

September 27, 2016

Tax Policy Branch
Department of Finance
90 Elgin Street
Ottawa, Ontario
K1A 0G5

Submitted via email to: fin.legislation-taxation-legislation-taxation.fin@canada.ca

Dear Finance Department,

As the national voice of patient care organizations in Canada, including the majority of the country's research hospitals, HealthCareCAN is writing to express the concerns of some of our members about Finance Canada's proposed tax policy changes to the Canadian-Controlled Private Corporation (CCPC) framework and the Small Business Deduction (SBD) and to request the exemption of physicians working in group practices linked to academic settings.

While we appreciate and support the intent of encouraging fairness in the taxation system, we are extremely concerned about the diminishing incentives Canada can provide to physicians who choose to lead and support future generations in the clinical research and training enterprise in this country.

Research hospitals have a tri-partite mandate of patient care, training and research. They are the homes of over 60,000 research staff, students and scientists. Among these are clinician scientists who are cross trained as physicians and as scientists. They conduct life-saving clinical research and are the partners of universities, and colleges in helping to train young clinicians, and researchers, and partners to industry to help develop and test new medicines and devices for Canadians.

Group medical structures related to these settings were not formed to avoid tax or for commercial purposes, but to help deliver on provincial and territorial health priorities, primarily in the academic health setting. This is particularly an issue where physicians work collaboratively to care for patients while conducting clinical research or training duties. The collaborative structures are set up to re-distribute income from clinicians to clinician scientists and clinician educators so that they have the time to carry out their medical research aimed at improving quality of life, saving lives and making the health care system more efficient. We are sure that the intent of the current changes in the tax policy were not meant to disadvantage academic physicians. However, this is exactly what it does. The proposed changes introduce an inequity amongst incorporated physicians in academic practice plans while incentivizing solo practice. This is not a good thing for health care in Canada

While the medical profession is seen by many as well remunerated, it is also imbued with unpaid duties, personal risks and consequences, particularly in academic centres and especially when it comes to training and research. You may have already seen the media coverage likening the health research enterprise to a "traumatized patient" or the case of the surgeon who paid out of pocket to enable a clinical trial for his patients. Now is *not* the time to make changes that will further destabilize an already compromised research ecosystem, particularly in light of a Federal Granting Council for health research, Canadian Institutes of Health Research (CIHR), whose budget has not kept up with inflation since 2010.

Further, as pointed out by other national organizations such as the Canadian Medical Association, as self-employed small business owners, physicians typically do not have access to pensions or health benefits, although they are responsible for these benefits for their employees. Access to CCPC and SBD is seen as integral to managing a successful medical practice in Canada while contributing to our research enterprises. It is imperative to recognize that physicians cannot pass on any increased costs, such as changes to CCPC framework and access to the SBD to their clients as other business would do.

Finally, the Department of Finance has likely heard several representations over the years discussing why research hospitals require unique consideration in the Canadian health, research and innovation ecosystems. Our members contribute substantially to the economy and the future economic prosperity of Canada. These organizations have a function upon which universities, colleges, industry and even the federal government rely. We would be pleased to discuss this further.

In the meantime, HealthCareCAN would urge the federal government to amend Clause 13 of the Legislative Proposals Relating to Income Tax, Sales Tax and Excise Duties by exempting group medical structures and health care delivery from the proposed changes to s.125 of the Income Tax Act regarding multiplication of access to the small business deduction.

We would welcome an opportunity to discuss details further.

Sincerely,



Bill Tholl
President & CEO
HealthCareCAN

cc

Mr. Tim Smith, Chief Executive Officer, Canadian Medical Association
Dr. David Hill, HealthCareCAN Research Co-Chair, Integrated Vice President Research, London Health Sciences, St. Joseph's Healthcare London, Lawson Research Institute
Vice Presidents of Health Research Roundtable, HealthCareCAN