

GST **(Goods and Services Tax)** **for** **Self Employed** **& Contractor** **Psychologists**



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Introduction

Goods and services tax (GST) is a broad-based tax of 10% on most goods, services and other items sold in Australia.

The general perception that all psychology related services are GST-free, is, unfortunately, not true. In this document we'll look at many of the situation psychologists face and whether GST is applicable or not. As always, if you have any questions feel free to ask us.

There are two separate areas of GST.

One is GST registration, and the other is charging GST (or not) on the services or products you provide.

Both areas are important for psychologists.

PART 1

GST Registration

Like all businesses in Australia, you will need to register for GST if you anticipate your annual turnover is going to be greater than \$75,000. Annual turnover is the total amount your business makes in a year before subtracting expenses. If your annual turnover is less than \$75,000, registering for GST is optional.

If you decide to register for GST, you have to:

- stay registered for GST for a period of at least 12 months,
- charge GST for all your products and services (unless the service is exempt i.e. GST-free)
- prepare a Business Activity Statement (BAS) every quarter.

It is free to register for GST.

If you're setting up a business, you can register for GST at the same time as registering for your ABN on the Australian Business Register website. Your ABN will also be your GST registration number.

If you already have an ABN you can register for GST by visiting [Online services for business](#) though My Gov, by phoning 13 28 66 or through your accountant, bookkeeper or tax agent.

It is often worthwhile to register for GST, even with an annual turnover of less than \$75,000.

Example

Sam is a psychologist with an annual turnover of \$60,000, so under the legislation it's not compulsory for her to register for GST.

Her expenses for stationary, rent, clinical resources and software come to \$13,200.

Annual turnover (assume all GST-free)	\$60,000
Expenses (assume all of these include 10% GST in the cost):	
Printing and Stationery	\$ 1,100
Rental	\$11,000
Clinical resources	\$ 550
Software expenses	\$ 550
Total Expenses	\$ 13,200
GST charged on these expenses	\$1,200

If Sam registers for GST, she'll be eligible to claim a refund of the GST that was charged on her expenses. This amount is \$1200 (To calculate the amount of GST take the total of \$13,200 and divide by 11).

In order to claim this money, she'll need to prepare and submit a Business Activity Statement (BAS) every quarter to the Australian Taxation Office (ATO) and she will receive a GST refund. Sam can prepare and submit the BAS statement herself, or her accountant, bookkeeper or tax agent can do this on her behalf.

Even though Sam is earning less than the \$75,000 threshold, because she is registered for GST, she will receive a \$1,200 GST refund that she would not get otherwise, so it makes sense for her to register for GST.

End of Example

Even if you're earning less than the \$75000 threshold, it makes sense to register for GST.

You can claim GST on expenses even if your sales are GST free. I have seen AI articles which claim GST credits cannot be claimed on items used to provide GST-free services. This is **not** correct.

You can claim GST credits on business expenses that include GST. For example supervision, insurance, CPD, rent, marketing etc.

You cannot claim GST credits for private use items, motor vehicle registration, entertainment expenses and items that do not have a valid tax invoice.

How to calculate GST

This calculator from the Money Smart website has a function to show how much GST is already included in the price of a product or service. Just change the option on the 'GST status' bar to 'including GST'.

<https://moneysmart.gov.au/income-tax/gst-calculator>

As mentioned above, to do this manually divide by 11.

If you want to calculate how much GST to add to a price choose 'excluding GST' on the status bar.

<https://moneysmart.gov.au/income-tax/gst-calculator>

To do this manually multiply by 1.1.

Business Activity Statements (BAS)

A Business Activity Statement (BAS) is the form you submit to the ATO to report GST collected from clients, GST credits claimed on purchases and your net GST payable. Most businesses pay GST every quarter.

You can complete and lodge your BAS yourself using the ATO Online Services or by phone using the ATO Tax line.

If you have a bookkeeper, tax agent or accountant to do your BAS, they will lodge it on your behalf.

You can pay GST by credit card, BPAY or direct transfer. If it's a very large amount, it's possible to arrange a payment plan.

