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**By email:** [treasurer@ministerial.qld.gov.au](mailto:treasurer@ministerial.qld.gov.au)

**Subject: Payroll tax exemption for general practice**

Dear Treasurer

Thank you for meeting with us yesterday to discuss the concerning impact the imposition of payroll tax liability will have on general practice in Queensland. As you are aware, practices are in crisis, and clinics will have no choice but to pass the tax onto patients just to remain viable.

AMA Queensland is committed to working with you and the Queensland Revenue Office to ensure the future viability of general practice in our state. To this end, we wish to highlight some of the sound economic and policy arguments that justify the granting of an exemption for general practice.

### **Hospitals exemption is anti-competitive**

Under Section 14 of the *Payroll Tax Act 1971* (Qld) (the 'Act'), public hospitals and charitable institutions, including many private hospitals, are exempt from payroll tax liability. This represents a structural, government-imposed competitive disadvantage for general practice vis-à-vis hospitals since patients can attend public emergency departments (EDs) without financial cost.

Not only does this legislated, anti-competitive disadvantage impact the commercial viability of all general practices, but it also directly causes increased ED presentations. Each patient that must be treated in our EDs rather than by a GP costs the State an estimated \$508 (Productivity Commission, 2023). It also results in an additional financial burden on state revenue from patients delaying medical treatment and presenting to public hospitals with worse and more costly health conditions.

In fact, the Productivity Commission's Report shows the shift from private general practice to public EDs is happening now, with Queensland's ED wait times worse than both before and during the COVID-19 pandemic (32% of patients were not seen on time in 2021-22 compared with 26% in 2012-13 and 2020-21). The Report also showed the number of patients who delayed or avoided visiting their GP last year shot up by over 45%, further contributing to the cost burden of disease on our health system and revenue.

## **The Act provides exemptions for similar sectors**

We note that the Act provides exemptions for multiple services and organisations including:

1. public hospitals;
2. charitable institutions;
3. hospital and health services;
4. apprentices and trainees;
5. teachers' training colleges;
6. non-tertiary educational institutions;
7. landlords of religious residences;
8. the Australian-American Educational Foundation;
9. the Queensland Country Women's Association; and
10. members of the rural fire brigades, State Emergency Service and Australian Defence Force and honorary ambulance officers.

Several qualifying exempt purposes are also defined in the Act including 'caring for sick, aged, infirm, afflicted or incorrigible people'.

Similar to these exempt services, businesses and employees, general practices and GPs provide essential health care to all Queenslanders and reduce the burden on our state's public hospitals. Their inclusion in the exemption provisions would be consistent with the respective legislative intent and types of services exempted therein.

## **Medical practices are exempt from GST as essential services**

Under the Goods and Services Tax (GST) legislation, medical services are GST-free. A service for which a Medicare Benefit is payable and/or any other service supplied by or on behalf of a medical practitioner is generally accepted as necessary and therefore GST-exempt. This has been the case since the commencement of the GST regime in 2000 on the basis that the (then) Commonwealth Government deemed them 'important community services' and amongst the 'four key GST-free areas' of health, education, religious services and charities.

Given all necessary medical services performed by general practices are exempt from GST due the essential nature of the services they provide the community, it is logical and appropriate that they be likewise exempt from payroll tax.

## **Exempting general practice is cost neutral**

General practices have historically operated business models and structures on the basis that their tenant doctors were payroll tax exempt. It is only since the 2021 *Thomas and Naaz* decision that this standard practice has been challenged. AMA Queensland notes our members also only started contacting us alarmed by the issue following that decision, indicating they had not been audited and/or issued with liability assessment notices prior to that date.

As you are aware, we have written to the QRO asking for data to confirm this understanding, however, the QRO is yet to provide the requested information. As such, AMA Queensland can only conclude that the Queensland Government has not collected

revenue from general practices in the form of payroll tax liability for tenant doctors and, therefore, any exemption granted will not result in a deficit to state receipts.

### **Queensland could lead the nation**

Multiple recent reports document the crisis facing general practice across Australia, including this week's Productivity Commission Report. Data released by General Practice Supervision Australia (GPSA) in January 2023 also showed Queensland practices are reeling in the wake of the recent change in payroll tax interpretation.

Nearly 50% of practices reported their profit margin was less than the 4.75% Queensland payroll tax rate and over 87% stated they would have to increase patient fees if they were forced to pay it. Nearly 84% had sought tax advice and over 68% had sought legal advice, showing just the threat of payroll tax liability has already added to practice costs.

The Commonwealth Government's Strengthening Medicare Taskforce is also likely to recommend the introduction of Voluntary Patient Enrolment (VPE). VPE will necessitate a payroll tax exemption as it will make it impossible for practices to satisfy any of the existing exclusions under Section 13B(2) of the Act.

Practices must now also necessarily review their fee structures as a priority in light of the QRO's recent Public Ruling and in readiness for associated registration requirements and the 2023-24 financial year.

As discussed in our meeting, since payroll tax legislation is harmonised across most Australian jurisdictions, Queensland could lead the way in relieving general practices nationally from this unnecessary and catastrophic tax burden. To this end, we have acted on your advice and urged our AMA state and federal counterparts to likewise push for harmonisation of an exemption for general practice tenant doctors.

We are keen to further discuss these points as a matter of urgency and would welcome an opportunity to meet again.

Yours sincerely



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