

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 By 2020, depression will be the second leading cause of disability worldwide, superseded only by heart disease.ⁱ Furthermore, one in five Canadians will experience mental illness in their lifetime.ⁱⁱ

Considering these facts and given Premier Ford's focus on ending hallway health care, placing a priority on removing barriers to Ontarians accessing mental health services is a cost-effective method for decreasing Emergency Department visits.

Prime Minister Trudeau has spoken at length about his government's commitment to addressing mental health issues by providing better access to mental health services. However, despite the Federal Government's commitment to making mental health services more accessible, psychotherapy services are not considered basic health services, according to an internal directive of the Department of Finance.

For example, many Ontarians with mental health issues are obliged to pay the GST / HST for services provided by some, but not all, regulated psychotherapists. Among all the professionals authorized to provide psychotherapy services, only the services of some regulated professionals are exempt from taxes.

The Canada Revenue Agency (CRA) requires the addition of GST / HST to the fees of certain regulated 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.

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 specifically 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 needs to adhere 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 based on a totally arbitrary criterion.

Regardless, with the regulation of psychotherapy in Alberta in 2019, psychotherapy is now regulated in five provinces or territories, however there has been no timeline provided by the Federal Government for making the required changes to grant HST exemption to psychotherapy services.

Issues

Ontarians should not bear the additional cost of taxes for psychotherapy services because of red tape in Ottawa.

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.

Recommendations

1. Include Psychotherapy into Ontario's PST exempted health services eliminating the 8% provincial portion of the HST and utilize part of the Federal Government's funding commitment to cover the remaining 5% of GST.
2. Create a single regulatory college that governs psychological services in the province of Ontario. By creating a single regulatory college of "Mental Health" governing all psychological services and having Registered Psychotherapists regulated by that same college this would provide HST exemption to all regulated practitioners providing psychotherapy services in Ontario.

ⁱ 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.

ⁱⁱ 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.