

Revenue Rulings of not have the force of law.

Revenue Ruling	PTASA005 Payroll Tax - Medical Practitioners contracted by regional local health networks to deliver medical services in rural and regional hospitals
Status	Current
Version Number	1
Legislation	<i>Payroll Tax Act 2009</i>
Date Issued	16 May 2025

Introduction

The purpose of this revenue ruling is to explain the application of the *Payroll Tax Act 2009* to medical practitioners contracted by regional Local Health Networks (LHNs) to deliver medical services in rural and regional hospitals under agreements including, but not limited to, a SA Health Rural GP Agreement 2024-28 (GPA).

Background

SA Health is the brand name for the State Government's health portfolio of services and agencies responsible to the Minister for Health and Wellbeing.

SA Health's portfolio of services and agencies includes LHNs who manage the delivery of public hospital services and other community based health services as determined by the State Government and:

- comprise of a range of public hospital and health care sites and services, which may include community health and residential services for the aged and other vulnerable groups; and
- have a geographical or functional connection.

There are 6 regional LHNs in South Australia established as incorporated hospitals under the *Health Care Act 2008*, being as follows:

- [Barossa Hills Fleurieu Local Health Network](#)
- [Eyre and Far North Local Health Network](#)
- [Flinders and Upper North Local Health Network](#)
- [Limestone Coast Local Health Network](#)
- [Riverland Mallee Coorong Local Health Network](#)

- [Yorke and Northern Local Health Network](#)

Certain medical practices (MPs), general practitioners (GPs) and GP registrars have entered into agreements including, but not limited to, a GPA with SA Health to deliver medical services in rural and regional hospitals, providing essential healthcare, including emergency services, inpatient care, surgery, obstetrics and anaesthetics.

Liability for payroll tax

Health Services Exemption

Section 51 of the *Payroll Tax Act 2009* provides that wages paid or payable by an employer who provides health services otherwise than for the purpose of profit or gain are exempt wages. The wages must be paid or payable to a person engaged exclusively in (a) the provision of health services; or (b) work that is incidental to the provision of health services.

A "health service" means:

- a service designed to promote health; or
- a therapeutic or other service designed to cure, alleviate, or afford protection against, any mental or physical illness, abnormality or disability; or
- a paramedical or ambulance service; or the care of, or assistance to, sick or disabled persons at their place of residence; or
- a prescribed service.

Wages paid or payable by SA Health, a not for profit organisation, to employees engaged exclusively in the provision of health services or services incidental to the provision of health services are exempt wages.

Public Hospital Exemption

Schedule 2, Division 3 – Other Exemptions, Clause 12 of the *Payroll Tax Act 2009* provides that wages paid or payable by a public hospital to a person during a period in respect of which the hospital satisfies the Commissioner of State Taxation that the person is engaged exclusively in work of the hospital of a kind ordinarily performed in connection with the conduct of public hospitals are exempt wages.

Further, wages paid or payable by a hospital that is carried on by a society or association otherwise than for the purpose of profit or gain to the individual members of the society or association, being wages paid or payable to a person during a period in respect of which the hospital satisfies the Commissioner that the person is engaged exclusively in work of the hospital of a kind ordinarily performed in connection with the conduct of hospitals are exempt wages.

Application of the relevant contractor provisions to GPs and GP registrars who enter into a GPA either directly with a LHN or through a MP

A contract between a LHN and a GP or GP registrar, either directly with the LHN or through a MP, is a relevant contract under section 32(1) of the *Payroll Tax Act 2009* if all the following apply:

- a) the GP or GP registrar carries on a business or practice of providing medical services to patients;
- b) in the course of conducting its business, the LHN:
 - i. provides members of the public with access to Medical Services; and
 - ii. engages a MP, GPs or GP registrars to supply medical services to the LHN by serving patients on its behalf; and

Under section 31 of the *Payroll Tax Act 2009*, 'contract' includes an agreement, arrangement or undertaking, whether formal or informal and whether express or implied.

Where a MP is the relevant contractor to the LHN an exemption under section 32(2)(c) of the *Payroll Tax Act 2009* may apply.

Ruling

Payments made to GPs or GP registrars as relevant contractors, and therefore as deemed employees, for services performed by them to the LHN will be exempt under section 51 of the *Payroll Tax Act 2009* (the Health Services Exemption) or Schedule 2, Division 3 – Other Exemptions, Clause 12 of the *Payroll Tax Act 2009* (the Public Hospital Exemption).

On-payments made between the medical practice and the GP are also exempt, as the services rendered by the GP are not in this circumstance rendered to a patient of the medical practice but rather a patient of the LHN hospital.

That hospital, being an exempt employer, contracts with the medical practice to provide the GPs services and would thus be considered a third party payment by the medical practice for the services rendered to the hospital.

Example

The Barossa Hills Fleurieu Local Health Network enters into a GPA with the SA Rural Medical Practice for one (1) GP and one (1) GP Registrar to provide

medical services (emergency and in-patient services) at the Angaston and District Hospital.

The LHN and the Medical Practice have agreed to an on-site sessional payment model with both the GP and the Registrar on-site for weekdays only and for 38 hours per week at the fixed rate of \$256/hour for a period of 12 months. The contractor payments (wages \$505,856) are exempt pursuant to section 51 of the *Payroll Tax Act 2009*.

In addition, payments made to a MP for services performed by GPs or GP registrars engaged by the MP will be exempt on either of the following bases:

- in engaging the MP, for the services of a single GP or GP registrar, the LHN is considered to be engaging a relevant contractor (the MP), in which case the relevant contractor is providing medical services to which the exemption under section 51 of the *Payroll Tax Act 2009* or the exemption under Schedule 2, Division 3 – Other Exemptions, Clause 12 of the *Payroll Tax Act 2009* applies; or
- in engaging the MP, for services of any one of a number of GPs or GP registrars, the LHN as the designated person engaging a relevant contractor is able to claim an exemption under section 32(2)(c) of the *Payroll Tax Act 2009* as the MP is engaging two or more persons to provide medical services to the LHNs.

Services performed by two or more persons— section 32(2)(c) of the *Payroll Tax Act 2009*

The exemption under section 32(2)(c) of the *Payroll Tax Act 2009* applies if a LHN contracts with a MP, and the MP engages more than one other person, employed by or who provides services for the MP, to perform the work required under the LHN contract.

The other person(s) engaged by the MP that provides medical services for the MP to the LHN may be another legal entity, for example a company, but the exemption relates to the work performed for the LHN by a natural person.

The work performed by the other person(s) must be medical services required to be performed under the contract between the MP and the LHN, that is the exemption does not apply to other person(s) engaged by the MP providing general business-related services supporting the medical services supplied to the LHN (for example: tax, accounting or business advisory services provided to the GP or GP registrar).

Date of effect

This public ruling takes effect from 1 July 2024.

Julie Holmes
COMMISSIONER OF STATE TAXATION

History

Ruling Number	Version Number	Issue date
PTASA005	1	16/05/2025
