### Salaried Medical Practitioners in Private Practice Groups Not in a Partnership - Treatment

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<th><strong>Document Number</strong></th>
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| **Functional Sub group** | Corporate Administration - Finance  
Personnel/Workforce - Salaries |
| **Summary** | Method of dealing with payments between Salaried Medical Practitioners group members (who do not elect to be part of a partnership). Details administratively viable guidelines in a way which does not affect the current tax treatment of payments to Salaried Medical Practitioners. |
| **Author Branch** | Finance |
| **Branch contact** | Finance 9391 9176 |
| **Applies to** | Area Health Services/Chief Executive Governed Statutory Health Corporation, Board Governed Statutory Health Corporations, Affiliated Health Organisations, NSW Ambulance Service, Ministry of Health, Public Hospitals |
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**Director-General**

This Policy Directive may be varied, withdrawn or replaced at any time. Compliance with this directive is **mandatory** for NSW Health and is a condition of subsidy for public health organisations.
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Treatment of Salaried Medical Practitioners in Private Practice
Groups who are not in a Partnership

The Circular is to be read in conjunction with and as a variation to Circular 2000/106, which outlines the GST Treatment of Rights of Private Practice.

The purpose of this Circular is to provide guidelines for Public Health Organisations (PHOs) on the method of dealing with payments between Salaried Medical Practitioners (SMPs) group members (who do not elect to be part of a partnership). The Circular details the most administratively viable guidelines in a way which does not affect the current tax treatment of payments to SMPs.

It is not the purpose of this circular to address whether there is a partnership at law for those members who remain in groups but do not formally wish to be in a partnership as this is a matter for consideration by the SMPs and their advisers.

It is understood that the major reason for certain SMPs not participating in a private practice partnership is that certain SMPs have some issues with the legal aspects of partnerships, particularly joint and several liability.

Procedures

The following procedure has been developed with the agreement of the Australian Salaried Medical Officers Federation (NSW) (ASMOF).

Where a private practice group exists and distributes income earned by individuals in the group on a shared basis, it is necessary to ensure, for the correct tax treatment of such arrangements, that supporting documentation clearly represent the transactions involved.
The transactions involved are:-

1. Individuals in the group earn income from private practice billings;

2. Lower billing individuals in the group support the higher billing group members in a variety of capacities, for example research and administration. These individuals receive payment from a PHO for those activities through agreed levels of a distribution of group income as drawings in addition to those amounts required for payment under the SMP Determination (ie they draw more than they have invoiced);

3. The PHO levies an additional infrastructure charge on the higher billing group members. The charge raised is in addition to the scheduled infrastructure charge rates, in order to recompense the PHO for additional infrastructure related expenditure associated with relevant support activities. These support activities include the provision of services by other group members.

In order to reflect these transactions clearly, it is necessary for PHOs to ensure they include in their monthly private practice transactions (raised under Circular 2000/106) an invoice for additional charges levied on the group members who earn higher billings through obtaining access to the support services provided by other group members. This should occur by either adjustment to the tax invoice raised for the scheduled infrastructure charge or through an additional tax invoice. PHOs should also ensure that, for group members who receive additional drawings (refer to transaction 2 above), that these additional drawings are clearly reflected in their monthly private practice information schedules.

Note, where any additional infrastructure charges incurred in this manner would place a group member in the position of incurring an overall infrastructure charge in excess of 90% of billings, then this group member will be regarded, for the purposes of Circular 2000/106, as incurring an infrastructure charge based on their scheduled infrastructure charge rate. That is, where the scheduled charge is less than 90%, the group member will be subject to the recovery procedures outlined for SMPs with an infrastructure charge of less than 90%.

Further enquiries on the contents of this Circular should be directed to Ken Barker on (02) 9391 9178.

Where an SMP will be subject to the procedures outlined in this Circular, they should be provided with a copy of the Circular. Any queries they have should be directed to a nominated employee of your PHO or to ASMOF.

Michael Reid
Director-General