



- BACKGROUNDER -

**KEEP THE GST REBATE FAIR FOR CANADA'S
HOSPITALS, HEALTH INSTITUTIONS, FACILITIES AND AGENCIES**

Purpose: To explain the current unfairness in the federal government's application of the GST rebate on all eligible purchases by publicly funded, not-for-profit institutions in the health sector (this includes hospitals, long-term care facilities, and home and community care services). Currently, hospitals receive an 83% rebate, while other health institutions, facilities and agencies receive only a 50% rebate.

Action: To solve the current tax anomaly, the federal government can make the following changes to the *Excise Tax Act*: (1) increase the GST rebate under the MUSH formula (Municipalities, Universities, Schools and Hospitals) for "public hospital authorities" from 83% to 100% of eligible costs, and (2) increase the GST rebate for "health care related services" that are publicly funded to 100%.

Result: The changes to the *Excise Tax Act* would treat all provinces equally under the *Excise Tax Act*, and would keep federal dollars where they belong – in the country's hospitals, health institutions, facilities and agencies to provide Canadians with timely access to a range of quality health services – with the full support of the public and health community across the country.

CORRECT THE GST ANOMALY

- Currently, the provinces of Alberta and New Brunswick effectively receive a 100% rebate on the GST that they pay for all of the inputs they purchase to provide health services to Canadians. This is due to the fact that legislatively, the provincial Regional Health Authorities are deemed to be an extension of the provincial government for GST purposes – *Constitutionally* one level of government cannot tax another level.
- However, the other eight provinces are only eligible to receive an 83% rebate on GST paid if they are a hospital (via the MUSH Formula – Municipalities, Universities, Schools and Hospitals), or a 50% GST rebate if they are long-term care facilities or provide home and community care services. Equally important, health research is currently only eligible for a 50% GST rebate.
- Given the discriminatory way in which some provinces pay no GST and others pay GST in the health sector, the federal government has a unique opportunity to create a level playing field for all provinces.

SIMPLE AND FAIR SOLUTION THAT CANADIANS SUPPORT

- By using their legislative power, the federal government can amend the *Excise Tax Act*, so that the GST rebate treats all provinces in a fair and equal manner. This would see hospitals (the "H" in the MUSH formula) have their GST rebate increase from 83% to 100%, and the GST rebate for publicly-funded not-for-profit long-term care facilities and home and community care services increase from 50% to 100%. This change would treat the health sector in the same manner as **Municipalities** under the MUSH Formula – and would ensure that all provinces are treated fairly. Currently, municipally-owned long-term care facilities receive the 100% GST rebate.
- Based on the most recent public information available from the Department of Finance, the amendment would cost the federal government close to \$300 million annually (based on a 5% GST) – a significant infusion of resources that could benefit the health system (and health research) – which remains the most important public policy priority on the minds of Canadians – and is affordable in the context of current surpluses that are being generated by the federal government.

- A recent poll conducted by SES Research revealed that the public is not aware that the GST is *draining* scarce public dollars from our health system – our most popular social program – back to the federal government. In other words, while the federal government funds a portion of the health system via the *Canada Health Transfer*, it then takes away part of this funding through the GST.
- At the same time, 84% of those polled supported a 100% GST rebate for publicly-funded, not-for-profit hospitals, health institutions, facilities and agencies.

BOTTOM LINE

- This tax policy solution presents a “win-win” opportunity for the federal government to demonstrate to Canadians that by making changes to the tax system – and improving its alignment with the health system – it is prepared to directly invest in Canada’s hospitals and health institutions, facilities and agencies. It also ensures that when it comes to the GST and the health system, all provinces are treated fairly.

Beatrice Keleher-Raffoul

Director, Government Relations
Association of Canadian Academic Healthcare Organizations
780 Echo Drive
Ottawa, Ontario K1S 5R7
613 730 5818 ext. 323
613 795 4878 (cell)
613 730 4314 (fax)
Raffoul@acaho.org
www.acaho.org

Teresa Neuman, B.P.A.

Communications Specialist
Canadian Healthcare Association
17 York Street
Ottawa, Ontario K1N 9J6
613 241 8005 x 205
613 282 6003 (cell)
613 241 5055 (fax)
tneuman@cha.ca
www.cha.ca