

# Payroll tax for independent practitioners

Position statement – February 2024

## Introduction

The Royal Australian College of General Practitioners (RACGP) is Australia's largest professional general practice organisation, representing more than 40,000 members working in or towards a career in general practice. With the return to College-led training in 2023, the RACGP now trains more than 90% of Australia's general practitioners (GPs) including those training in rural and remote areas.

GPs are the backbone of the health system, with nine out of ten Australians seeing a GP each year. However, payroll tax implications threaten the viability of the general practice sector. Many practices will face closure if they are required to pay retrospective payroll tax liabilities.

## Position

The application(s) of payroll tax on independent practitioners by states and territories is causing confusion and uncertainty among the general practice community. There is an urgent need for national consistency and clarity.

A broad application of payroll tax threatens the viability of general practice and will adversely impact patient access to quality general practice care. It also significantly diminishes the Commonwealth Government's initiatives that aim to support general practice reform.

General practices above the relevant threshold already pay payroll tax on the wages of their salaried employees. The RACGP accepts this is appropriate and are not seeking to have those wages and/or relevant contracts exempted from payroll tax. Rather, the RACGP argues payroll tax obligations should not extend to the earnings of independent practitioners. Independent practitioners operate as sole providers, they are already subject to income tax obligation with the Australian Taxation Office (ATO).

The RACGP maintains that general practices should be excluded from payroll tax liabilities on the earnings of independent practitioners.

**In light of recent changes to state and territory payroll tax interpretations, the RACGP is seeking:**

1. A nationally coordinated approach to address the variations between States and Territories on the application of payroll tax on independent practitioners which is causing confusion and uncertainty among the general practice community.
2. A commitment from all state and territory governments to:
  - not collect retrospective payroll tax.
  - provide clarity on the rules that apply so that general practices can ensure their business models and funding flows accurately reflect their work arrangements with independent practitioners. Specifically, the RACGP is calling for cross-jurisdictional alignment and harmonisation with the Queensland Government [Public Ruling PTAQ000.6.2](#) on what constitutes a relevant contract for independent practitioners.

- impose a moratorium on payroll tax obligations on independent practitioners to allow practices and practitioners to adjust their business models while clarity on the interpretation of relevant contracts is still being determined.

## 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 precedent on the way payroll tax is administered in general practice by state and territory revenue offices.

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, however typically involve general practices leasing out spaces to GPs with the practice providing administrative support (reception services, medical consumables etc).

The Australian Competition and Consumer Commission (ACCC) has authorised GPs practising in defined business structures to set intra-practice fees and to collectively bargain as single practices in relation to the provision of Visiting Medical Officer services to public hospitals and with Primary Health Networks. <sup>1</sup> The ACCC has accepted, then, that GPs are independent businesses, potentially in competition with each other, and such that business practice requires authorisation.

The application of payroll tax on the earnings of independent practitioners would have far and wide-reaching consequences including in the areas outlined below.

## National 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.

While payroll tax is a state and territory tax, its application to independent practitioners will significantly undermine the Commonwealth Government's health reforms and investments to increase access to GP care and contribute to the further decline of an already low bulk-billing rate, which declined by 11.8% nationally in 2022-23. <sup>2</sup> Patients will face higher out-of-pocket costs resulting in greater use of emergency departments. 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.

## General practice viability

The RACGP's 2023 General Practice: Health of the Nation report closely reflects the significant pressures facing the state of general practice in Australia. <sup>3</sup> Figures highlighting GP burnout and considered reduction in working hours, are reported against a backdrop of years of chronic underfunding, workload pressures and GP shortages. <sup>3</sup>

Alarming, the number of GPs intending to bring forward their retirement has accelerated as has the decline in the number of medical students choosing general practice as a career path. General practice workforce issues are worsening, and this is further compounded by ongoing financial viability concerns. <sup>3</sup>

With the viability of general practice already in question, the additional administrative and financial burden of a payroll tax burden could force the closure of nearly 20% of general practices with 78% intending to increase their fees to remain viable. <sup>4</sup>

While a percentage of practices would not be affected by payroll tax obligations as they would not meet their relevant state or territory thresholds, these practices may still be liable for additional obligations such as regular income tax pre-payments (PAYG), superannuation contributions, employee benefits and entitlements, and workers compensation insurance should their existing arrangements with independent practitioners be deemed as relevant contracts.

### Patient access to health care and worsening health inequity

GPs are the most seen health professionals in Australia. Data from the Australian Bureau of Statistics (ABS) suggests that patient access to health care is a growing issue.<sup>5</sup> The RACGP is concerned about the flow-on effect of payroll tax on patient access to quality healthcare, particularly for people living in rural and remote areas, and those living in areas of most socioeconomic disadvantage. With the rates of bulk billing already falling in all jurisdictions, a payroll tax would worsen health inequity in Australia and dramatically increase the use of emergency departments.<sup>6,7</sup>

### 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 Australians.<sup>8</sup> Payroll tax on independent practitioners in general practice would serve to deepen the barriers already faced by Indigenous Australians. Although the majority of Indigenous Australians (four in five) live in a major city or regional area where mainstream general practice services are commonly found, accessibility to these services is still an issue due to social and cultural factors.<sup>8</sup>

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 serves to only widen the gap, and the consequences of which will be long lasting and materially felt by Aboriginal and Torres Strait Islander people.

## Conclusion

General practice is the cornerstone of the Australian healthcare system and GPs work at the interface between the patients and the broader healthcare system. The application of payroll tax obligations under the contemporary interpretation of the legislation on the earnings of independent practitioners would be levied on the practice owner(s) and the brunt of which is ultimately borne by patients. Practices would be forced to either close or to pass on the costs. This would inevitably result in increased out-of-pocket costs for patients and poorer health outcomes especially those living in rural and remote communities.

Notwithstanding the challenges already faced by the sector, payroll tax on the earnings of independent practitioners 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. It will have long lasting implications nationally, undermining current and future attempts at general practice reform.

## References

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