



HotDoc's guide

Payroll tax for medical practices

Navigating your practice's tax obligations in the Australian healthcare industry can be challenging, but at HotDoc, we're here to guide you every step of the way. You can proactively learn about payroll tax by understanding the legal framework, staying informed about state-specific rulings, and carefully evaluating your practice's engagement model. HotDoc is your partner in building a thriving medical practice.

Background:

The law in relation to employees and contractors has, for many years, been extremely complex. Medical practice owners have long been navigating issues that can arise including whether superannuation or leave is payable to doctors who engage with their practice

(Thomas and Naaz Pty Ltd v Chief Commissioner of State Revenue) [2023] NSWCA 40 ('*Thomas and Naaz*') is a case that for medical practices, has raised a tax issue that many had not previously considered. Following this case, medical practices that engage doctors are now considering whether they are at risk of a substantial retrospective payroll tax bill and ongoing obligations to pay payroll tax.

Key Issues:

Practice owners now have the opportunity to review their arrangements with doctors to ensure that their agreements, processes, and procedures accurately document the underlying relationship. Practices are considering whether they engage with doctors in one of three ways

- As employees;
- As independent contractors; or
- As business owners operating their own business from the premises of the practices or 'service entity'.

Know your payroll threshold:

Each Australian state has its own approach to payroll tax concessions and amnesties.

Here's what you need to do:

- **Research** your state's specific concessions and amnesties – [understanding your options is crucial](#);
- **Be mindful** of participation deadlines;
- **Consider** the details and reporting obligations under the amnesties, weighing the risks and benefits before making a decision; and
- **Seek guidance** from an accountant or lawyer, experienced in working with medical practices.

A snapshot of Australian payroll tax rates

To get a clearer picture of the payroll tax landscape, take a look at the indicative table of current payroll tax rates across Australian states and territories, and commentary about the state revenue office ruling.

State or Territory	Threshold	Rate	Recent Ruling
ACT	\$2,000,000	6.85%	The ACT government announced a two-year payroll tax exemption until 30 June 2025 for practices that bulk bill 65% of their patients
QLD	\$1,300,000	4.75% (4.75% on salary and wages \$6,500,000 or less than 4.95% thereafter. Regional employers may be entitled to a 1% discount on the rate until 30 June 2030)	Queensland offered a temporary payroll tax amnesty on payments made to tenanted GPs until 30 June 2025. Practices in Queensland have until the recently extended deadline of 10 November 2023 to lodge their expressions of interest for the amnesty and then have until 30 June 2025 to lodge their application
NSW	\$1,200,000	5.45%	NSW ruling was issued and in August 2023 announced a suspension of payroll tax audits
VIC	\$700,000	4.85%(1.2125% for regional employers)	Ruling issued
TAS	\$1,250,000	4.00% (4% between \$1,250,001 and \$2,000,000 then 6.1% thereafter)	-
SA	\$1,500,000	4.95% (Variable rates between 0% to 4.95% between \$1,500,000 and \$1,700,000, then 4.95% thereafter)	The SA Government has introduced a temporary payroll tax amnesty that will be in effect until 30 June 2024. To be eligible for the amnesty practices must register their expressions of interest by 30 September 2023. This means that medical practices in South Australia have a limited period during which they can benefit from this amnesty
WA	\$1,000,000	5.50 – 6.50%	WA Govt have said they are not pursuing medical practices at this stage
NT	\$1,500,000	5.50%	-

Disclaimer: These are the rates and thresholds, and comments are current as of 20 September 2023. It may be necessary to review historical information including the rates and threshold with your advisors, especially if you are considering whether there is a risk of historical payroll tax being applied to your entity. Thank you to Sarah Bartholomeusz from You Legal for working with us to create this valuable resource, you can find out more about You Legal at www.youlegal.com.au. Thank you to Kelly Chard from GrowthMD for working with us to create this valuable resource, you can find out more about GrowthMD at www.growth-md.com (09.2023)