



**NEWFOUNDLAND AND LABRADOR
MEDICAL ASSOCIATION**

Proposed federal tax changes will impact recruitment and retention of doctors

For immediate release – September 28, 2017

St. John's, NL – On July 18, the Federal Finance Department announced a 75-day consultation process on tax measures that will affect private corporations. Physicians and small businesses across the country believe these changes will ultimately lead to unintended consequences that will affect all Canadians.

Today, the Newfoundland and Labrador Medical Association (NLMA) made a written submission to federal Finance Minister Bill Morneau. As part of the submission, the NLMA also released the results of a member survey, which shows that the proposed tax changes may result in many incorporated physicians reducing their hours of practice, while others are considering leaving the province.

There are currently 626 physicians with registered Professional Medical Corporations in Newfoundland and Labrador, representing approximately half (49%) of all 1,271 practicing doctors in the province. The proposed tax changes will compromise the ability of these physicians to use earnings of their corporations to invest in their medical practice, expand their offices, hire staff, or plan for their retirement.

Self-employed physicians do not receive sick leave benefits, annual leave pay, health or dental benefits, life insurance, or employment insurance benefits and there is no pension waiting for them when they retire. They also manage overhead costs, including: rent; utilities; IT systems; medical equipment; commercial taxes; operating and administrative costs; and, they pay their staff salaries.

“It is critical for the federal government to comprehend how these proposed changes will affect doctors in Newfoundland and Labrador and, in turn, the province’s health care system,” said NLMA President Dr. Lynn Dwyer.

The NLMA surveyed its members in September to gauge how they will be affected by the proposed tax changes. Almost half (45%) of incorporated members completed the survey. If the proposed tax measures are implemented, 83% said they would consider reducing the number of hours they currently work to avoid higher taxes, while 62% said they would consider leaving Newfoundland and Labrador to practice elsewhere.

“This feedback from doctors is alarming, even if a small portion of respondents act on their inclinations,” said Dr. Dwyer.

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The right to allow medical professionals in Newfoundland and Labrador to incorporate was established by the provincial government in coordination with physicians via an amendment to the *Medical Act* in 2001. This arrangement enhanced the province's ability to recruit and retain physicians by allowing it to compete with other, more competitive, jurisdictions.

Like most provinces, Newfoundland and Labrador competes at the international level to recruit and retain doctors. In fact, 36% of the province's physician workforce are international medical graduates. The physician workforce in Newfoundland and Labrador is also highly mobile. Over the past decade, Newfoundland and Labrador has lost an average of 54 physicians annually who have left the province to work in other jurisdictions. In 2014, only 34% of physicians who graduated from Memorial University between 1978 and 2008 were practicing in the province.

“The proposed federal tax changes will have the greatest impact in provinces that have a largely rural, generalist-based system,” said Dr. Dwyer. “The NLMA is concerned that Newfoundland and Labrador stands out as a jurisdiction that may have the most severe unintended impact of these proposed tax changes,” she added.

According to 2016 data from the Canadian Institute for Health Information (CIHI), Newfoundland and Labrador already has the second-lowest average gross clinical payment per physician among all provinces in Canada. Family physicians in Newfoundland and Labrador have the lowest average gross clinical payments among all provinces.

“We believe Newfoundland and Labrador will be disproportionately affected by these tax changes, which will serve as a deterrent for new medical graduates who are deciding where to practice. Many established physicians will also leave for better opportunities. Our physicians will not only look south of the border when considering their futures, but also west to provinces that offer more attractive remuneration,” says Dr. Dwyer.

“The Newfoundland and Labrador Medical Association opposes these tax changes and we strongly urge the federal government to halt and reconsider these proposals,” she added.

Three tax measures are under review by the Federal Government. They are:

- “Income sprinkling”, distribution of income from a private corporation to members of a family who may be taxed at a lower tax rate;
- Holding a passive investment portfolio inside a private corporation; and,
- The practice of converting a private corporation's regular income into capital gains.

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