



**ULTIMATE**  
**TAX & ADVISORY**

# Allied Health/ Chiropractic

## Factsheet

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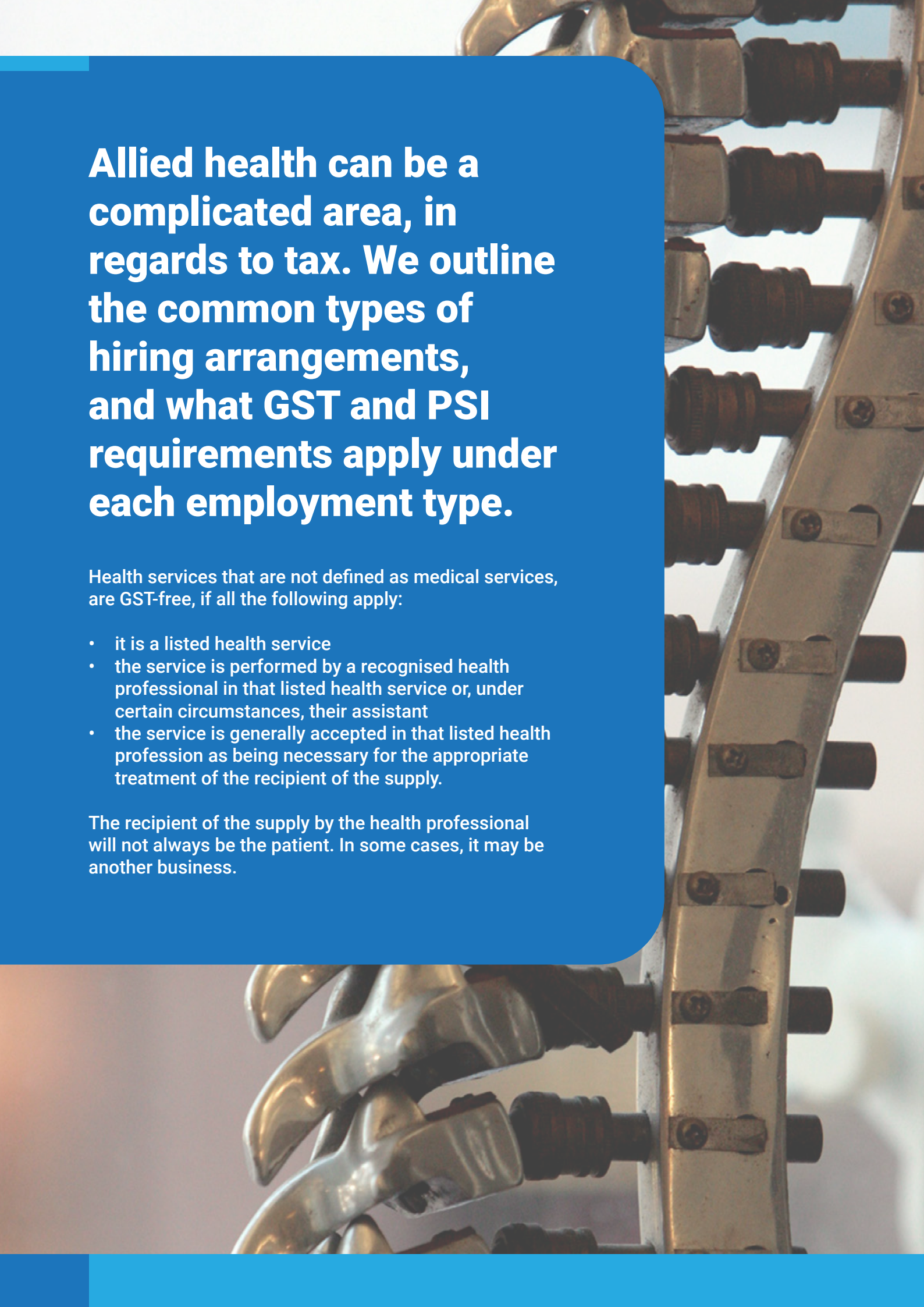
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## Allied health can be a complicated area, in regards to tax. We outline the common types of hiring arrangements, and what GST and PSI requirements apply under each employment type.

Health services that are not defined as medical services, are GST-free, if all the following apply:

- it is a listed health service
- the service is performed by a recognised health professional in that listed health service or, under certain circumstances, their assistant
- the service is generally accepted in that listed health profession as being necessary for the appropriate treatment of the recipient of the supply.

The recipient of the supply by the health professional will not always be the patient. In some cases, it may be another business.

