

ADMINISTRATIVE ARRANGEMENT

Payroll Tax Act 1971

Temporary payroll tax amnesty measure in relation to payments made to general practitioners under the relevant contract provisions

Background

Under the *Payroll Tax Act 1971* (Payroll Tax Act), payroll tax is imposed on taxable wages paid or payable by an employer. Relevantly, payments made under a relevant contract are subject to payroll tax, unless an exemption applies.

The *Taxation Administration Act 2001* (Taxation Administration Act) supports the Payroll Tax Act by providing general provisions relating to the administration of payroll tax. For example, in relation to the making of assessments, including reassessments, and providing for refunds.

Payments made to general practitioners (GPs) under a relevant contract are subject to payroll tax under the Payroll Tax Act, unless an exemption applies. Public Ruling PTAQ000.6.1 *Relevant contracts-medical centres* (Public Ruling PTAQ000.6.1) clarifies how the relevant contract provisions apply to businesses that run medical practices.

While the relevant contract provisions in their current form have been in place since 2008, and the provisions are harmonised with most other states and territories, it has been identified that there is a potential widespread lack of awareness of the application of the relevant contract provisions in the Payroll Tax Act among medical practices that engage GPs under contract arrangements.

On 3 February 2023, the Queensland Government announced that it would provide a payroll tax amnesty in relation to payments made to contracted GPs up until 30 June 2025, to incentivise and support medical practices to bring themselves forward and into compliance with their payroll tax obligations.

Medical practices that receive the amnesty will not pay payroll tax on payments to contracted GPs during the amnesty period. This means that medical practices that receive the benefit of the amnesty would commence paying payroll tax on payments made to contracted GPs from 1 July 2025, where an exemption to the relevant contract provisions does not apply.

The amnesty will provide medical practices who are not currently complying with their payroll tax obligations, or have been subject to audit activity, in relation to payments to contracted GPs with sufficient time to review their arrangements, seek advice, and implement necessary changes to ensure future compliance with their payroll tax obligations.

On 15 March 2023, the Treasurer and Minister for Trade and Investment approved an administrative arrangement setting out the basis on which the payroll tax amnesty will be administered.

On 13 September 2023, the Treasurer and Minister for Trade and Investment approved amendments to the administrative arrangement to give effect to an extension of the due date for submitting expressions of interest.

This administrative arrangement will be supported by guidelines that outline certain operational aspects of the amnesty (Guidelines for Administration), as approved by the Commissioner of State Revenue (Commissioner).

Administrative Arrangement

Definitions

1. **Amnesty period** means up until 30 June 2025 and the earlier of the following:
 - (a) 1 July 2018; or
 - (b) if a designated medical practice was, or is currently, subject to audit activity, the earliest financial year that the audit activity relates to.
2. **Audit activity** means compliance activity, including an audit or investigation, undertaken by the Queensland Revenue Office in relation to payments to contracted GPs and commenced prior to the date of commencement of this administrative arrangement.
3. A **designated medical practice** means an employer for payroll tax purposes that conducts a medical centre business (as set out in Public Ruling PTAQ000.6.1) that:
 - (a) meets the criteria for registration under section 52 of the Payroll Tax Act but is not registered for payroll tax in Queensland and makes payments to contracted GPs; or

- (b) is registered for payroll tax in Queensland but is not declaring its payments to contracted GPs for payroll tax; or
- (c) is or was subject to audit activity (that has not been finalised) in relation to its payments to contracted GPs; or
- (d) has been assessed on payments to contracted GPs as a result of audit activity.

To remove any doubt, it does not include a medical practice that:

- does not make payments to contracted GPs during the amnesty period; or
 - commenced operation or commenced making payments to contracted GPs on or after 10 February 2023; or
 - has been lodging and declaring its payments to contracted GPs for payroll tax purposes before 10 February 2023, without being subject to audit activity.
4. A **general practitioner (GP)** means a doctor registered as a general practitioner with the Medical Board of Australia.
 5. **Payments to contracted GPs** means payments that are made under a contract between a medical practice and a general practitioner that is a relevant contract, which are not exempt.
 6. A **relevant contract** means a contract as set out in paragraph 11 of Public Ruling PTA000.6.1.