If you have a GST credit the ATO will issue a refund to your nominated bank account.

Tax Invoices

Once registered and providing taxable services, you must issue a tax invoice for any sale over \$82.50 (including GST), and services provided to other businesses.

The **tax invoice must include**

- Your business name and ABN
- Invoice date
- Description of the service or item supplied
- Quantity and unit price
- Total amount (including GST) with the GST amount clearly shown
- Customer details (if available)
- Date of supply

Record Keeping

You'll need to keep records such as invoices and sales records for at least five years.

PART 2

Health Services and GST

Many health services are GST-free. However, they must fulfill three strict criteria with the Australian Tax Office.

The ATO deems that for a health service to be GST-free it must:

1. Be provided by a health service that is part of the 'listed health services' of the ATO.
2. Be provided by a recognised practitioner of that listed health service.
3. Be a service that is generally accepted by the practitioners in that listed profession as necessary for the appropriate treatment of the client.

Psychology Services and GST

Let's look at how this relates to psychology:

- 1. To be GST-free a health service must be provided by a health service that is part of the 'listed health services' of the ATO.**

Psychology is one of the ATO's listed health services.

- 2. To be GST-free a health service must be provided by a recognised practitioner of that listed health service.**

In Australia, psychology is a regulated profession. To be a recognised psychologist you must have the necessary qualifications and experience and you must be registered with the Psychology Board of Australia.

- 3. To be GST-free a health service performed must be generally accepted by the practitioners in that listed profession as necessary for the appropriate treatment of the client.**

The ATO deems that a psychologist is providing an 'appropriate treatment' when a psychologist is using their professional skills to do one or more of these things:

- a) assess a client's health.
- b) work out a course of action to preserve, restore or improve the client's physical or psychological wellbeing, as far as the practitioner's training allows.
- c) supply a treatment that is generally accepted by the psychology profession as being appropriate for the client.

Common Psychology Services and GST

Now, let's look at the GST implications of common psychology services, assuming that the services are provided by a board-registered psychologist:

Therapy Consultation: This is straight forward and is GST-free if the service is provided by a recognised practitioner and it follows appropriate procedures and standards. Whether the payments are made by a third party or by the client themselves, it doesn't matter. It will still be GST-free.

Both online and face-to-face therapy services are GST-free.

Assessment: Assessment service is GST-free if the assessment is part of an appropriate treatment undertaken for the purpose of preserving, restoring or improving the physical or psychological wellbeing of the client.

If the purpose of the assessment is for a third party and it is not used as part of an appropriate treatment for the client, then GST must be added.

Examples

- Parents pay for an autism assessment for their child so that psychologists and carers can work out appropriate treatment for the purpose of preserving, restoring or improving the physical or psychological wellbeing of the child.
In this situation the psychologist would not charge GST.
- An employer requests a pre-employment psychological assessment for a future employee who will be working in an underground mine and stationed at isolated locations.
The psychologist would charge GST for this assessment as it does not form part of appropriate treatment undertaken for the purpose of preserving, restoring or improving the physical or psychological wellbeing of the client. The psychometric testing is for the benefit of the employer.
- A psychologist completes an assessment for the Family Court to provide an expert opinion regarding parenting capacity.
The assessment is for the Court's purposes. The client is not receiving treatment from the psychologist. The report is produced for a legal process, not to guide therapy so GST must be added to the assessment and report fee.

End of Examples

In general, if an assessment is for the client's therapeutic benefit, it is GST-free.

If the assessment is for someone else's decision-making, GST applies.

Couple, Family and Group Sessions: This is GST-free as long as the sessions are provided by a recognised practitioner and the sessions follow the appropriate procedures and standards for the purpose of preserving, restoring or improving the physical or psychological wellbeing of the client/s.

Supervision Fees: Generally, you need to add GST to the supervision fee you charge another psychologist because it is not a health service.

