

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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GST for psychologists – at the start it looks easy. Psychology is an other health services in s38-10 GST Act and hence GST-free.

GST for Psychologists

But it isn't as straight forward as that. Some services a psychologist provides are subject to GST. And if you don't charge GST for those, you are liable for the GST they didn't charge. So it is important to get this right.

Subdivision 38-B GST Act

Division 38 of the GST Act covers GST-free supplies. Subdivision 38-B covers health and distinguishes between medical services in s38-7 GSTA and other health services in s38-10.

The official title for the GST Act is "A New Tax System (Goods and Services Tax) Act 1999" and we have no idea who on earth came up with that name.

Medical Services

Medical services are GST-free. Think of a GP or anaesthetist. But psychology is not a medical service.

Other Health Services

Psychology is an other health service listed under # 16 in s38-10 GST Act. Not every allied health service counts as an other health service listed in s38-10. Here is the full list of other health services in s38-10.

1 Aboriginal or Torres Strait Islander Health, # 2 Acupuncture, # 3 Audiology and audiometry, # 4 Chiropody, # 5 Chiropractic, # 6 Dental, # 7 Dietary, # 8 Herbal medicine (including traditional Chinese herbal medicine), # 9 Naturopathy, # 10 Nursing, # 11 Occupational therapy, # 12 Optometry, # 13 Osteopathy, # 14 Paramedical, # 15 Pharmacy, # 16 Psychology, # 17 Physiotherapy, # 18 Podiatry, # 19 Speech pathology, # 20 Speech therapy and # 21 Social work

Other health services are GST-free under three conditions per s38-10 (1).

- # 1 S38-10 lists the particular service as an eligible health service.
- # 2 A recognised health professional (s195-1) performs the service.
- # 3 The service follows necessary and appropriate procedures and standards.

If a psychologist ticks these three conditions, their allied health service is GST-free.

GST-free Psychology Services

Psychology services are GST-free if they meet these three conditions.

1 – Psychology is listed under item 16 in s38-10.

2 – A psychologist will tick #2 if registered with the PsyBA. Since psychology is a regulated profession in Australia, any practising psychologist needs to be registered with the Psychology Board of Australia (PsyBA), which is part of the Australian Health Practitioner Regulation Agency (AHPRA).

3 – And they will tick #3 if they follow procedures and standards accepted by the profession as necessary and appropriate.

So these are the basic rules and they suggest that everything a registered psychologist does and that is considered necessary and appropriate by the profession would be GST-free.

But it isn't. It is more complicated than that. Not everything a psychologist does is necessarily GST-free. The basic rule in s38-10 always applies. But how depends on who pays and for what.

Patient Pays

When a patient pays, things are straight forward. They receive a supply of an other health service. And this supply is GST-free, if it meets the conditions in s38-10 GSTA.

Third Party Pays

If a somebody else pays, things are more complicated. At face value the supply is to that other person or entity. And they are not the patient. And hence they don't receive an 'other health service', but a service of a different kind. So on that basis, the supply wouldn't meet the conditions in s38-10.

But there is s38-60 that allows you to circumvent this roadblock for payments from insurers, statutory third party compensation schemes and government agencies.

If the service would be GST-free apart from the issue of payment, it is also GST-free when paid by an insurer (eg. private health funds), compulsory scheme (eg. workers compensation, CTP insurance for car accidents) or an Australian government agency (eg. Medicare or NDIA).

Private Health Insurance

If a private health fund pays for something, that would have been GST-free if paid directly by the patient, then it is GST-free.

Workers Compensation

Workers compensation is a statutory compensation scheme regulated at state and territory level. There are usually three types of insurers in the workers compensation system: the relevant state or territory government agency, self-insurers and specialised insurers. In NSW the state government agency is icare.

If a workers compensation scheme pays for an allied health service that would be GST-free apart from the issue of payment, then the supply is GST-free per s38-60 (3) GST Act because the underlying supply of other health services to the patient is GST-free.

Medicare

If Medicare pays, the supply is GST-free because it counts as a medical service under s195-1.

