# Request for Costing an Election Commitment

| | |
|---|---|
| **Name of proposal:** | Health – GP payroll tax repeal |
| Person requesting costing: | Elizabeth Lee MLA |
| Date of request: | 11 October 2024 |
| Summary of proposal: | A Canberra Liberals Government will repeal the 'GP tax' by amending the *Payroll Tax Act 2011* to clarify that contractors at General Practice clinics are independent contractors rather than employees, so practices are not liable for payroll tax on those contractors. |
| Issue the proposal will address: | Repeal of the GP payroll tax will improve accessibility and affordability of GP services, improving health outcomes for Canberrans. |
| Proposal's public announcement details (media release or policy statement published on a party website)[1]: | Canberra Liberals website |

**What are the key assumptions that have been made in the proposal?**

**Note**: The costing will be developed on the basis of information and assumptions provided in the costing request. The professional judgment of the Under Treasurer will determine whether these assumptions are adopted in the costing of the proposal.

This costing assumes the measure commences on 1 January 2025.

According to Question on Notice No. 1681 (22 March 2024), Treasury estimated the payroll tax gap for GP clinics in the ACT for 2022-23 to be 'around $5 million'. This gap would also encompass payroll tax exemptions for clinics which are registered for MyMedicare and meet bulk billing rates of 65% but, in the absence of more detailed information in the public domain, this costing assumes the cost of the proposal is the entire tax gap of $5 million, adjusted by WPI. Therefore, this is therefore an overestimate of the financial impact of the measure.

What are the estimated revenue and operating costs each year (if available) and what are the capital requirements for this proposal and estimated costs each year (if available)?

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue[(a)]** | -2,603 | -5,387 | -5,576 | -5,757 | -19,323 |
| **Expenses[(a)]** | 0 | 0 | 0 | 0 | 0 |
| **Capital[(a)]** | 0 | 0 | 0 | 0 | 0 |
| **Depreciation[(a)]** | **0** | **0** | **0** | **0** | **0** |
| **Offset - Expenses[(a)]** | **0** | **0** | **0** | **0** | **0** |

[1] As per Part 2, section 5 of the *Election Commitments Costing Act 2012*

| | | | | | |
|---|---|---|---|---|---|
| **Offset - Capital[(a)]** | **0** | **0** | **0** | **0** | **0** |
| **Full-time equivalent employees** | **0** | **0** | **0** | **0** | **0** |

(a) A negative number indicates a decrease in revenue or an increase in expenses, depreciation or capital outflows. A positive number indicates an increase in revenue or decrease in expenses, depreciation or capital inflows. The expenses row is not to include depreciation costs.

| |
|---|
| Has any specific information or data been utilised in generating the proposal? Please provide links or attach information/data sources referenced. |
| QoN 1681<br><br>WPI figures in the 2024 Budget Update (4.1% for 2023/24, 3.5% for 2024/25 and 2025/26, and 3.25% thereafter). |
| Where relevant, is funding for the proposal to be demand driven or a capped amount? |
| Demand driven. |
| Will third parties, for instance the Commonwealth or other State/Territories, have a role in funding or delivering the proposal? Does the proposal provide additional funding to, or redirect, any existing Commonwealth/State or Territory funding arrangements? |
| No. |
| Will funding/the cost require indexation? |
| Yes (included). |
| Who will administer the proposal? |
| CMTEDD. |
| How will the proposal be administered? |
| CMTEDD will administer the legislative change in the usual way. |
| Is the proposal part of a broader package? If so, please identify the other elements of the package. |
| No. |
| Has an allowance been made for expenses necessary to support the implementation of this proposal?<br>– If no, will the government agency be expected to absorb expenses associated with this proposal?<br>– If yes, please specify the key assumptions. |
| Any agency expenses associated with the change will be absorbed by CMTEDD. |
| Will the proposal generate savings or offsets? If so, please quantify any savings or offsets. |
| No. |
| Has the proposal been previously costed by an external (third) party? If so, will a copy of this material, including any assumptions, be made available to Treasury? |
| No. |
| What are the community impacts associated with the proposal? Who and how many people will be affected? |
| Repeal of the GP payroll tax will improve accessibility and affordability of GP services, improving |

| |
|---|
| health outcomes for Canberrans. |
| Are there any transitional considerations associated with implementation of the proposal? If so, how will they be managed? |
| No. The tax will continue to apply until the commencement of the amendment to the *Payroll Tax Act*. |
| What is the intended implementation date of the proposal? |
| Legislation will be introduced in 2024 and will be passed by early 2025. |
| When is the proposal expected to be fully operational? Please provide details such as the start and end dates, the level of commitment during each period etc. |
| The amendment will commence in the first quarter after being legislated. This costing assumes the measure takes effect on 1 January 2025. |
| Will the proposal cease, and if so, when? |
| The proposal is ongoing. |
| Is there any additional information relevant to this proposal? |
| No. |