



S Y N S T R A T

Do corporates who sub-contract vendor dentists absolve their payroll tax obligations?

We have been copied in on email correspondence directed to the Premiers and Chief Ministers of all the Australian states and territories as well as their treasurers.

The correspondence alleges payroll tax fraud by a dental corporate in transferring employee dentists to sub-contractor status.

We presume that the allegation will be closely looked at by the treasury officials in each state and territory.

A legal fiction?

We have long wondered at the inactivity of state and territory treasury officials concerning obviously fictional arrangements set up by corporates with doctors and dentists whose good will they have purchased.

Corporates which have just purchased a dentist or doctors practice goodwill then contract to that same dentist or doctor to provide “administrative services” including the dentists previously owned operatory on the basis that the dentist is now contracting with the corporate to the effect that the dentist will be treating his or her “own patients” in the corporate’s facilities! If the dentist sold their goodwill to the corporate, how can a corporate justify saying that it’s providing facilities for that dentist to treat “their own patients”?

It has always struck me as a dubious claim.

This is a common modus operandi after corporates purchase the dentist’s goodwill.

It will be interesting to see whether the allegations are taken seriously by state and territory taxing authorities.

If the state and territory taxing authorities did find against the dental and medical corporates there may be quite a few years of prior years of payroll tax owing in some cases!

I suspect that some of the corporates have pages of legal opinions to support them. Long ago I learned that on any complex issue there can be legal opinions for and against a particular view.

The other issue

This concerned whether having turned practice vendors into sub-contractors, corporates will be able to enforce exclusion arrangements in practice sale contracts? I’ll let the lawyers think about that.

Regards to all dentists.

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Graham Middleton personally has been advising dentists on strategic, practice management, valuation and conflict resolution processes for 30 years, the last 23 as a founding partner and director of Synstrat Management Pty Ltd and Synstrat Accounting Pty Ltd. He was once a regular army officer, and later Director Human Resources Manager, Attorney General's Department of Victoria. He is considered an expert on dental practice valuation and practice performance benchmarking. He has spent many years advising dentists in respect of their business and financial strategy and measuring their practice and financial performance. He is the author of Synstrat Dental Stories, the Synstrat Guide to Practice Management, 50 Rules for Success as a Dentist and Buying & Selling General & Specialist Dental Practices. He is a long-term contributor to the Australasian Dental Practice magazine. The Synstrat Group is an independent data-based organisation providing management, benchmarking, valuation, financial and accounting services to the dental profession. Synstrat Management Pty Ltd is a Licensed financial services company. Both Synstrat companies are owned by the same directors who work within the Synstrat Group.

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