NDIA

An NDIS supply is GST-free per s38-38 if the supply is listed in the participant's plan and made under a written agreement.

s38-38: A supply is GST-free if the supply: (a) ...to a participant ...for whom a participant's plan is in effect ...and (b) is ...reasonable and necessary supports...specified... in the participant's plan, and (c) is made under a written agreement, ...and (d) is of a kind that the Disability Services Minister has determined in writing.

It doesn't matter whether the participant pays or whether the NDIA pays through their NDIA Provider Portal. Either way the supply is GST-free if it meets the conditions in s38-38. NDIA is the National Disability Insurance Agency.

Practice Management Arrangement

Sometimes a psychologist works in a practice under an arrangement, where they pay a percentage of their fee to the practice. Let's say it is 20%, but it sometimes goes up to 50%.

So the practice operator pays for the premises, outgoings, reception, admin, marketing and whatever else the practice needs. And the psychologist pays 20% of their fee revenue to use the practice.

The consultation itself is GST-free as an other health service meeting the conditions in s38-10. But what about the 20% that go to the practice operator?

If the supply is made in the psychologist's name – their name is on the bill – then the psychologist receives facilities and administrative services from the practice operator. And that service attracts GST. So if the psychologist receives \$100 for their GST-free other health service performed at that practice, they need to transfer \$20 plus GST to the practice operator. That is \$22.

But if the operator is the one in whose name the supply is made – his name is on the bill – then the psychologist supplies professional services to the practice operator for 80% of the fee. So of the \$100 they collect GST-free, they pay the psychologist \$88 (\$80 plus GST) for their services.

Neither the supply of facilities and administrative services nor the supply of professional services is an other health service that falls under s38-10. So in either case the supply between your client and Bob is subject to GST.

And For What

The actual consultation is straight forward. That is GST-free. But what about everything else you do?

Travel

If your patient is not well enough to travel and so you travel to see them, that travel is part of your allied health service. And hence GST-free if the actual service is GST-free. The ATO confirmed this in an email dated 7 December 2018. Here is an extract.

“Payment for travel time is also paid by the insurer to [the allied health provider] and is likely to be GST-free as well, provided [the allied health provider] is required to travel to a place, patient’s premises or workplace and it is an integral component of the appropriate treatment that the service is to be performed at those locations. Any additional amount charged for the reason that [the allied health provider] is required to perform those psychology services at those locations will be embodied in the supply of that service, being other health services. Accordingly, the additional amount will be GST-free provided all of the other necessary elements of subsection 38-10 (1) are met...

Overall, if the travel costs are an integral component of the supply of psychology services, [the allied health provider] will not need to charge GST on the travel ... provided all requirements under subsection 38-10 (1) are met.”

Food and Drink

When you take your patient to a cafe to talk, your food and drink is entertainment per s32-10 (1) ITAA97 and hence not deductible as such. Here is the ATO’s one-line rebuff sent on 7 December 2018.

“In this case, the cost of the food will not be deductible for income tax purposes and there will be no entitlement to ITC (Division 69 of the GST Act).”

Involuntary Attendance

When a patient is obligated to attend a consultation, the ATO regards the party requiring attendance – for example an insurance company, a lawyer or a court – as the recipient of the service. And that recipient is not receiving a medical or other health service, hence the consultation is subject to GST.

Group sessions

Whether treatment takes place in an individual session or a group therapy session doesn’t affect GST. A group therapy session is GST-free per ATO ID 2001/39 as long as the session meets the conditions in s38-10 (1) GSTA.

So this is an overview of GST for psychologists and other allied health providers.

For more details please see the articles [Are allied health services GST free?](#) and [Are clinical reports GST free?](#) on numba.

Allied Health

Allied health doesn’t have a universally accepted definition. But everybody seems to agree that allied health professionals are not doctors or dentists, but provide direct patient care and specialised support.

Examples are podiatry, physiotherapy, chiropractice and osteopathy, audiology, speech pathology and music therapy, occupational therapy and rehabilitation counselling, optometry and orthoptics, sonography and genetic counselling and of course psychology. So psychologists are allied health providers.

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