



May 8, 2013

Christine Lafrance  
Standing Committee on Finance  
Sixth Floor, 131 Queen Street  
House of Commons  
Ottawa, ON K1A 0A6

To the Standing Committee on Finance:

We are writing in follow up to our correspondence of April 26, 2013 when we expressed concerns about proposed changes to the application of the GST/HST as it affects the practice of psychology in Canada. Our concerns have been raised in the House of Commons over the last few weeks underscoring the very significant possibility that with the proposed changes, Canadians will be charged GST/HST for psychological assessments.

Budget 2013 (Pg. 375) makes changes to the GST/HST attached to reports and services for non-health care purposes. It is noted that services provided solely for non-health care purposes, even if supplied by health care professionals, are not considered to be basic health care and are not intended to be eligible for the exemption.

This announcement has created some confusion for psychologists, many of whom are small business owners, regarding which services are, and are not GST/HST exempt. There is some urgency to the need for clarity given that changes outlined in the budget are retroactive to March 21, 2013. Many of our members have spoken with their accountants but, unfortunately, this has yielded contradictory information and direction.

### **Basic Health Care**

Because of the way in which health care is funded in Canada, the services of psychologists provided outside of public institutions, are not covered by public health insurance plans. This means that a child with a developmental disorder, an adult with a head injury, a mother with depression, or a senior with dementia who may need the assessment or treatment services of a psychologist must pay out of pocket to receive them. Some Canadians may have access to extended health insurance through employment that might cover these services, but the caps on this coverage are often too low to afford meaningful intervention.

The Canadian Psychological Association (CPA) is very concerned about the proposed changes to the application of GST/HST. There is a lack of clarity about the definition of medical or health services. If we rely on the Canada Health Act for a definition, the services of any health care provider other than a physician might not be included. It is helpful to use an example. If a person suffers a head injury in a motor vehicle accident and is seen by a neurologist for an assessment, that service is paid through the public health insurance system – no fee is charged to the patient and no GST is collected. That assessment, paid for by the public purse, may then be re-purposed to support an injury claim related to the accident.

That same person may then be referred to a neuropsychologist this time to assess what if any impairment in function or activity has resulted from the head injury – in this case a neuropsychologist would be the expert to provide this kind of assessment. In this instance, the patient pays for that service and, with the proposed changes; GST/HST will be collected because the assessment was done in the context of an insurance claim.

CPA's position in relation to the above example is that if Canada had a public health insurance system (a system that covered the services of the appropriately trained and qualified health provider) rather than the current public medical insurance system (a system that essentially covers only physician and hospital services), there would be no discussion about whether an assessment of a health condition for a medical legal purpose should be taxed – because it would not be a service for which a patient pays out of pocket.

### **Legal and Insurance Expenses**

Medical legal assessments and insurance assessments are not distinct from medical assessments for health purposes – both are used to determine the nature of a health problem and the need for treatment. An assessment is a necessary step in determining what treatment, if any, will effectively address a patient's condition. Because psychological assessments and treatments are not covered by provincial health insurance plans, patients cannot afford to access these services without funding support. Medical legal assessments are therefore required to determine diagnosis, prognosis, and treatment recommendations, and they are used to determine the settlement amount required to cover medical rehabilitation services. The costs of these assessments are not insignificant - costing Canadians \$3000-\$5000 depending on the complexity of the condition and length of time since injury. ***It is CPA's position, therefore; that an assessment or intervention, even for a medical legal purpose, is a health service.***

For example, ***a victim of crime*** suffering from PTSD may have to seek the services of a psychologist to establish a claim for treatment in a civil suit. With the proposed changes, not only would that victim have to pay out of pocket for the assessment, they would now have to pay an additional amount in GST/HST. A child with a development disorder might need to be assessed in order to establish eligibility for specialized care through extended health insurance. Here again, we have a health problem being assessed for an insurance purpose so that that child can have access to treatment not funded by the public health insurance system.

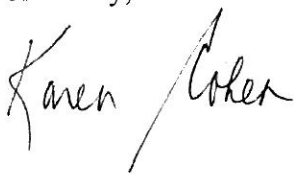
**Uncertainty for Small Business Owners**

CPA is also concerned about the application of changes to the GST/HST because of the complex, changing and inconsistent opinion our members receive about what is and is not tax-exempt service when it comes to psychological practice. Keeping abreast of the changes, complexities and different CRA opinions received, is very burdensome for psychologists who in addition to being health professionals, are small business owners. If practitioners take a conservative approach and collect GST/HST when in doubt, they run into challenge when trying to recover the taxes paid on purchases and expenses related to their business purpose - at which point they risk being told that the service they provided was in fact an exempted service. Conversation with one of our members just recently on this topic led me to understand that on two separate occasions he has been given two different opinions from CRA auditors on the GST status of an activity.

We are asking that the federal government clarify and, if necessary, make amendments to ensure that all psychological assessments are excluded from this budget change because mental health is basic health. In addition, assessments or an intervention, even for a medical legal purpose, is a necessary health service. Psychological assessments are key to ensuring that Canadians who have cognitive or emotional problems are accurately diagnosed. An accurate diagnosis is in turn critical to ensuring that patients are offered the right care to meet their mental health needs – care that, when it comes to mental health, is a growing responsibility of the private sector. We would also be interested in expressing our concerns to the Committee when it reviews the budget implementation bill.

We look forward to hearing from you.

Sincerely,

A handwritten signature in black ink that reads "Karen Cohen". The signature is written in a cursive, flowing style.

Karen Cohen Ph.D., C. Psych.  
Chief Executive Officer  
Canadian Psychological Association