



THE GST AND PSYCHOLOGY

INTRODUCTION

Information on the GST provided by CPA is not intended in any way to be definitive or to substitute for the advice of Canada Customs and Revenue Agency (CCRA) officials or tax specialists such as accountants and lawyers. It is provided as a service to members under the understanding that members in private practice seek advice from qualified professionals on all matters pertaining to the GST.

It is important to remember that the GST is a transaction tax. This means that any time a transaction takes place, you must consider whether the GST is applicable or not, even if there is no transfer of money. The rule of thumb is that the GST is always applicable unless you can identify an exemption which applies. Remember that it is the primary purpose of the transaction that is the key to whether an activity is exempt or not.

Some psychologists think that because they are registered provincially or listed with the Canadian Register, all their services are automatically exempt or exempt for all activities that they perform as a clinician. This has never been the case. Being registered with a provincial regulatory body is required, no doubt. However, some activities that you perform as a clinician will not be exempt from the GST. It is not the provider that is exempt, but rather the activity that leads to the billing that may be GST exempt.

If your gross billing (i.e., GST taxable sales) for a twelve-month period is less than \$30,000, you do not have to register for GST purposes with the CCRA. It is important to remember that the \$30,000 ceiling relates to gross annual billings and not to net business revenue or personal income. Don't delay. Once you reach or identify that you will exceed the \$30,000 threshold, you should contact the CCRA as soon as possible to register for the GST.

If you bill less than \$30,000 per year, you can still register with the CCRA for the GST but there appear to be few benefits and you must collect GST on all those activities which are not exempt. One advantage is it may allow you to receive some GST input tax credits if you are registered and collecting GST. If you choose to register under these conditions, consult a tax expert in advance.

GST REGISTRATION

To register for the GST, contact your local CCRA office. It is listed in the phone book (white pages) under the Government Blue Pages, Taxes, Federal, Canada Customs and Revenue Agency or at www.ccra-adrc.gc.ca. You can secure all the information and forms you need to register by contacting CCRA directly. You may also register on-line at www.businessregistration.gc.ca.

GST EXEMPTIONS

Health services are generally GST-exempt. It is important to remember that it is the service which is exempt, not the provider. Often psychologists think because they are a health service provider that all their services are automatically GST exempt. This is not true for any health professional.

By definition, only those that are registered with a provincial regulatory body or college can call themselves a psychologist and therefore be eligible to have most of their services GST exempt.

The psychological services that psychologists offer that are GST exempt must be health services. That would include counselling and psychotherapy, assessments for the purposes of treatment, individual, group or family therapy, and so on. Those activities that are not exempt include teaching, consultation, research, continuing education workshops, and some consultation/reports for lawyers, social agencies, courts, etc. Consequently, it is clear that psychological services that are clearly the direct provision of a health service, the primary purpose of the billable transaction, are exempt, while psychological services that are not the direct provision of a health service are possibly subject to GST.

This can be confusing. The same activity, for example a psychological assessment, can be exempt under some circumstances and not others. The psychological assessment done by a psychologist for the purposes of determining treatment in a private practice is exempt. That same psychological assessment done at the request of a lawyer for legal purposes may not be exempt. The rule of thumb in these confusing situations is to charge GST to protect yourself and check with a tax specialist.

Another confusing situation can occur when a psychologist is providing a health service and then is asked by a lawyer or the courts for a letter or report based on those health services. Due to recent Court decisions, it is best to consult your tax specialist.

Another area of confusion has been registration with the Canadian Register of Health Service Providers in Psychology (CRHSPP). Some colleagues assume that their registration with CRHSPP means they are completely exempt from

GST responsibility. It is not difficult to see how this confusion arose. The CRSHPP credential is given to individuals. Whether a service is exempt from GST depends on the activity or particular transaction. Registration with CRSHPP meant a psychologist is an approved provider of GST exempt health services as identified in the GST legislation. It never meant the approved provider did not have to charge GST on activities and transactions that were not identified as exempt health services.

In October 2000, the federal government changed the GST rules with respect to services provided by psychologists. It decided that it was no longer necessary for a psychologist to be a listee with the Canadian Register. After October 2002, the GST legislation requires the psychologist to be registered with a provincial regulatory body or college in psychology.

Another tricky situation arises in group practices. It is important to seek expert advice when looking at the GST implications in regards to the billable activities of staff and their remuneration, rent, equipment, etc.

GST INPUT TAX CREDITS

If a psychologist supplies services that are subject to GST, the psychologist may be eligible to recover the GST paid on goods and services related directly to the provision of taxable services or goods. Again, this may include infrastructure expenses such as equipment and rent, as well as certain supplies, for example psychological tests. If the psychologist is not collecting GST, the psychologist is not eligible to claim GST input tax credits. It is important to get expert advice based on your specific professional circumstances that will instruct you on what you may claim as an input tax credit and the proportions based on your revenue profile.

GST EXEMPT STATUS OF CLIENTS

If your services are subject to GST, the only time tax does not apply is, for example, if you provide your services to a specified department or agency of the provincial government, you provide your services outside Canada, or you provide your services physically on an Indian Reserve. Please contact your tax specialist regarding these situations.

CONCLUSION

The GST can be very confusing. It can also place psychologists at risk if they do not comply with GST regulations.

On the other hand, with a little research and some expert advice, the situation becomes clearer. Once informed, it is less difficult for psychologists to comply with the GST requirements.

Two rules of thumb:

1. When in doubt, charge the GST.
2. Get expert advice. It is a good business decision.