However, supervision services to provisional psychologists are GST-free. This is because the supervision you provide to the provisional psychologist is a part of a professional or trade course leading to a qualification provided by a professional association, in this case the Psychology Board of Australia. This qualification is an essential prerequisite for the provisional psychologists to commence practice as fully registered general psychologists. Therefore, supervision services to provisional psychologists are considered to be an education course and are GST-free.

Report Writing: The ATO regards the recipients of the report not as patients or clients but as a third party. Therefore, report writing is not classified as a health service. You need to add GST to your fee. This also applies to reports written for clients to help them get vocational qualifications and medico-legal reports.

Reports for Workcover are prepared specifically for insurance companies and so they are not GST-free.

If the report is **diagnostic** and made for a GP or a psychiatrist, it can be classified as necessary for the appropriate treatment of the client and would be GST-free.

Legal Briefings, appearing as an expert Witness and Court Attendance: The ATO regards the recipients of this service as the party that requires your attendance, such as an insurance company, a lawyer or a court. Therefore, this is not a health service and will be subject to GST.

Travel: Your travel fee to your client is GST-free provided it is related to the health services that you provide. Any travel that is not related to you providing health services is subject to GST.

Training, Speaking and Seminar Fees: Educational courses are GST-free but conferences, short courses and seminars are not covered by the ATO definition of educational courses. The ATO considers an educational course to be a tertiary course determined by the Education Minister. So if you are teaching a university course, your fees are GST-free. Any fees you charge for face-to-face or online training, coaching, speaking engagements or seminars are subject to GST.

Books and Materials: Books and materials you sell are subject to GST. This includes online courses you create and sell.

Food and Drink: If you take a client to a café (for example, to work on social anxiety), the food and drink costs are not tax deductible, and you can't claim GST credits on them. The ATO considers this entertainment, not a work expense.

Cancellation Fees: A cancellation fee paid by a client for a missed or cancelled appointment is treated as payment for the intended service (i.e. treatment, consultation, report writing etc). If a cancellation fee is charged where a customer fails to turn up for an appointment, the fee will normally be treated as payment for the thing that the appointment was made for. If the service you would have supplied to the person who cancelled is GST-free, then the cancellation fee is also GST-free.

Payments Made by a Third Party

Things can get complicated when you have a third party such as a health insurance company, Medicare, or a private company paying for the psychological services on behalf of your client.

For a psychology service to be classed as GST-free, you must be providing a 'health service'. The third party which you invoice for your services (and will be paying for your service) is not your client so they technically are not the recipient of your psychology service.

Third Party Payments from an insurer, a statutory compensation or compulsory third-party scheme operator, or an Australian government agency

In this instance, there is a special section in the GST legislation. If the payer is an insurer, a statutory compensation or compulsory third-party scheme operator, or an Australian government agency then the services will be GST-free provided the underlying service is GST-free.

So, for example, if you provide a psychology therapy session to a client which is paid for by the Department of Veterans Affairs, it will still be deemed as GST-free.

If you are providing an assessment and report writing service, depending on the purpose it may or may not be GST-free. See the above section 'Assessment'.

NDIA

Payment from NDIA is a little trickier. A written plan and agreement are required for the service to be classed as GST-free. Therefore, it is possible in some limited cases that there may be an issue with the service not being GST-free because a plan is not in place.

The supply of a report to an NDIS participant is usually GST-free. This applies even when the report is directed to another party such as a school or childcare facility.

Other Third-Party Payments

If the payer is not an insurer, a statutory compensation, compulsory third-party scheme operator, an Australian government agency or the NDIS then GST is charged. For example, if it is a private business, GST will be charged. This is also the case for NGOs.

Employment Assistance Programmes (EAP)

GST will be charged as the recipient of the services will be the employer not the client.

Other tricky areas

Gap payments: The gap (i.e. the difference between the Medicare schedule fee and the actual fee) is GST-free if the service is one where a Medicare benefit is payable.

New medical procedures: As mentioned earlier the ATO requires that treatment must be generally accepted by the profession. Evidence that something is generally accepted can be that it is published in a medical journal, it's recommended by a medical college, or it has been adopted into the MBS. If you are unsure if the treatment is generally accepted, check with APHRA.

