



ULTIMATE
TAX & ADVISORY

Medical Services

Factsheet

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 Ultimate Tax & Advisory

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Medical services 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.

Medical services are usually GST-free. A medical service is either one of the following:

- a service for which a Medicare benefit is payable
- any other service supplied by or on behalf of a medical practitioner or approved pathology practitioner that is generally accepted in the medical profession as being necessary for the appropriate treatment of the recipient of the supply





Medical services

A service is performed on behalf of a medical professional if the following conditions are met:

- it is billed in the name of the medical professional, and they accept full responsibility for the service
- it is part of the service the medical professional provides
- the medical professional is involved in at least part of that particular service

Where the recipient of the supply is not the patient but is another business or organisation, the supply is not GST-free as a medical service unless a Medicare benefit is payable.

Some medical services are not GST-free, including cosmetic procedures where no Medicare benefit is payable – for example, removal of a tattoo.

Example: GST-free service performed on behalf of a medical professional

Dr Jones, a medical practitioner, employs nurse Angela. As part of the patient's treatment, Angela bandages Dr Jones's patient. Because Angela performs the bandaging on behalf of Dr Jones, the bandaging is also GST-free.

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

Dr Jones treats a patient's injury during a consultation by applying a bandage. If the consultation is GST-free, the bandage is also GST-free. However, extra bandages, dressings and antiseptics the patient purchases to take home are not GST-free.

Medical reports

A medical report that a medical practitioner supplies is only GST-free where one of the following is provided:

- a Medicare benefit is payable for the report
- the report is an ordinary and natural part of the performance of the GST-free medical service

If a report provided to a patient's insurer is paid by worker's compensation, this report would attract GST as a Medicare benefit is not payable for the service. The same applies for reports for injury compensation.





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.
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.





Thank You

For your Business

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