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Queensland  
Government

Queensland Health

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File Ref: DG045188/VMO0208

The General Manager  
Superannuation, Retirement and Savings Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sir

We refer to the Treasurer's Plan to simplify and streamline superannuation.

Removal of the complexity from the superannuation system is laudable however the plan has the potential to impact on the capacity for ongoing delivery of health services to public patients in Queensland through potentially disadvantaging visiting medical officers (VMOs) employed by Queensland Health and Mater Misericordiae Health Services Brisbane Limited (Mater Hospitals).

VMOs are primarily employed in public hospitals, including Mater Hospitals, and generally provide specialist services. They are effectively part time employees who devote a portion of their time to public hospital work. VMOs are employed under the *Terms and Conditions of Employment, Queensland Government Visiting Medical Officers 2005* (2005 VMO Agreement) which has the effect of an industrial agreement and was negotiated with their representative organisation the Australian Medical Association Queensland. The agreement recognises the unique nature of their employment including their standing as essentially private practitioners who work in both the private and public health sectors. Notwithstanding their private sector activity, VMOs are vital to the continued operation of the Queensland public health system.

We consider that certain reforms proposed have the potential to challenge the viability of future employment in the public health sector by VMOs and as a result negatively affect the delivery of public sector health services.

VMOs are able to package up to 100% of their salary to superannuation. Employer contribution of 12.75% is also provided by Queensland Health and Mater Hospitals. No additional costs on the contributions, made for employees in excess of the current age based limits, is incurred by the employers as they are not tax paying entities. The current age based contributions, being for employees of arm's length employers (non related), enable VMOs to presently contribute through

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salary packaging with multiple employers and incur only 15% taxation on the contributions to the relevant superannuation fund. For example, VMOs would have Queensland Health / Mater Hospitals and the individual's private practice medical company as their employers.

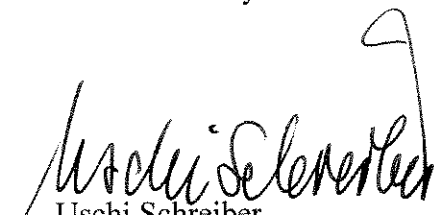
Under the changes proposed from 1 July 2007 the current arrangements would be replaced with a single rate of concessional contributions of \$50,000 per annum (transitional - \$100,000 per annum for employees over 50 years of age until 30 June 2012), and be consolidated for all employers of the individual employee during a particular financial year. The proposal applies 15% taxation up to \$50,000 in contributions (transitional - \$100,000 over 50 years of age). For contributions over \$50,000 (transitional - \$100,000 over 50 years of age), the proposal provides for taxation at the top marginal rate. All contributions, irrespective of whether the funds emanated from the individual by direct contribution or salary packaging, or through employer contributions like the Queensland Health /Mater Hospitals 12.75% of salary are encapsulated in the proposal.

In the current situation a VMO employee is able to contribute beyond the existing age based limits without having to pay tax beyond 15% on contributions. However, the employer is denied a tax deduction for amounts in excess of the limits. With Queensland Health and Mater Hospitals being non tax paying entities, employees are currently able to contribute in excess of the age based limits without taxation penalty to the employer. The only tax levied is at the rate of 15% on contributions. However, under the arrangements proposed, the Australian Taxation Office would identify contributions made in excess of the proposed limits and require the superannuation fund to remit tax at the top marginal rate.


An incentive which attracts VMOs to work for Queensland public hospitals has been the ability to salary package up to 100% of salary into superannuation. While this can still occur under the proposed arrangements, there is the restriction on the VMO of the \$50,000 cap (transition - \$100,000 over 50 years old) and beyond which, the top marginal tax rates would apply. In view of the effect of the limits imposed by the proposal, VMOs will be tempted to concentrate on maintaining a single source of income which in light of its yield potential would naturally be the private practice. Hence there is the risk that VMOs will cease working in the public health system as the proposed arrangements abolish the significant incentive of VMO employment. This has the potential to deny the Queensland public health system the services of a category of highly qualified and experienced medical specialists and that loss would be disastrous.

We would appreciate your consideration of these issues with a view to modifying the proposal in such a manner that would avoid the disincentive to employment as a VMO, or as a part time employee, that would detrimentally affect the Queensland public health system.

Yours sincerely



Uschi Schreiber  
**Director-General**  
7 / 08 / 2006



Ross Cartmill  
**Chair AMA Queensland VMO Committee**  
7 / 08 / 2006