

This enactment amends the Excise Tax Act in exempting psychotherapy services from the goods and services tax



Published on May 20, 2022

This bill proposes to exempt psychotherapy services from the goods and services tax (GST). The cost estimate shown below represents the reduction in GST revenues if all goods and services provided under North American Industry Classification System (NAICS) code 621330 (Offices of mental health practitioners (except physicians)) were to become GST exempt.

5-Year Cost

\$ millions	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Total cost	3	15	17	19	21	76

Notes

- Estimates are presented on an accruals basis as would appear in the budget and public accounts.
- Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

Estimation and Projection Method

The reduction in GST revenues as a result of Bill C-218 was estimated using data on GST/HST registrants classified under the NAICS code 621330 from 2016 to 2020. The average growth rate in GST/HST collected over the same period was used to project the cost into future years. To remove HST revenues from the total GST/HST amounts, jurisdictions were based on the most recent business address of the GST/HST registrants. GST/HST revenues in PEI were estimated based on the population ratio and differences in tax rate compared to other provinces with available data. The PBO assumes this Bill will be effective January 1, 2023.

Sources of Uncertainty

The main sources of uncertainty stem from data limitations on psychotherapy services and the location of services provided. In addition to GST/HST collected on psychotherapy services, the figures provided to us by the Canada Revenue Agency also include GST/HST collected on other goods and services supplied by registrants in this industry. Jurisdictions were based on the most recent business address of the GST/HST registrants and may not be accurately reflective of the economic activity occurring within the jurisdiction. Data on GST/HST amounts for some jurisdictions were suppressed due to the CRAs confidentiality procedures. Suppressions were applied to PEI, NWT, Nunavut, Yukon, and Newfoundland.

Prepared by

Jamie Forsyth <Jamie.Forsyth@parl.gc.ca>

Data Sources

Variable	Source
Total GST/HST Collected by GST/HST Registrants Classified under NAICS 621330	Canada Revenue Agency
GST/HST Rates by Province	Canada Revenue Agency
Population estimates	Statistics Canada

© Office of the Parliamentary Budget Officer, Ottawa, Canada, 2022 • LEG-2223-005-S_e