not have private group insurance and that they often face long waiting lists for public services.

During a given week, at least 500,000 Canadian employees are unable to work because of mental health problems. This includes:

approximately 355,000 cases of disability due to mental and / or behavioral disorders<sup>5</sup>,  
approximately 175,000 full-time workers absent from work due to mental illness<sup>6</sup>.

For businesses, mental illness is the fastest growing category of disability costs in Canada<sup>7</sup>. Mental health problems in the workplace cost Canadian businesses almost 14 per cent of their annual net profits, and up to \$ 16 billion annually<sup>8</sup>. Since psychotherapy services can reduce the costs of absenteeism and disability leave, there is a need to expand access to psychotherapy services by exempting them all from the GST / HST, regardless of profession as long as they are licensed to practice.

## Conclusion

In order to ensure access to psychotherapy services for all Canadians, it is imperative that the federal government rectify the tax treatment of these services by exempting the GST / HST for all psychotherapy services, regardless of the practitioner's discipline, provided that he/she is licensed or otherwise authorized to practice.

Equity regarding the GST / HST exemption for practitioners of psychotherapy services is also necessary to avoid creating two classes of practitioners.

In the words of Prime Minister Trudeau, we too "raise our voices by saying that we need quick access to mental health services and support. Together, we will ensure that all Canadians have the care and support they need to live a healthy, fulfilling life."

Allowing more people to consult practitioners for psychotherapy services will improve life for the individual, the family, the employer and society as a whole.

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<sup>5</sup> Dewa, Chau, and Dermer (2010). Examining the comparative incidence and costs of physical and mental health-related disabilities in an employed population. *Journal of Occupational and Environmental Medicine*, 52: 758-62. Number of disability cases calculated using Statistics Canada employment data, retrieved from <http://www40.statcan.ca/l01/cst01/labor21a-eng.htm>

<sup>6</sup> Institute of Health Economics (2007). *Mental health economics statistics in your pocket*. Edmonton: IHE. Number of absent workers calculated using Statistics Canada work absence rates, retrieved from <http://www.statcan.gc.ca/pub/71-211-x/71-211-x2011000-eng.pdf>

<sup>7</sup> Wilson, M., Joffe, R., et Wilkerson, B., *The unheralded business crisis in Canada: Depression at work*, Global Business and Economic Roundtable on Addiction and Mental Health, Toronto, 2002, p. 18.

<sup>8</sup> Wilson et coll., 5.