

FACTS about Supportive Personnel and the GST

Preamble: Many Supportive Personnel (SP) working in private practice are employed as **independent contractors**. With this in mind, there are several factors a self-employed SP should consider when accepting work as an independent contractor. When reading the following information, note that speech-language pathologists (S-LPs) and audiologists are referred to as **practitioners**, as defined by Canada Revenue Agency (CRA) legislation below; SP are not.

During the summer of 2009, CASLPA researched some facts on the Goods and Services Tax (GST) as it pertains to SP in order to update its members on current status. CASLPA had conversations with the Canada Revenue Agency (CRA), GST Rulings Unit to confirm the following information.

FACT: SP are not exempt from GST because they are not considered practitioners as are S-LPs and audiologists. CRA typically considers a practitioner someone who is licensed or regulated to practice his/her profession autonomously.

FACT: If a self-employed SP (i.e., independent contractor and therefore a business owner) earns more than \$30,000 per year, they are required to register with CRA and pay the GST. If an SP is an employee and not an independent contractor, they are not required to register with CRA or pay GST.

FACT: An S-LP/audiologist who is billing a client does not charge GST on those services because they are exempt. Likewise, an SP who is an employee of the S-LP or audiologist does not charge GST to their employer because the SP is an employee, not a business owner.

FACT: An SP who is an independent contractor for an S-LP/audiologist and earns more than \$30,000 per year must remit GST to CRA and therefore should charge GST to the S-LP/audiologist to cover those costs. The S-LP/audiologist in turn absorbs this cost or factors it into what is being charged to the client, as they would for supplies, equipment, etc., since they cannot charge GST on their services. Again, an S-LP/audiologist does not charge GST to clients.

Some SP, particularly those working in provinces which have or will have harmonized taxes, have expressed concern over the added cost to the service that they provide. Some CASLPA members have queried whether CRA would consider exempting SP from charging GST. When CASLPA contacted CRA and posed this question, they responded: *SP would need to meet the requirements of the definition of practitioner in order to be exempt from GST.* CRA said that adding SP to the current definition of practitioner is not possible because SP cannot practice the profession of speech-language pathology or audiology

autonomously; they work in an assistive role to these professions, **regardless of any future regulation or licensing.**

Independent Contractor versus Employee

Factors that SP should consider

SP as an employee	SP as an independent contractor
Employer must withhold the SP's share of income taxes, unemployment insurance (UI), and Canada pension plan (CPP) and submit them to the government on a regular basis for the SP, as required by CRA.	No withholding of income tax from an employer. It is the contractor's responsibility to submit the appropriate income tax as required by CRA.
Employer must contribute employer's share of UI, CPP, worker's compensations (WCB) premiums, and other applicable government charges which vary among provincial jurisdictions. This can represent an additional cost of about 8 to 10 per cent to the employer's payroll costs.	Since an independent contractor is not an employee, the employer does not need to pay UI, CPP, WCB, etc. It is the independent contractor's responsibility to remit the appropriate amounts.
Must conform to all of the government employment and labour laws governing employees (e.g. severance pay, overtime pay, worker's compensation, discrimination policies, pay equity, maternity leave etc.)	As contractors, they are not governed by the laws protecting employees. Much easier to terminate and potentially less costly. Termination is usually outlined in the terms and conditions of the contract
Benefits such as extended health care, pensions, continuing education, car allowances, etc. are all additional costs to the employer. If not offered, employees should consider seeking higher salaries to offset these benefits.	No benefits need to be provided and usually none are negotiated, therefore it is the responsibility of the SP to charge enough to cover the costs of providing their own coverage
	The contractor may view being self-employed as a benefit. There are tax benefits of being self-employed related to the deduction of expenses such as office in the home, travel, continuing education, etc.

If a SP is working as an independent contractor, the SP should ensure that they are charging the employer an appropriate fee to cover their professional work, health benefit, insurance coverage and any GST they will have to remit to the government if they make over \$30,000 per year.

The following are definitions from the CRA website:

<http://www.cra-arc.gc.ca/E/pub/gm/g300-4-2/README.html>

EXEMPT SUPPLIES OF HEALTH CARE SERVICES

1. Under Part II of Schedule V to the Act, supplies of many health care services are exempt. In general terms, health care services have to promote physical and mental health, and the protection against disease. These services must be performed by health care professionals who are entitled to provide the health care services listed below.

Services Provided by Medical Practitioners and Practitioners

2. A supply of a prescribed diagnostic, treatment or other health care service (e.g., a laboratory testing service) when made on the order of a medical practitioner or practitioner is exempt.

3. A supply made by a medical practitioner of a consultative, diagnostic, treatment or other health care service rendered to an individual (other than a surgical or dental service that is performed for cosmetic purposes and not for medical or reconstructive purposes) is exempt.

4. A supply of any of the following services when rendered to an individual, where the supply is made by a practitioner of the service, is exempt:

- (a) optometric services;
- (b) chiropractic services;
- (c) physiotherapy services;
- (d) chiropodic services;
- (e) podiatric services;
- (f) osteopathic services;
- (g) audiological services;
- (h) speech-therapy services;
- (i) occupational therapy services; and
- (j) psychological services when provided by a practitioner who is registered in the Canadian Register of Health Service Providers in Psychology.

5. Only health care services that promote physical and mental health and protection against disease are exempt; other professional services provided by medical practitioners and practitioners (e.g., witness fees for court appearances) are taxable unless exempted by some other provision of the Act. For example, when such supplies are made by hospital authorities that are also charities, the supplies are likely to be exempted by virtue of section 2 of Part VI of Schedule V.

"Practitioner," in respect of a supply of optometric, chiropractic, physiotherapy, chiropodic, podiatric, osteopathic, audiological, speech-therapy, occupational therapy, or psychological services, means a person who:

(a) is licensed or otherwise certified to practise the profession of optometry, chiropractic, physiotherapy, chiropody, podiatry, osteopathy, audiology, speech-therapy, occupational therapy or psychology in the province in which the service is supplied, or

(b) where the person is not required to be licensed or otherwise certified to practise the profession of the person in the province in which the service is supplied, has the qualifications equivalent to those necessary to be so licensed or otherwise certified in another province, and

(c) in respect of the supply of psychological services, is registered in the Canadian Register of Health Service Providers in Psychology.

Note: this information was collected in 2009 and is subject to change. Please visit the Government of Canada, Canada Revenue Agency website for updates on the GST and other tax implications.

<http://www.cra-arc.gc.ca/menu-eng.html>