Non-Australian Clients: Just like treatment of Australian clients, treatment of non-Australians in Australia is GST-free if it is deemed appropriate treatment.

Involuntary Assessments: If the client is given compulsory treatment or a compulsory assessment, GST would be charged according to whether for the client's therapeutic benefit (in which case it would be GST-free), or if the assessment is to aid someone else's decision making (in which case GST is required).

Counselling & Psychotherapy: The profession of Counsellor is not on the ATO list of professions that can provide GST-free services. However, as a qualified psychologist (a listed profession) you can provide counselling services to your clients as an appropriate treatment. If the person providing counselling does not have a qualification as a psychologist (or a social worker – also a listed profession) then GST must be charged.

Likewise, Psychotherapist is not on the ATO list of professions. However, psychotherapy treatment provided by a qualified psychologist as an appropriate treatment is GST-free.

Practice Management Arrangements and GST

A practice management arrangement is a situation where you work as a contractor with a psychology practice, and you pay them a percentage of your fees to cover the cost of facilities and administrative costs. The GST implications on a practice management arrangement can be a bit tricky depending on how the arrangement is setup.

The two most common setups are:

1 – Facility Hire Arrangement - you pay service fees to the practice.

This is where the practice provides you with a facility management arrangement, in which the practice is providing administration (telephone answering, appointment booking, billings etc) and facilities in exchange for an administrative fee. You may also have heard this referred to as a room rental agreement.

In this instance, you invoice your client directly under your name, provider number and ABN. Let's say your consulting fee is \$200 and you have a 70%/30% split with the psychology practice. The psychology services you provide are GST-free (assuming you and the services meet the ATO criteria described above.)

However, when the practice bills you for their share of 30% split, the practice needs to add GST (if they are registered for GST) to the fees. This is because facilities and administration fees are not health services and are subject to GST. You can claim the GST back when you lodge your BAS return with the ATO.

Example

Vanessa, a registered psychologist, works under a facility hire arrangement with a psychology practice. She hires the use of rooms as well as administration services in a 70%/30% split arrangement.

Vanessa sees a client for health services and charges \$200.

After seeing the client she issues an invoice using her name, provider number and ABN to the client for the full amount of \$200.

The psychology practice then bills Vanessa for their 30% share of the fee, which is \$60. The practice adds GST of \$6 on top of this because facilities and administration fees are not health services and are subject to GST.

When Vanessa lodges her BAS with the ATO she can claim back the \$6 of GST.

End of Example

2 – Contractor Agreement Arrangements - The Practice Pays for Your Services.

In this arrangement, the practice engages you as an independent contractor. The practice invoices the client directly under the practice name. When the practice receives payments from the client, they pay you your share of income.

Example

The consultation fee is \$200, and you have a 70%/30% split. In this instance the \$200 psychology service is GST-free. When the practice receives the payment, they keep their share which is \$60. You will then make an invoice which you will send to the practice for the amount that the practice owes you.

In this instance, you need to invoice the practice \$154 (\$140 + GST) and not \$140. This is because you are providing a professional service to the practice and not a health service to the practice. The practice can claim the GST back when they lodge their BAS return with the ATO.

End of Example

Example

Jo, a registered psychologist, is engaged by a psychology practice as an independent contractor with a 70%/30% split arrangement.

Jo sees a client for health services valued at \$200. As this is a health service, it is GST-free. The practice invoices the client for \$200 using the practice name. The practice keeps their 30% share of the \$200 that the client paid, that is \$60.

Jo invoices the practice for \$154. That is \$140, her 70% share of the \$200 fee, + \$14 GST because Jo is providing a professional service to the practice and not a health service.

The practice can claim the GST of \$14 back when they lodge their BAS return with the ATO.

End of Example

In Summary

As you can see GST legislation is complex.

If you have queries about registering for GST, and what can and cannot be GST-free, we're here for you.

We understand the specifics of the psychology industry when it comes to tax and we can help you, and your business to be tax compliant.

Feel free to contact us enquiries@sheridans.net.au or (08)8376 0455

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