Doctors caught in Feds' crosshairs — again

The views expressed in this editorial are those of the author and do not necessarily reflect the position of the Canadian Medical Association or its subsidiaries.

It is already hard to practise medicine in Canada. Patient care seems to be slipping daily. New resources are drying up, or current ones are being rolled back. Provincial governments are vilifying the medical profession. Our own representatives seem to be in disarray, as evidenced by the situation in Ontario, among other provinces, over the last couple years. The federal government now has seen fit to start meddling with health care at multiple levels instead of performing meaningful governance in federal affairs. First, they entered the debate on private versus public health care through the back door. Now they are attacking the way physicians, dentists and all other small business owners run their businesses by threatening incorporation of medical practices. Under the proposed measures, business owners will no longer be allowed to "income split" or to benefit from deferred corporate income.[1]

Physicians and dentists are slightly worse off than many other types of small business owners, because they cannot increase their income to offset the added expenses brought down with this proposed change; physician salaries are locked by provincial governments. The federal government claims it is not fair that not everyone can incorporate, but most employees have some kind of benefit package or pension plan. Under a scenario in which physician–business owners would no longer be able to defer taxes, their ability to save for the future would be limited.[2] If what is rumored comes true, then the federal government plans to overtax, so that the corporation owners — who assume all the risks of their small businesses — will pay more tax than the employees. How is that fair or desirable? Many dentists are ready to throw in the towel, shutter their practices and become associates at larger companies. This will put many dental practices out of business. The same will occur on the medical side, where independent practices now run on a break-even basis.

Don't underestimate the malice of this legislation. It is an attack on future livelihood and Canada's economy. Usually, with most small corporations, the starting years are typically an attempt to make a footprint in the community. Almost all money is invested back into the business — hiring people, purchasing and renting real estate and equipment, paying for consumables. Over the subsequent decade, the business becomes more stable and, barring downturns in the real estate market or a disaster at home or work, there is more money that can be left in the corporation, and the owner can plan for retirement or sending the kids to school. During retirement, the owner of the corporation assets will now pay tax at the same rate as other Canadians on the salary they pull from their investment portfolio. This is a tax deferral of money invested in Canada until the corporation owner's retirement — not tax avoidance. The government wants that money immediately. And the federal government plans to typically increase the dividend tax by up to 700% — a cash grab that will threaten to bankrupt our retirees.[3]

Say goodbye to risk-takers and innovators. It is now the smart thing to enter the workforce looking for a government job with a salary guarantee and a pension (plus other benefits, such as the employer's pension plan, paid vacation and statutory holidays, and paid sick days). It used to be that government jobs paid less salary to offset the pension available on retirement. Now those jobs pay more than those in private industry, and the benefits are increasing all the time. There will come a time when most people will work for the government directly — a sign of a dystopian democracy.

Edward J. Harvey, MD

Coeditor, *Canadian Journal of Surgery*

Competing interests: E.J. Harvey is the Chief Medical Officer of Greybox Healthcare (Montreal) and Chairman of the Board of NXT-Sens Inc. (Montreal).

DOI: 10.1503/cjs.013417

References

1. Cestnick T. Proposed tax changes would shake the small-business world. *Globe and Mail* 2017 July 20. Available: https://beta.theglobeandmail.com/globe-investor/personal-finance/taxes/proposed-tax-changes-will-shake-the-small-business-world/article35754872/?ref=http://www.theglobeandmail.com& (accessed 2017 Sept. 7).
2. Picard A. Ottawa's new tax measures unfairly target many doctors. *Globe and Mail* 2017 Aug. 1. Available: https://beta.theglobeandmail.com/opinion/ottawas-new-tax-measures-unfairly-target-many-doctors/article35843365/?ref=http://www.theglobeandmail.com& (accessed 2017 Sept. 7).
3. Paziuk T. Morneau's proposed 700% tax hike on retired business owners is unfair. *Huffington Post* 2017 Aug. 14. Available: www.huffingtonpost.ca/tim-paziuk/bill-morneau-to-increase-tax-on-retired-business-owners-by-700_a_23074945/ (accessed 2017 Sept. 7).

