



**AUSTRALIAN MEDICAL ASSOCIATION
(SOUTH AUSTRALIA) INC.**

ABN 91 028 693 268

11 April 2024

The Hon Stephen Mullighan MP
Treasurer
Government of South Australia
E: treasurer.dtf@sa.gov.au

Dear Treasurer

Re: The impact of a payroll tax on medical practitioners on health services

On behalf of Australian Medical Association South Australia (AMA (SA)), I thank you for meeting with CEO Nicole Sykes and me on 28 March 2024. This meeting allowed us to formally present, on behalf of our members, their deep concerns regarding the potential implications of the new interpretation of payroll tax on medical practices and the broader health system.

As we explained during the meeting, these concerns have largely arisen from a lack of clarity as to how RevenueSA is choosing to apply this interpretation of relevant provisions of the *Payroll Tax Act 2009 (SA)* (the Act). From our members' perspective, the RevenueSA application fails to recognise or understand the corporate structures through which private medical practices operate, and communication received recently has added further confusion to the medical community.

In this letter, I have summarised the potential ramifications of implementing the interpretation, which range from effects on individual practices and their patients to our evidence-based predictions of impacts on emergency departments (EDs), hospitals and the state's health system. I also request a 12-month extension of the amnesty on payment of the tax, during which AMA(SA), our practitioner colleagues, and our legal and financial advisors, may work with RevenueSA and your staff to devise a solution that minimises the 'pain' for doctors, practices and South Australian health care consumers.

A. Ramifications of increased payroll tax liabilities for general practice

We accept that the wages of the non-medical staff of medical practices who are employees of those practices, and the clinicians who are employees, must be liable for payroll tax. However, as noted above, the concerns of our members lie in the apparent misunderstanding about the corporate and operational structures of many medical practices, such that they have understood that the wages of the doctors with whom they work have not been liable for payroll tax.

Members have expressed concern about the categorisation of Medicare and out-of-pocket costs as taxable wages of medical clinics/service entities, even where those payments are made directly by the patient (or through Medicare) to the independent practitioner. Categorising Medicare benefits and patient fees as taxable wages under the Act (irrespective of whether they are paid directly to independent practitioners), and subjecting them to payroll tax, could have far-reaching consequences, not only for healthcare providers but also for patients and the overall health system in South Australia.

- 1. Financial burden on practices:** Medical clinic operators and administrative service entities, and especially those charging gap payments, will face increased expenses, leading to additional costs that ultimately will be passed on to patients in the form of higher fees for medical services.

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Our members have informed us of the following repercussions:

- Early retirement of practitioners to avoid financial repercussions, now and in the future.
 - Some part-time GPs will further reduce their hours to fall under the 90-day exemption.
 - During a cost-of-living crisis, further increasing medical fees for patients will detract from patients accessing care or delaying seeking care, leading to worsening health conditions and further burden the health system. There is a growing unmeasured unmet public need, with a huge disease burden.
 - Clinicians and healthcare colleagues who bore the brunt of the pandemic feel the threat of the payroll tax demonstrates that their work and service, and the place and role of general practice, are not valued. This increases the mental burden and risks increased burnout – and the impacts on patient outcomes that may occur – within a sector already significantly understaffed.
2. **Bulk-billing practices:** Additional payroll tax costs will necessitate the implementation of gap payments at many bulk-billing practices. However, bulk-billing practitioners have already expressed concerns that their patients will not accept additional charges. This will result in clinicians and their practices being forced to relocate or restructure to remain financially viable or close their doors. Regional practices already under strain will remain under-resourced and may also need to close with this additional impost.
 3. **Impact on rural health services:** It has been put to AMA(SA) that due to their size, many rural practices will not be liable for the tax. However, many smaller regional practices have merged in recent years as this was their only means of survival. Imposing payroll tax on these practices will add to the strain on regional health systems and communities.
 4. **Recruitment and retention challenges:** The imposition of payroll tax on medical practitioners may deter them from practising in South Australia, including in rural areas, where attracting and retaining health professionals is already difficult. This will lead to increased strain on hospitals and emergency services and exacerbate existing workforce shortages.
 5. **Reduction in essential services:** Individual doctors specialising in providing unique treatment options within the private setting may be forced to cease these services, increasing the burden on public hospital systems and extending already lengthy waiting lists for specialised care.
 6. **Ramping and the burden on the health system:** Any increase in state revenue from payroll tax will be outweighed by the additional costs incurred by a health system in which patients who cannot afford GP visits or find an accessible GP will attend emergency wards. This will lead to more ramping and bed blocks and delays in accessing care.

B. Minimising the impact of the tax

As discussed in our meeting on 28 March, AMA(SA) looks forward to working with you to address the impacts of this tax, as outlined above. Since that meeting, we have sought additional input from our members and offer the following recommendations based on their correspondence with RevenueSA, advice from legal and financial experts, and our own discussions with leading economic and health entities in the state.

We propose the following outcomes be pursued by the State Government and RevenueSA, aligned with the *South Australian Economic Statement* vision for an economy that ‘improv(es) the wellbeing of all South Australians’ with an economic environment in which businesses can ‘focus more of their valuable time and resources on growing’.

1. Greater engagement and transparency by RevenueSA on ‘third-party payments’:

Our members have found RevenueSA’s communication about the operation of section 46 of the Act to be opaque and inconsiderate of the financial, logistical and psychological effects of the new interpretation of the Act.

We appreciate your offer for RevenueSA to meet with our members to help provide clarity. While we consider the most constructive forum for this communication to occur, can you please advise the most appropriate contact in the RevenueSA office to coordinate this with?

2. Extending the amnesty: Given the above factors (in addition to other complex legal factors) we suggest that the payroll tax amnesty be extended until June 2025. This will allow more time for everyone involved to consider and address the intricacies within the Act in a manner that is open, clear and transparent, maximising doctors’ understanding of, and confidence in, RevenueSA’s guidance. We acknowledge and appreciate the amnesty already provided to allow RevenueSA time to assess practices. This amnesty is being requested with the clear understanding the time will be utilised to reduce the angst within the healthcare community whilst allowing time for relevant stakeholders to work towards an effective solution.

3. Convene a forum of appropriate stakeholders: Convene a meeting of representatives of relevant parties with the skills to collaboratively identify and address roadblocks and avoid adverse impacts.

4. Begin any future payroll tax liability after the amnesty: We recommend that to minimise the financial impacts on individual practices, the South Australian Government publicly commit to not assessing payroll tax liability before the end of any extended amnesty; that is, until at least 1 July 2025.

We acknowledge that this is a complex issue requiring expertise from various sectors, including legal, taxation, accounting and health. We appreciate your consideration of the long-term impacts of this issue and the potential solutions on the health and wellbeing of South Australians and, in turn, their capacity to contribute to high-functioning communities across the state.

AMA(SA) is committed to working collaboratively with you and your colleagues to find a suitable pathway that minimises the effects on health services in South Australia. We appreciate your attention to this matter and welcome the opportunity to discuss this letter and its recommendations. Please contact me at any time to arrange a meeting or provide additional information, on 0417 804 212 or through EA Ms Suzanne Roberts at president@amasa.org.au.

Yours sincerely



Dr John Williams
MBBS FRACGP MMed DipMus
President, AMA(SA)

cc *The Honourable Peter Malinauskas MP – Premier of South Australia*
The Honourable Chris Picton MP – Minister for Health and Wellbeing