



CANADIAN ASSOCIATION OF OPTOMETRISTS
ASSOCIATION CANADIENNE DES OPTOMÉTRISTES

Tax Planning Using Private Corporations:

A response from the Canadian Association of Optometrists to
Finance Canada's Consultation

September 29, 2017



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About CAO

The Canadian Association of Optometrists (CAO) is the national voice of optometry in Canada. We represent more than 5,000 doctors of optometry (ODs) and 400 optometry students across the country. We are dedicated to collaboratively advancing the highest standard of primary eye care through the promotion of optimal vision and eye health in partnership with all Canadians.

Doctors of optometry are independent primary healthcare providers that represent the front line of vision health. ODs provide nearly 90 percent of primary eye care in Canada. Their prime responsibility is to maintain eye health and good vision of the public. Optometrists carry out comprehensive eye exams, and they diagnose, treat, and manage eye care for patients with numerous chronic conditions including low vision, glaucoma, diabetes, cataracts and macular degeneration.

Optometrists deliver patient-centered, cost effective, collaborative care.



The Canadian Association of Optometrists (CAO) the national voice of optometry, welcomes the opportunity to respond to the Government's consultation on tax planning using private corporations.

We concur with Finance Minister Bill Morneau's comments that "*When you have an economy that works for the middle class, you have a country that works for everyone.*" Similarly, when a government supports entrepreneurs and an innovative economy, it encourages competitiveness and growth. Entrepreneurs willing to take risks are essential in a healthy economy. They factor tax implications into their risk analysis when deciding whether to open, or remain in, a business.

The Association agrees that a comprehensive review of the tax rules for Canadian controlled private corporations (CCPCs) is appropriate, and while supportive of the Government's efforts to increase the fairness of the tax system, strongly believe that some of the proposed changes will negatively impact optometrists. Of the three proposed changes in the consultation paper, potential changes to the taxation of passive investment income are of the most concern. We agree that preferential tax rates for corporations, as evidenced by passive investments, were never intended to facilitate passive wealth accumulation. The proposed changes however, have gone too far in that they restrict the ability to accumulate reasonable retained earnings in a corporation on the grounds that they may be used for the accumulation of wealth.

The current provisions in the ***Income Tax Act*** that facilitate passive investment income help to incentivize optometrists to take the risks required to establish, and grow, their practices. These provisions allow for reducing tax obligations to offset the business risks they assume; risks exclusive to them as employers. This differential is fair and reasonable, and based on sound business practice. While some may be using corporations to dramatically accelerate the accumulation of capital by paying a lower overall corporate tax rate, this is not true for all.

Optometrists are Canada's primary eye care professionals. Many own their own practice. They take considerable risks to develop and grow their practice in order to provide quality eye care to their patients. Like all small business owners, optometrists require retained earnings and the ability to hold those earnings in a reasonable investment vehicle. This mechanism allows an optometrist to generate appropriate capital to establish, protect and grow their practice, including:

- purchase of medical equipment, furniture, computers, etcetera;
- business expansion;
- income fluctuation owing to competitive pressures; and



- provision of employee wages and benefits (regardless of prevailing economic circumstances) as well as surpluses to provide for human resource issues like severance payments or employee grievances.

A large portion of retained earnings for optometrists is maintained in cash-type holdings since accounts receivables are minimal and inventory levels are kept low. Optometrists prudently invest their cash-retained earnings to accumulate capital to facilitate further business growth and protection, and they should not be penalized for that. They require the ability to save capital for both planned and unforeseen events.

The proposed passive investment tax changes are a disincentive that will result in additional business challenges for Canada's six thousand optometrists. As the primary eye health and vision care professionals in communities across Canada, optometrists expend significant resources and bear a substantial financial risk to provide quality care to their patients. As small business owners, they are also employers, contributing to the economy of their local communities, and by extension, to the economy of Canada.

CAO supports the concept of overall fairness in the tax system and opportunity for all. We ask the Government to extend the consultation period for the current proposal and take a deep dive into the consequences of the proposed changes. We further ask that a full review of the implications of passive investment on **all** private corporations, large and small, be undertaken.