



Victoria Payroll Tax for General Practice

Frequently asked questions (FAQs)

This document does not constitute legal or financial advice. When considering if, and how Payroll Tax may apply to your practice, you must seek independent legal and financial advice. The RACGP takes no responsibility for any loss of any description by a practice or person as a result of relying on this document.

General payroll tax understanding

How is the amount on which payroll tax is calculated worked out if patients pay the contractor directly and they then pay a service fee to the clinic?

Payroll tax is assessed on payments made from the clinic to the contractor; if patients pay the GP directly and the GP pays the clinic, it may reduce payroll tax liability. The Revenue Office may consider that the clinic is arranging for the payments by patients to the GPs on the clinic's behalf. Ultimately, the agreement between the GP and the clinic must reflect true independence.

Is payroll tax retrospective?

The Victorian Government has committed to exempting retrospective payments for outstanding payroll tax liabilities up to 30 June 2025 for any general practice business that has not already received advice and begun paying payroll tax the earnings of independent GPs, otherwise it was 30 June 2024.

Are there ways to not pay payroll tax?

If a relevant contract exists, payroll tax is payable. Practices must ensure contractual arrangements reflect genuine independence—no rosters, no control over hours or billing, and true service-only relationships. If a practice wants to have these controls, they may need to pay payroll tax.

What are the exemptions? Would a contractor working at two locations be exempted?

Potentially yes, depending on whether the contractor is considered to be ordinarily performing services to the public and not controlled by the practice(s). See <https://www.sro.vic.gov.au/payroll-tax/contractors#contractor-90-days-or-less>.

Is there an 80/20 rule regarding payroll tax?

This is a misconception as the 80/20 rule applies to personal services income which is dealt with by the ATO under income tax legislation. There is an exemption that applies when “ordinarily performing services to the public” Legal and accounting advice should be sought as rules are complex.

Are directors of a business who work as contractors subject to payroll tax?

Yes, directors who receive payments for services may be subject to payroll tax unless a valid exemption applies.

What is the payroll tax rate for rural practices in Victoria?

The standard rate is 4.85%. For regional Victorian employers, the rate is reduced to 1.2125%.

Contractor and GP-specific questions**Are practice owners ultimately liable for payroll tax or is the sole trader GP liable?**

The practice entity is liable as the 'deemed employer', not the GP.

As a GP contractor paying a percentage to the practice owner, should I charge GST?

Usually, yes. If you're receiving services from the practice (e.g., admin support), GST applies assuming you are registered for GST.

Are tenant doctors affected by these tax changes?

Possibly. If tenant models reflect control or a 'relevant contract', payroll tax may apply. If the doctor is a tenant, and only receives access to the property, payroll tax should not apply. It is important that the agreement is clear and reflects the arrangements in the practice.

Are you protected, as a GP contractor, by working at two different clinics?

It can support your independence argument, but not always. Practices must also not be related entities (i.e. controlled by the same owners as grouping rules apply). This needs to be assessed each year depending on the individual circumstances.

What is the recommended model for structuring the practice?

Facilities and service (tenant-doctor) models are common but must be supported by legal and accounting advice.

What happens to GPs if a practice is deemed liable for payroll tax?

The practice may seek to recover costs, potentially reducing GP income depending on contract terms.

Can contractor GPs also be liable for superannuation?

Yes, under some federal provisions. Payroll tax (state) and superannuation (federal) are separate but can overlap criteria.

Can employed/contracted/tenant doctors be liable in any way?

Generally no, but contracts may pass some costs to them.

Payroll tax webinar questions**In a universal bulk billing (UBB) clinic, does it matter if the GP is an employee or contractor?**

No, the bulk billing relief will apply to all billings (regardless of the practitioner's independence).

Does payroll tax apply to mixed billing practices?

Yes, consideration will need to be given to the percentage of bulk billing in the practice.

How will the new forecasted changes to bulk billing affect the perception of doctors being employees of the practice?

This may create an exposure if practices are exercising control over the doctors to bulk bill a set amount of consults.

How does patients registering with MyMedicare (registering with the clinic) affect claims of GP independence?

This can create exposure, ultimately, the agreements will need to be clear with the GPs as well as other patient facing materials (e.g. website and registration forms).

Has Example 2 (Ballarat GPs) been tested in court under the new rulings?

As yet, there has been little activity since the new rulings.

How should practices navigate casual rosters for the weekend or duty doctors without breaching independence principles?

Practices can offer incentives such as discounted service fees to incentivise working on weekends or after-hours.

What is the definition of a 'day' under the contractor <90 days exemption?

Generally, it will be any period of time that a practitioner works. Refer here for the PTA035 ruling [Revenue Rulings Contractors – 90-Day Exemption](#)

Would non-GPs (e.g. allied health) be exempt?

Subject to how they are engaged, and what their circumstances are, they can be exempt from payroll tax. Each one would need to be considered depending on the circumstances each year.

What about the implications of accreditation policies imposing 'rules' on doctors?

This can create exposure. Ultimately, the agreements will need to be clear with the GPs as well as other patient facing materials (e.g. website and registration forms).

Can tenant doctors still be affected if a practice is deemed liable for payroll tax?

Subject to how they are engaged, yes.

Are there any impacts on the perceived employment relationship if all services are bulk billed (e.g. UBB mandate)?

If doctors are forced to bulk bill by the practice, this would be a level of control and may indicate a relevant contract.

If a general practice is under the payroll tax threshold, do they still need to register with the SRO?

You should seek accounting advice, but generally there is no need to register if a practice is under the threshold. We are waiting on SRO Vic to confirm if registration is required if the practice is claiming the bulk billing exemption but assume it will.

How is owner income treated for payroll tax purposes when distributed as 'drawings'?

Drawings are not subject to payroll tax as they are generally paid as distributions or dividends. Owners must still receive their income from billings and cannot avoid paying payroll tax by having all income go through the practice. You should seek accounting advice to ensure that all arrangements are clear and correct, and other taxation requirements are satisfied.

Is it compliant for practices to only charge at the MBS rebate level and not pay payroll tax?

If practices require GPs to bill at a lower level, this can create employment exposure. Ultimately, if practices want to exert control, this may be a relevant contract.

Can the practice audit/view the GP's bank account or data if funds are paid directly to them?

Practices can view the account for reconciliation purposes but should not have access to control any of the funds.

If a GP works in special interest or private specialist rooms, is their income still subject to payroll tax?

Subject to how they engage with the practice, how often they work and other criteria, payroll tax can still be triggered.

How does Victoria's stance compare with NSW in practical enforcement of GP contractor tax?

While each state and territory have largely harmonized their position, the revenue offices may vary from their position.

What is the treatment of Medicare PIP payments for teaching clinics where funds flow through the practice?

If the practice engages the GPs to do work on their behalf, these amounts can be triggered for payroll tax.

Can doctors be invoiced separately for payroll tax, or can admin fees be added to patient bills?

Practices should seek accounting and legal advice on their specific circumstances before looking to on-charge any costs for payroll tax.

How does grouping of doctors under the one service entity affect the application of payroll tax?

If grouped, the payroll tax exposure can be greater as it is calculated from their combined value.