



AUSTRALIAN MEDICAL ASSOCIATION
(SOUTH AUSTRALIA) INC.

ABN 91 028 693 268

PATIENTS WILL PAY FOR NEW TAX ON GENERAL PRACTICE

'Bewildering' RevenueSA advice adds to doctors' distress

AMA(SA) President and Port Lincoln GP Dr John Williams says South Australian GPs are 'bewildered and distressed' by notices they are receiving from RevenueSA informing them they, or their practice, must pay a new form of payroll tax from 1 July this year.

Dr Williams said GP appointments will be even more difficult to find and hospital EDs will be overrun by patients with non-urgent conditions if the State Government implements the new form of payroll tax on general practice.

He said doctors are incensed at repeated comments from Treasurer Stephen Mullighan in the media that they have been 'avoiding' the tax, when this specific tax had not previously been imposed on independent GPs and other physicians.

'Those GPs who are employees have paid and will pay payroll tax, as they should,' Dr Williams said. 'Similarly, practices pay payroll tax as it applies to admin and other staff who are clearly employees of their businesses.'

'But not all GPs are employees, and our members and other colleagues have worked closely with legal and financial professionals for some time to ensure they do comply with the law.'

'As we have explained to the Treasurer and to RevenueSA, GPs and other medical specialists generally operate as independent practitioners who pay a service fee to a company to run the administrative side of their business, so they can focus on providing quality health care.'

'GPs have structured their practices in this way since the early 1980s. This tax is a change to the interpretation of existing legislation with which our members have always complied – a change that is now adding hundreds of thousands of dollars to their practices' costs.'

RevenueSA announced the proposed imposition of the tax on general practice in South Australia in June 2023. In doing so, it joined the Queensland, NSW, Victorian and ACT governments in deeming payments made to GPs to be wages subject to payroll tax.

RevenueSA granted general practices an amnesty until 30 June 2024, if the practices registered before 30 November 2023. AMA(SA) was told registration would allow RevenueSA to examine each registered practice to determine whether its contractual structure ensured it was not liable to pay the tax on its GPs.

Dr Williams said many practices had registered, confident that their contractual arrangements with GPs meant they would not have to pay the tax.

However, he said, many of the 283 practices that did register for the amnesty are now receiving apparently automatically generated responses from RevenueSA informing them they will have to pay the tax in 2024-25.

'AMA(SA) has worked closely with our legal partner, Norman Waterhouse, and has advised our members to obtain its own legal and financial advice to examine its own structure and liability,' Dr Williams said. 'We are also working with our financial advisors, Hood Sweeney, and collaborating with our colleagues in the colleges to understand what is required.'

'It is incredibly concerning that an enormous amount of work has been done to demonstrate compliance, only to have this generic notice received in response.'

AMA's legal partner, Norman Waterhouse Lawyers, has been helping general practitioners and service entities in navigating the amnesty. They say:

'We have been concerned by the broadbrush determination that many clinics will be liable for payroll tax and, in particular, the confusion that has arisen from the lack of clarity as to whether or not patient fees and Medicare benefits paid directly to a GP will be captured.'

The payroll tax legislation, observations of the Court of Appeal in Thomas and Naaz, and the recent Public Ruling of the Queensland Revenue Office support the view that payments made directly to an individual doctor's bank account should not attract payroll tax irrespective of whether there is a relevant contract.

'RevenueSA's stance on this issue is still unclear and should be made public in order to provide certainty for general practitioners going forward.'

Dr Williams said GPs were telling him the additional cost would cripple their practices. Many were contemplating early retirement, he said.

'This new, additional cost will wipe out the tiny profit margin most practices maintain,' he said. 'Our members – the GPs who kept South Australians alive and businesses operating during COVID – are telling us they can't survive this extra cost. As many as 30% are considering shutting their doors.'

'Others are saying they'll have to increase the cost of a consultation by as much as \$20. Part-time doctors are saying they'll reduce their hours to fit within the arbitrary limits that the legislation provides to avoid a payroll tax liability.'

'Ultimately, this means it's going to be harder and more expensive for our patients to access the primary care needed to keep them away from our EDs.'

He said implementation of the new tax burden will result in:

- less bulk-billing
- more expensive GP appointments
- more patients attending EDs with non-urgent conditions
- impacts on private pathology, radiology and other providers, as referral pathways disappear
- longer essential surgery waiting lists, with flow-on effects for patients and the health system.

'This government was elected on a platform of reducing ramping and fixing our health crisis,' Dr Williams said.

'There is no policy or quick solution to achieve that. But what won't fix it is making it harder for general practice to play its critical role as the heart of the health system.'