
MEDIA RELEASE

9 February 2024

GPs call on Victorian Premier to directly intervene on state's payroll tax grab after patient impact revealed

Peak GP groups are calling on Victoria Premier Jacinta Allan to directly intervene in the State's GP payroll tax fiasco after new data revealed general practices would have to raise fees by 30% to cover the state's extra payroll tax.

In the report from Australia's largest patient engagement platform HotDoc, 16.5% of practices surveyed also said they would be forced to close their doors due to the government's payroll tax grab, which would force more people into the state's overflowing hospitals.

It has prompted the Royal Australian College of General Practitioners (RACGP), Primary Care Business Council (PCBC), and Australian GP Alliance (AGPA) to again write to the Victorian Premier requesting an urgent meeting, and call for:

- no retrospective collection of payroll tax liabilities
- Victoria to follow Queensland and provide [a new tax ruling](#), clarifying that patients' fees paid directly to a GP for their services won't be subject to payroll tax
- an assisted compliance period to allow GP clinics to make changes to be in line with the new ruling, so they don't have to pass the tax on
- ongoing dialogue to understand the consequences of the imposed forms of compliance demanded.

The health groups say they are disappointed in Treasurer Tim Pallas for choosing to engage in politicking with Federal Health Minister Mark Butler over funding, and are urging the Premier to take control of the issue, which the government created.

RACGP Victoria Chair Dr Anita Munoz said: "The Treasurer has shown he is more interested in blaming others than owning his mistakes and meeting with GP groups to prevent practices having to raise fees or closing. It's incredibly disappointing that he claims to be 'actively engaging' with GPs, when in reality there has been little to no effort on his part to find a solution that ensures Victorians will have access to affordable and high-quality care into the future.

"We're urging the Premier to intervene. The government's impost of additional payroll tax on practices is the biggest threat the affordable care in our state – it's a tax on patients. And it will be devastating for the entire health system, because when people can't afford care, they get sicker, and they'll be forced into the state's overflowing hospitals, which will cost far more for the government and taxpayers.

"I hope HotDoc's alarming survey data helps the Premier see sense to meet with GPs to find a solution. Queensland provided a new tax ruling, clarifying that patients' fees paid directly to a GP for their services won't be subject to payroll tax. We need Victoria to follow this approach and commit to stop squeezing practices for backdated tax – this will cause widespread closures."

RACGP President Dr Nicole Higgins said the state tax will undermine the Federal Government investment in Medicare.

"This state payroll tax grab is undermining the Federal Government's major investment in Medicare and general practice. Federal Health Minister Mark Butler also said he is 'very worried' about this and would like national consistency with these tax arrangements that allows the government to continue strengthening Medicare. We do need a nationally

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consistent approach to this tax, otherwise GPs will leave to more favourable states. And it will be harder and harder for people to get the care they need to stay healthy and out of hospital.”

AGPA Deputy Chair Dr Mukesh Haikerwal said: “The Premier should take a leaf out of the Prime Minister’s book and be pragmatic in addressing this issue for the benefit of Victorian patients.”

Background

General practices pay payroll tax on their employees, including receptionists, GPs in training and nurses, but it never applied to GPs because most are not employees, they work as independent practitioners under independent agreements. The landscape changed after a final ruling by the NSW Court of Appeal in 2023 deemed independent practitioners as employees for payroll tax purposes.

Most states and territories have provided a “pause” in audits to prevent practices having to close or increase fees due to the new interpretation of the law. In September 2023, the [Queensland Government announced](#) a new Revenue Office ruling clarifying that patients' fees paid directly to a GP for their services will not be subject to payroll tax.

RACGP surveys found only [3% of practices would be able to absorb the costs](#) of extra payroll tax on independent GPs, 78% would have to raise fees; more than half of respondents said they [would have to increase out-of-pocket fees by more than \\$20](#); and [35% would consider moving interstate](#) for favourable payroll tax settings.

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