Eligibility requirements for the amnesty

7. To be eligible for the amnesty, a medical practice must:
 - (a) be a designated medical practice;
 - (b) submit an expression of interest using the online form on the relevant website by 10 November 2023;
 - (c) make a voluntary disclosure and, if not already registered for payroll tax, register for payroll tax in Queensland by 30 June 2025; and
 - (d) comply with its ongoing payroll tax obligations after making the voluntary disclosure, this includes from 1 July 2025.
8. For the purposes of determining whether a medical practice is required to be registered for payroll tax under Part 3, Division 1 of the Payroll Tax Act, taxable wages will include the amount of payments to contracted GPs.
9. To constitute a voluntary disclosure, designated medical practices will need to voluntarily provide the Commissioner with all of the information that the Commissioner considers is necessary to properly determine the practice's payroll tax obligations. This information is outlined in the Guidelines for Administration, as are the expectations for ongoing compliance with payroll tax obligations.
10. To remove any doubt, a medical practice that does not satisfy each requirement in paragraph 7 will not be eligible for the amnesty.
11. If the Commissioner is satisfied a medical practice failed to submit an expression of interest by 10 November 2023 due to exceptional circumstances (for example, a computer malfunction or network outage on 9 November 2023 that prevented the practice from being able to submit an expression of interest by 10 November 2023), the Commissioner may extend the time for submitting an expression of interest.
12. The Commissioner's decision that a medical practice is not eligible for the amnesty, or a decision not to extend the time for submitting an expression of interest, are non-reviewable.

Effect of the amnesty for payroll tax

13. The following paragraphs apply to medical practices that satisfy the eligibility requirements for the amnesty.
14. The Commissioner will administer the Payroll Tax Act on the following basis:
 - (a) payments to contracted GPs will not be included in assessing the medical practice's payroll tax liability during the amnesty period; and

Example

A medical practice pays \$1.5 million in taxable wages in the 2022-23 financial year, including \$400,000 of payments to contracted GPs.

As the medical practice's taxable wages (excluding payments to contracted GPs) are under the \$1.3M threshold (i.e. \$1.5M less \$400,000), it will not be liable to pay payroll tax for the 2022-23 FY. If this entity is not registered for payroll tax purposes it will be required to register for payroll tax prior to 30 June 2025, in accordance with the eligibility requirements, in order to access the benefits of the amnesty.

In the 2023-24 FY, the medical practice pays \$2M in taxable wages, including \$400,000 of payments to contracted GPs.

The medical practice's payroll tax liability will be assessed based on \$1.6M of taxable wages (i.e. \$2M less \$400,000). As the medical practice's taxable wages (excluding payments to contracted GPs) exceed the \$1.3M threshold, it will be liable to pay payroll tax based on \$1.6M in taxable wages for the 2023-24 FY.

- (b) if the medical practice has already paid payroll tax in relation to payments to contracted GPs during the amnesty period as a result of audit activity, a reassessment of payroll tax will be made to exclude those payments. A refund may be made in accordance with Part 4, Division 2 of the Taxation Administration Act.
15. The amnesty will also apply for the purposes of determining the practice's liability for the mental health levy until 30 June 2025.

Example

A medical practice pays \$12 million in taxable wages in the 2023-24 financial year, including \$3M of payments to contracted GPs.

As the medical practice's taxable wages (excluding payments to contracted GPs) are under the \$10M threshold for the mental health levy (i.e. \$12M less \$3M), it will not be liable for the mental health levy for the 2023-24 FY.

To avoid any confusion, the medical practice may still have a payroll tax liability for the 2023-24 FY.

16. To remove any doubt, the amnesty only applies to medical practices that satisfy the eligibility requirements for the amnesty. Where a medical practice is a member of a group for payroll tax purposes, each group member that applies for the amnesty must separately satisfy the eligibility requirements.

Administration

17. Other provisions in the Payroll Tax Act and Taxation Administration Act continue to operate to the extent they are not related to payments to contracted GPs. For example, objections provisions under Part 6, Division 1 of the Taxation Administration Act.
18. In particular, the amnesty does not alter the operation of penalty tax or unpaid tax interest for any assessments made as part of administering the amnesty.

Example

A medical practice registers for payroll tax as part of satisfying the eligibility requirements for the amnesty. Its taxable wages (excluding payments to contracted GPs) exceed the \$1.3M threshold for the 2023-24 financial year. The medical practice will be assessed for payroll tax on its taxable wages (excluding payments to contracted GPs) for the 2023-24 FY and interest and penalty tax will be imposed in accordance with the Taxation Administration Act.

19. Section 21 of the Taxation Administration Act does not apply to reassessments decreasing a medical practice's liability for tax, where the reassessment is made for the purposes of excluding payments to contracted GPs under this amnesty.

Commencement

This administrative arrangement applies on and from the date of approval.