

Payroll tax for specialist general practitioners

Position statement – September 2025

Introduction

The Royal Australian College of General Practitioners (RACGP) is the voice of specialist general practitioners (GPs) in our growing cities and throughout rural and remote Australia, training more than 90% of Australia's specialist general practitioners (GPs). For more than 60 years, we've supported the backbone of Australia's health system by setting the standards for education and practice and advocating for better health and wellbeing for all Australians.

Every year more than 22 million Australians see a specialist GP for their essential health care, making GPs the most accessed health professional in the country. However, the potential application of payroll tax on specialist GPs will make it harder for patients to access affordable GP care and many practices face closure if they are required to pay retrospective payroll tax liabilities.

Position

The potential application of payroll tax to general practice is consistently raised by our members as one of the major stress points for practice owners. The RACGP has been lobbying the various state and territory governments to provide a clear and concise position in relation to the potential application of payroll tax to general practice. The ongoing uncertainty around this issue creates additional and unnecessary stress for our frontline primary health providers.

Payroll tax on the earnings of GPs raises the cost of running a practice, making it more difficult for GPs to bulk bill and increases out-of-pocket costs for patients. General practices above the relevant threshold already pay payroll tax on the wages of employed staff such as receptionists and nurses. However, the application of payroll tax to GP earnings means patient access to affordable, high-quality care will be compromised, as practices struggle to keep their business viable.

This issue has broader implications for the sustainability of the health system, as it is likely to increase demand and place additional strain on hospitals and emergency departments. It also significantly undermines the Commonwealth Government's ongoing initiatives that aim to support general practice reform via the Medicare Benefits Schedule (MBS).

While several jurisdictions have now implemented measures to exempt the bulk billed earnings of specialist GPs from payroll tax, there is an urgent need for national consistency and clarity as sector reform is underway.

As of February 2025, Queensland remains the only jurisdiction to implement a complete payroll tax exemption to all GPs (independent, salaried, and in training) with no strings attached. We urge all other state governments to follow the Queensland model and return to a nationally harmonised approach on this issue.

The RACGP maintains that general practices must be excluded from payroll tax liabilities on the earnings of both employed and independent specialist GPs. This includes all models of general practice business structures delivering comprehensive primary care in the community, including various models of urgent care (UCCs), Aboriginal Controlled Community Health Organisations (ACCHOs), after-hours and medical deputising services.

The RACGP is seeking:

1. A nationally coordinated approach to address the variations between states and territories on the application of payroll tax on the earnings of specialist GPs (employed, independent and in training).
2. A commitment from all state and territory governments to:
 - not collect retrospective payroll tax on the earnings of independent GPs
 - for the cross-jurisdictional alignment and harmonisation with the Queensland Government's model of [payroll tax exemption](#) for general practitioners (a full exemption on all GP earnings whether bulked billed, privately billed, or both) regardless of their engagement or employment status.

Background

The decision by the NSW's Supreme Court's Court of Appeal to reject an application on the tribunal ruling on the [Thomas and Naaz Pty Ltd vs Chief Commissioner of State Revenue](#) created significant uncertainty within general practice. This decision has set a precedence on the way payroll tax is administered in general practice by state and territory revenue offices.

While the decision by the NSW's Supreme Court was concerned with the application of payroll tax on the earnings of independent GPs, it is the RACGP's position that all general practitioners regardless of the terms of their engagement must be exempt from payroll tax.

Western Australia is the only jurisdiction that is not signatory to the [2010 Harmonisation Joint Protocol](#) (the Protocol). The Protocol brings in line payroll tax provisions between jurisdictions.

Impact

General Practice business models vary widely. While a large proportion of general practices lease out spaces to GPs with the practice providing administrative support (reception services, medical consumables etc), there are also general practices that employ GPs and general practice registrars directly.

A payroll tax on the earnings of GPs would increase the cost of delivering general practice services and undermine ongoing general practice reform. It would impact patient access to affordable, quality care, disproportionately impacting patients from low socioeconomic areas who often have the greatest healthcare need.

Patient access to healthcare

General practice is the most accessed part of the health system. Each year, more than 22 million Australians visit a GP receiving on average 7.9 episodes of care.¹ Yet the proportion of Australians who delayed seeking general practice care due to cost increased in the last 12 months, highlighting a growing financial barrier to accessing care.² Those living in areas of greatest socioeconomic disadvantage are disproportionately affected, with a higher likelihood to postpone seeking care compared to those living in areas of least disadvantage.²

Application of payroll tax to general practitioners will exacerbate this situation, potentially worsening health outcomes and contributing to growing health inequity in Australia. Fewer than 2% of practices are able to absorb the cost of payroll tax and 78% of practices will be forced to increase their fees in order to remain open for their community.³ With bulk billing rates remaining low in all jurisdictions, and the proportion of GPs bulk billing all their patients unchanged at 13%⁴, patients will bear the brunt of payroll tax ('patient tax'), as fewer GPs are able to offer fully bulk billed services despite government incentives.

