

Wednesday, 11 January 2022

Governments can relieve pressure on general practice by introducing payroll tax exemption

The Australian Medical Association has called on National Cabinet to tackle payroll tax for general practitioners working under service agreements, urging jurisdictions to take a consistent approach and legislate an exemption to the tax to prevent more practices hitting a financial wall and going under.

AMA President Professor Stephen Robson said practices across the country were in financial limbo not knowing whether they would now be slugged with millions of dollars in payroll tax. This is adding to the pressure general practice is under just to remain open in the face of years of inadequate Medicare indexation.

Several legal cases have led to huge uncertainty about whether payroll tax will be applied when GPs work under a service agreement, i.e., they have their own Australian Business Number and use the clinic's premises and administrative services.

"The clinic doesn't pay their wages, superannuation or leave so it's preposterous now for many clinics to be thrown into chaos and not know whether they will be facing retrospective bills for payroll tax of potentially millions of dollars," Professor Robson said.

"General practices pay payroll tax for their employees — reception staff, nurses, allied health practitioners and administration staff — but they shouldn't have to pay it for GPs who are essentially clients of their business. Public hospitals and some private hospitals are exempt from payroll tax, so there's no reason why other medical services shouldn't be exempt."

Professor Robson said the federal government understood that GPs are essential medical services and had exempted them from GST.

"State governments are essentially putting a tax on patients for accessing federally-funded Medicare services through this sneaky new tax.

"The nation's health system is in crisis, and we now see state governments making bad decisions by applying a patient tax that will force general practices to close. This will impact all levels of care and patients will be affected."

After more than a year of pressure by AMA Queensland, three days before Christmas the Queensland Revenue Office (QRO) conceded it had changed its interpretation of tax laws following the 2021 NSW tribunal decision.

It released a public ruling and committed to limiting audits of GPs to the 2021–22 financial year and beyond. However, the public ruling makes it clear that GPs will be liable for payroll tax.

"This gives us some clarity, but it's a bleak future for GPs and their patients," AMA Queensland President Dr Maria Boulton, a GP in Brisbane, said.

"We are seeing practices close every week in Queensland, particularly in regional and rural centres, due to financial pressures.

"To stay afloat, clinics are going to have to pass this tax on to their patients or close their doors.

“We are fighting this as it is important for patients to continue to have access to their GPs. Regular access to GPs improves health outcomes. This is the worst time for governments to restrict access. They should be supporting access to GPs during a pandemic, not putting more pressure on our health system.”

Professor Robson said the QRO’s decision about which financial years would be audited for the purposes of payroll tax had provided some certainty but wouldn’t stop practices going under if payroll tax applied in the future.

“This is the last thing practices across the country need as they struggle with increasing costs and a Medicare rebate that’s been poorly indexed,” Professor Robson said.

“We have situations where practices previously deemed fully compliant with the law are now being told they are liable for payroll tax because of a new interpretation of the law, it just doesn’t make sense.”

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