## Listed health services

For a health service that is not defined as a medical service to be GST-free, it must be one of the following:

- an Aboriginal or Torres Strait Islander health service
- acupuncture
- audiology or audiometry
- chiropody
- chiropractic
- dental
- dietary
- herbal medicine (including traditional Chinese herbal medicine)
- naturopathy
- nursing
- occupational therapy
- optometry
- osteopathy
- paramedical
- pharmacy
- psychology
- physiotherapy
- podiatry
- speech pathology
- speech therapy
- social work

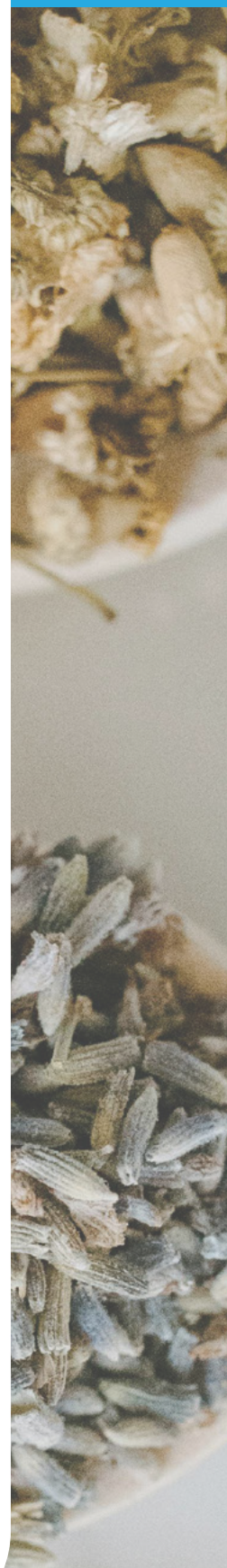
The service must be one of the listed services and cannot just be similar to one of these services.

### Massage therapy

If you supply massage therapy alone, it is not GST-free because it is not listed as a health service in the GST Act.

However, you can supply massage therapy GST-free if:

- you supply it as part of a listed health service, for example, physiotherapy
- you are a recognised professional in the listed health service and also trained in massage therapy
- the listed health service profession considers the massage to be a standard technique or component of treatment for that listed health service
- the listed health service profession accepts it as being necessary for the appropriate treatment of the recipient of the supply.



## Supplying products

Goods supplied as part of a GST-free health service are GST-free. A supply of goods is GST-free if it is both:

- a necessary part of providing the GST-free health service
- supplied at the same time and place as the service.

The goods must be either:

- specific to treating the illness or disability of the particular patient
- essential for treating that patient during that particular consultation.

### **Example: supply of goods to a patient**

Stephen treats a patient's injury during a consultation by applying strips of RockTape. If the consultation is GST-free, the RockTape is also GST-free. However, if the patient purchases a roll of RockTape to take home, then GST is applied.





## Personal Services Income (PSI)

### **PSI requirements**

Personal services income (PSI) is income produced mainly (more than 50%) from your skills or efforts as an individual.

You can receive PSI in almost any industry, trade or profession. Common examples include but are not limited to, financial professionals, information technology consultants, engineers and medical practitioners.

Income is classified as PSI when more than 50% of the income you've received from a contract is a reward for your personal efforts or skills, rather than being generated by the use of assets, the sale of goods, or from a business structure.

When working out if your income is PSI, you need to look at the income you have received from each contract separately.

If 50% or less of the income received from a contract was for your personal efforts or skills, then none of the income from that contract is PSI.



## Employment types

Workers are generally paid either as employee, subcontractor or service fee agreement. We outline the three types, and the implications for each.

### An employee

Employees work in and are part of your business, and performs their work as a representative of your business. You are required to pay wages and superannuation for all employees and manage these payments.

A legally drafted employee contract should be obtained by a legal professional.

### Does GST apply

For patient services	GST does not apply
Products	GST does not apply to product used during a service. If additional products are purchased by the client to be used at a later date these attract GST.

### PSI requirements

The PSI rules do not affect you if you're an employee receiving only salary and wages.\*

\*If you are the business owner, PSI rules may apply.

## A subcontractor

Independent contractors provide services to your business and performs work to further their own business.

They generally look after their own tax obligations, so you don't have to withhold from payments to them unless they don't quote their ABN to you, or you have a voluntary agreement with them to withhold tax from their payments.

You may still have to pay super for independent contractors if the contract is principally for their labour.

A legally drafted subcontractor agreement should be obtained by a legal professional.

### Payment

A contractor will receive an agreed percentage of the amount charged to the client. This is a commission payment to the contractor.

### Does GST apply

For patient services	GST does not apply
Products	GST does not apply to product used during a service. If additional products are purchased by the client to be used at a later date these attract GST.
Commission paid to the contractor	This may attract GST

### PSI requirements

Income will be classified as PSI if more than 50% of the income received from a contract is a reward for personal efforts or skills.



## Service fee agreement

A service fee agreement, also known as a service contract, is a legally binding document outlining the terms and conditions under which a service provider will provide services to a client, including fees, payment methods, and responsibilities.

Under this agreement, the individual contractor receives the full payment from the client who received the service. The contractor will pay the practice a set fee, as outlined in their service agreement which may include rent/admin fees.

A legally drafted Service Fee/Facility Fee agreement should be obtained by a legal professional.

### Does GST apply

For patient services	GST does not apply
Products	GST does not apply to product used during a service. If additional products are purchased by the client to be used at a later date these attract GST.
Service fee paid to the practice	This may attract GST

### PSI requirements

Income will be classified as PSI if more than 50% of the income received from a contract is a reward for personal efforts or skills.



# Thank You

## For your Business

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