Impact on Aboriginal and Torres Strait Islander people

Aboriginal and Torres Strait Islander people experience a burden of disease 2.3 times higher than non-Indigenous Australians⁵ and on average, due to a history of economic exclusion and disadvantage, incomes of Aboriginal and Torres Strait Islander people are less than those of non-Indigenous Australians.⁶ Payroll tax on general practice would disproportionately affect Aboriginal and Torres Strait Islander people, the majority of whom (four in five) live in a major city or regional area where mainstream general practice services are commonly found.⁵

While ACCHOs may not be directly affected by a payroll tax on independent GPs, it is likely that its application will increase pressure on ACCHOs due to the increase in demand for bulk billed services. Aboriginal and Torres Strait Islander people at greatest need may also turn to urgent care centres and emergency departments for treatment at the expense of ongoing management of chronic conditions and mental health issues. This could result in fragmented care, and more serious acute illnesses in these communities.

In July 2020, the Commonwealth government alongside all state and territory governments committed to the National Agreement of Closing the Gap. A payroll tax on independent practitioners' risks compromising access to general practice which serves to only widen the health gap, and the consequences of which will be long lasting and materially felt by Aboriginal and Torres Strait Islander people.

The role of general practice in health system sustainability

General practice is the most efficient part of the healthcare system and GPs are best placed to provide care that is patient- and community-centred. A robust and well-resourced primary care system delivers long-term savings for the healthcare system, decreasing the use of hospital services and improving illness prevention and productivity.

Payroll tax increases the operational cost of running a practice – costs that are likely to be passed on to patients as practices struggle to remain financially viable. This threatens the ability for general practice to provide financially accessible care for their community and will result in dire consequences for patient outcomes as patients are forced to delay or forego appropriate treatment leading to worsening health conditions and increased hospitalisations. This ultimately leads to fragmentation of care and duplication of patient services, increasing pressure and strain on other parts of the health system.

Further, the application of payroll tax to GPs, particularly to independent practitioners could have lasting implications on the way general practice services are delivered. Practices may be compelled to adopt alternative operational models to clearly demonstrate the absence of an employer-employee relationship. This could have unforeseen, long-term consequences on patient outcomes as practices are forced to prioritise financial and structural compliance over coordination and clinical teamwork to ensure GPs are not wrongly classified as employers.

Medicolegal risk and general practice viability

The RACGP's 2024 General Practice: Health of the Nation report provides crucial insights into the state of general practice viability in Australia. ⁴ While the 2024 report showed signs of improvement for general practice, the increased cost of delivering general practice care remains the top challenge for at least 70% of practice owners. Nine in 10 practices report increased operating costs over the last 12 months.

Adding these financial pressures, practices may also face increased medicolegal risks. If payroll tax is applied to independent GPs, it could imply an employment relationship – potentially making practices liable for the actions of those GPs, including clinical decisions and outcomes. This shift could expose practices to greater legal responsibility and insurance obligations, further impacting their financial viability.

National and wider health system implications

Responding to the recommendations of the [Strengthening Medicare Taskforce](#), the Commonwealth Government announced significant measures and investment into general practice in the 2023-24 Federal Budget. This was followed up by a further \$8.5 billion investment to boost bulk billing rates and expand GP training in 2025. ⁷

While payroll tax is a state and territory tax, its application to GPs will significantly undermine the Commonwealth Government's health reforms, its commitment to [Closing the Gap](#), and investments to increase access to general practice care, which to date has resulted in a modest improvement to the bulk billing rate. ⁸ The overall impact would see disruption to the broader health service access and delivery and unravel the significant investment the Commonwealth Government has put into general practice.

Conclusion

General practice is the cornerstone of the Australian healthcare system and GPs work at the interface between their patients and the broader healthcare system. Notwithstanding the challenges already faced by the sector, payroll tax on the earnings of GPs would not only deepen the general practice crisis, but will increase health disparities and inequities, increase health expenditure, and negatively impact Australia's overall economic productivity. This would inevitably result

in increased out-of-pocket costs for patients, poorer health outcomes for Aboriginal and Torres Strait Islander people and other disadvantaged communities, including those living in rural and remote communities. It will have long lasting implications nationally, undermining current and future attempts at general practice reform.

References

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