

Taxation of Consultant Medical Staff

Revised Common Contract for Wholetime Consultants

Part 04-01-03

Document last reviewed May 2021

1. Introduction

Since 1981, medical consultants employed by health boards and certain hospitals have been engaged under a form of common contract. In June 1991, this contract was revised. Under the revised common contract certain consultants, referred to in the contract as Geographical Wholetime Consultants, may opt either to retain or not to retain private practice fees. They will have one further option within 5 years to alter this initial decision.

The effect of this arrangement on the tax liability of the consultants has given rise to difficulties. This instruction sets out in paragraph 3 the Revenue view as to the tax treatment of private practice fees in such cases.

2. Geographical Wholetime Consultant opting not to retain Private Practice Fees

Where a geographical wholetime consultant opts not to retain private practice fees, these must be placed in two funds devoted to research and continuing education. The first €1,270 of private fee income and 50% of the remainder in excess of that €1,270 are placed in one fund. Monies in this fund must be used for research (including the purchase of equipment) and the continuing education of consultants. The remaining 50% of the fees in excess of the first €1,270 must be placed in a separate fund for the continuing training and education of support staff such as nurses, receptionists, etc.

A Geographical Wholetime Consultant opting not to retain private practice fees earns a higher salary than he or she would if he or she opted to retain private fees. In the main, those who opt not to retain private fees will have little or no access to private practice, or will be close to retirement age. The number are expected to be small.

While it was envisaged that the funds were to be controlled by the consultants as a group, in practice each consultant is permitted to set up his or her own funds, and retain control over those funds, subject to the monies being used for specified purposes.

3. Tax Treatment

3.1 Fees placed in the funds

Fees placed in the funds referred to above are the income of the consultant for tax purposes, chargeable under the rules of Case II of Schedule D, and should be included in returns.

Consultants should supply their PPS Number to the accountable person in these circumstances, even though the money is paid into a fund. It will therefore be paid subject to deduction of professional services withholding tax. The consultant may claim credit for any withholding tax so deducted in the ordinary way.

3.2 Expenditure incurred and paid for out of the fund

Expenditure incurred by these consultants and paid for out of the funds is to be dealt with as follows.

Where the expenditure is of a capital nature, no deduction should be allowed in calculating profits. However, capital allowances should be allowed in respect of such expenditure in so far as it is expenditure on plant and machinery.

Revenue expenditure which is incurred in accordance with the terms of the common contract should, in general, be allowed.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]