



September 6, 2017

The Honourable Bill Morneau  
Minister of Finance  
90 Elgin Street  
Ottawa, ON K1A 0G5

Dear Minister Morneau:

On behalf of the Ontario Veterinary Medical Association (OVMA) and the over 4,500 veterinarians across the province working in private practice, academia, industry and public service, I am writing to you today regarding the proposed changes to Canada's tax system announced on July 18, 2017.

OVMA is the professional association representing Ontario's veterinarians. The association's mission is to advance and promote excellence in veterinary medicine in Ontario, and to contribute to the betterment of animal health and the protection of human health.

Veterinary hospitals are the epitome of small business, with many employing ten or fewer employees. Despite their small size, veterinary hospitals across Ontario and Canada employ thousands of highly-educated and dedicated people, who work tirelessly every day to promote and protect animal and human health.

Veterinarians, like many small business owners, are presumably not the primary target of these tax changes, as most are firmly situated in the working middle class. Your government's assertion that these changes seek to restore "fairness" in the tax system, may unfortunately result in the opposite, by hindering the ability of small businesses to grow, expand, and hire employees.

Given the impact that these changes to Canada's tax system would have on the veterinary profession, OVMA has consulted with economic, accounting, and tax experts, and would like to provide the following feedback regarding your government's proposed changes:

### **Timing and Scope**

Of significant concern is the timing and scope of the consultation on the proposed changes. The proposal represents the most significant modifications to Canada's tax system in decades, and could have a devastating impact on small businesses in Canada. Furthermore, the changes are being proposed at a time when many other measures are being introduced that will impact small businesses across Canada. For example, the Province of Ontario has recently announced changes to labour laws that will affect all businesses in the province, as well as a 33% increase in Ontario's minimum wage over the next 18 months.

Despite the complexity of the proposed changes, the federal government has limited the consultation timeframe at a time when most Canadians use their hard-earned vacation time to take advantage of our short summer season. Requiring input on the proposed changes to be formulated and submitted during this period will limit both the quantity and quality of the feedback the government receives. Given the timing, scope, and technical complexity of these changes, OVMA respectfully suggests that the federal government take additional time to review these proposed changes in depth, accompanied by consultation with all those who will be affected.

## Passive Corporate Income

OVMA is deeply concerned about the proposal to increase taxation on passive income held in professional corporations. As small business owners, veterinarians do not have pension plans funded by their employers. They rely on investments within the corporation to be a source of income in their retirement years, or as a safety net during periods when practice revenue has declined. The tax implications under this proposal are excessive. Further, given limitations on RRSP contributions, veterinarians are unable to receive a deduction for the full amount of savings they would need to set aside to put them on equal footing with employees with good pension plans, such as teachers or government employees.

As business owners, veterinarians must also invest significantly in their businesses, purchasing expensive capital assets such as radiography, surgical, laboratory, and ultrasonography equipment, as well as the veterinary facility itself. The proposed changes will create significant challenges for veterinarians needing to replace these capital assets, by penalizing those who choose to leave money in their professional corporations to pay for future equipment purchases, and discourage both expansion and growth.

The proposal in its entirety imposes a significant degree of uncertainty on veterinarians as small business owners, which will hinder growth and employment opportunities. The consultation period has also been needlessly truncated. OVMA, like many other associations, feels strongly that complex changes to the nation's tax system should be considered extremely carefully, as there are often unconsidered, unintended, and deleterious consequences when changes are implemented without due process. OVMA encourages your government to conduct more detailed consultations on these changes, and to more broadly consider the implications they will have on the ability of small businesses to grow, prosper and offer much-needed employment opportunities to educated, hard working Canadians.

Thank you very much for taking the time to review these concerns. If you have any questions on this matter, please do not hesitate to contact OVMA's Manager of Government and External Relations, John Stevens at [jstevens@ovma.org](mailto:jstevens@ovma.org) or 800.670.1702, ext. 24.

Sincerely,



Kathleen Norman, DVM  
President

cc:

The Right Honourable Justin Trudeau  
Prime Minister of Canada

Troye McPherson, DVM  
President  
Canadian Veterinary Medical Association