



THE GST AND PSYCHOLOGY

INTRODUCTION

Information on the GST provided by CPA is not intended in any way to be definitive or to substitute for the advice of the Canada Revenue Agency (CRA) officials or tax specialists such as accountants and lawyers. It is provided as a service to members under the proviso that members in private practice seek advice from qualified professionals on all matters pertaining to the GST.

It is important to remember that the GST is a transaction tax. This means that any time a financial transaction takes place, you must consider whether the GST is applicable or not. The rule of thumb is that it is always applicable unless you can identify an exemption which applies. Remember that it is the **primary purpose** of the billable transaction that is the key to whether an activity is exempt or not.

Some psychologists think that because they are registered provincially or listed with the Canadian Register, they are automatically exempt or exempt for all activities that they perform as a clinician. This has never been the case. Being registered with a provincial regulatory body is required, no doubt. However, some activities that you will perform as a clinician will not be exempt. It is not the provider that is exempt, only the activity that leads to the billing that may be exempt.

If your gross billing for a twelve-month period is less than \$30,000, you do not have to register for GST purposes with the Canadian Revenue Agency. It is important to remember that the \$30,000 ceiling relates to gross annual billings and not to net business revenue or personal income. Don't delay. Once you reach the \$30,000 threshold, you have only 30 days to register.

If you bill less than \$30,000 per year, you can still register with the CRA for the GST but there appear to be few benefits and you must collect GST on all those activities which are not exempt. One advantage is it allows you to receive GST input tax credits if you are registered and collecting GST. If you choose to register under these conditions, consult a tax expert in advance.

GST REGISTRATION

To register for the GST, contact your local CRA office. It is listed in the phone book (white pages) under Government Blue Pages, Taxes, Federal, Canada Revenue Agency or at www.cra-arc.gc.ca. You can secure all the information and forms you need to register by contacting CRA directly.

GST EXEMPTIONS

Health services are GST exempt. It is important to remember that it is the service which is exempt, not the provider. Often psychologists think because they are a health service provider that they are automatically exempt for everything that they do clinically. This is not true for any health professional. By definition, only those that are registered with a provincial regulatory body or college can call themselves a psychologist and therefore be eligible for GST exemption.

The psychological services that psychologists offer that are GST exempt must be health services. That would include counselling and psychotherapy, assessments for the purposes of treatment, individual, group or family therapy, and so on. Those activities that are not exempt include, for example, teaching, consultation, research and continuing education workshops. It is clear that psychological services that are clearly the direct provision of a health service, the primary purpose of the billable transaction, are exempt, while psychological services that are not the direct provision of a health service are not exempt.

This can be confusing. However, some of the confusion has been resolved as of September, 2006. Previously, the same activity, for example a psychological assessment, was exempt under some circumstances and not others. The psychological assessment done by a psychologist for the purposes of determining treatment in a private practice has always been exempt. That same psychological assessment done at the behest of a lawyer for legal purposes, a workers compensation board or an insurance company was not exempt. This has now changed. As of September, 2006, assessments and reports for courts, lawyers, other agencies, etc are exempt. The exemption includes the preparation of the report and the letter to the referring agent.

Another confusion is registration with the Canadian Register of Health Service Providers in Psychology (CRHSPP). Some colleagues assume that being listed with CRHSPP means they are completely exempt from GST responsibility. It is not difficult to see how this confusion arose. The CRSHPP credential is given to individuals. GST exemption is applied to activities or transactions. CRSHPP listing meant that a psychologist was an approved provider to provide health services with a GST exemption. It never meant the approved provider did not have to charge GST on activities and transactions that were not directly the provision of the health service.

In October 2000, the federal government changed the rules regarding exemptions for psychologists. They decided to treat the profession of psychology as they treat the other regulated health professions. In other words, it is no longer necessary to be a listee with the Canadian Register. What was required after October 2002 was that a psychologist be registered by a provincial regulatory body or college in psychology.

Another tricky situation arises in group practices. It is important to seek expert advice when looking at the GST implications in regards to the billable activities of staff and their remuneration, rent, equipment, etc. For example, if a patient or client receives a health service from a psychologist, the service is exempt. However, if the patient pays the group practice for the service, and the practice deducts expenses and then pays the psychologist, the payment to the psychologist is a secondary transaction that is not the direct provision of a health service and as such GST must be collected.

GST INPUT TAX CREDITS

If a psychologist is collecting GST on behalf of the government, the psychologist is eligible to receive a GST rebate on the GST paid by that psychologist for goods and services related directly to the provision of health services. Again, this will include infrastructure expenses such as equipment and rent, as well as certain supplies, for example psychological tests. If the psychologist is not collecting GST, they are not eligible for the GST input tax credits. It is important to get expert advice based on your specific professional circumstances that will instruct you on what you can deduct and what you cannot and the proportions of that based on your revenue profile.

GST EXEMPTION STATUS OF CLIENTS

Some clients are GST exempt and others are not. The vast majority of clients and patients will not be tax-exempt because they are not institutions or charitable organizations. It is not the responsibility of the provider of the service to know what the GST status of the client is. It is the responsibility of the provider to collect the GST. When in doubt, contact a tax specialist.

CONCLUSION

The GST can be very confusing. It can also place psychologists at risk if they do not comply with GST regulations. You can be liable for thousands of dollars of uncollected GST, accumulated interest on the uncollected amount and penalties. This situation can be avoided by getting advice in writing from your accountant or tax lawyer.

On the other hand, with a little research and some expert advice, the situation becomes very clear. Once informed, it is not difficult for psychologists to comply with the GST requirements.

Two rules of thumb:

1. When in doubt, charge the GST.
2. Get expert advice. It is a good business decision that protects you, your livelihood and your practice.

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