

General Medical Service (GMS) Scheme payments to medical practitioners

Part 04-01-15

This document should be read in conjunction with Part 4 of the Taxes Consolidation Act 1997

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1 Introduction

This manual sets out the correct tax treatment of income received by medical practitioners under the General Medical Services (GMS) contract entered into with the Health Service Executive (HSE).

Finance (No. 2) Act 2023, which was signed into law on 18 December 2023, introduced a new provision, section 1008A, into Part 43 of the Taxes Consolidation Act (TCA) 1997.

Section 1008A provides that where individual General Practitioners (GPs) enter into contracts with the HSE, to provide certain medical services, and provide those services in the conduct of a partnership profession with other individual GPs, the income can be treated for income tax purposes as that of the partnership, where a joint election is made. The amendment also provides that any Professional Services Withholding Tax (PSWT) credit may be claimed by the partnership in such circumstances.

Section 1008A does not operate to treat GMS income of an employee of a partnership as income of the partnership. Nor does it apply in the case of a partnership involving any persons who are not individuals.

To allow GPs and GP practices time to make any necessary adjustments to their arrangements to ensure compliance with the correct tax treatment of GMS income, Revenue will implement transitional arrangements up to the end of 2023. Details of the transitional arrangements are set out in [section 6](#) of this manual.

2 Brief overview of the GMS Scheme

The GMS contract¹ provides that a medical practitioner² will provide services to those entitled to the services under section 58 of the Health Act 1970. In accordance with section 58 of the Health Act 1970 a GMS contract is entered by the HSE and an individual GP. While a deputising clause in the GMS contract allows services to be provided by a deputy, a registered medical practitioner, in place of the contract holder, the GP who holds the contract is at all times responsible for the proper care of all patients on his or her list and is responsible for the provision of services under the contract to his or her patients by any deputy. Where, in this context, the services of a locum are engaged by a GP, Tax and Duty Manual [Part 05-01-20](#) provides information on the tax treatment of payments to individuals engaged to carry out those services.

Payments under the GMS scheme are paid by the HSE subject to deduction of PSWT.

Under the terms of the GMS contract, 5% of the capitation payments arising to the GP under the contract are paid on the GP's behalf, and for the GP's benefit, into a superannuation fund.

While this manual focuses on the tax treatment of income arising under the GMS contract, a medical practitioner may provide medical services to the HSE under other contracts/ schemes. As detailed in [section 4](#), where section 1008A is applicable, it applies as regards income for medical services provided under the GMS scheme as well as for other ancillary medical services.

¹ <https://www.hse.ie/eng/about/who/gmscontracts/gms-contract/>

² Defined in section 2 of the [Medical Practitioners Act 2007](#)

3 Tax treatment of GMS income

3.1 General

As a matter of law, income under a GMS contract belongs to the individual GP who has entered into the contract with the HSE. This legal position was confirmed in a Tax Appeals Commission (TAC) determination issued in January 2022 (01TACD2022)³.

In general, a GP is chargeable to income tax on income arising from the GP's GMS contract under section 18(1)(a)(ii) TCA 1997, being income from a profession carried on by the GP. Therefore, a GP who holds a GMS contract—

1. is a chargeable person as regards income arising under the contract and should report that income under the self-assessment system⁴. The income will be subject to income tax at the GP's marginal rate of income tax. USC and PRSI will also apply. In computing the amount of GMS income chargeable to income tax, section 81 TCA 1997 allows for deductions in respect of expenses incurred wholly and exclusively for the purposes of a trade or profession (see [section 5](#) for further information).
2. is the specified person for the purposes of PSWT and, therefore, is the person who may, where the relevant criteria are met, claim a credit for PSWT deducted on a GMS payment by the HSE. Tax and Duty Manual [Part 18-01-04](#) provides detailed information on the operation of PSWT.

The general treatment outlined above, which is subject to section 1008A TCA 1997 (see below and [section 4](#) for further information), is not affected where a GP mandates the payment of income under a GMS contract to another person (such as a company) or body of persons (such as a partnership). Nor does such mandating of payments affect who is regarded as the specified person for the purposes of PSWT and therefore the person who may claim a credit for PSWT deducted on GMS payments.

Section 38 of the Finance (No.2) Act 2023 inserted section 1008A into Part 43 of the TCA 1997. Section 1008A provides that where individual GPs enter into contracts with the HSE to provide certain medical professional services, and provide those services in the conduct of a partnership profession with other individual GPs, the income from those professional services can be treated for income tax purposes, as that of the partnership. This means that GMS income of an individual GP may be treated as income of the medical partnership in which the GP is a partner for income tax purposes and therefore taxed in accordance with Part 43 of the TCA 1997. This

³ <https://www.taxappeals.ie/en/determinations/01tacd2022-income-tax->

⁴ For a Guide to Self-Assessment, please see: <https://www.revenue.ie/en/tax-professionals/tm/income-tax-capital-gains-tax-corporation-tax/part-41/41-00-28.pdf>

treatment only applies in the case of partnerships involving partners who are all individuals and only where a valid joint election is made by the GP partner and the medical partnership concerned. The general tax treatment outlined above will apply in all other circumstances.

3.2 Tax treatment where a GP has income other than GMS income for the delivery of medical services

A GP in receipt of GMS income may have other sources of income relating to the delivery of medical services. The tax treatment that applies in respect of that other income depends on the particular facts and circumstances. A number of scenarios are considered below.

3.2.1 GP has a GMS contract and delivers medical services as a sole trader

Where a GP operates as a sole trader and, in the course of that trade/profession, is in receipt of both GMS income and income from the delivery of medical services to private patients, the GP will be chargeable to income tax on the total profits from the trade/profession (which includes both the GMS income and income relating to private patients). USC and PRSI will also apply.

In computing profits chargeable to tax under Case II of Schedule D, the GP will be entitled to deduct expenses incurred wholly and exclusively for the purposes of the GP's trade/profession. For more information on the deduction of business expenses, refer to [section 5](#).

As a chargeable person, the GP is required to file an income tax return (Form 11) and account for any tax due under the self-assessment system. Income from the GP's trade/profession should be reported on a Form 11, together with any other taxable income the GP may have. In computing the amount of tax due in respect of the GP's professional income, the GP is entitled to claim a credit for PSWT deducted by the HSE from GMS payments.

Example 1 – Doctor A is a sole trader

Doctor A runs a medical practice. He is a member of the GMS Scheme (GMS panel 2,200). In 2023, he employed Doctor B (who does not have a GMS panel) on a part-time basis. Doctor B received a salary of €50,000 for his services. Doctor A's earnings in 2023 were as follows:

| <u>Income</u> | |
|-------------------------|-------------------------------------|
| Capitation Income (GMS) | €150,000 (PSWT of €30,000 deducted) |
| HSE Subsidies | €64,850 |
| Private fee income | <u>€225,000</u> |
| | €439,850 |

| | |
|--|------------------|
| <u>Expenses</u> | |
| Salaries | €120,500 |
| Insurance | €6,300 |
| Premises Costs | €53,000 |
| Medical and Office Supplies | <u>€3,500</u> |
| | €183,300 |
| <u>Income Tax computation for 2023*</u> | |
| Income | €439,850 |
| Less: Expenses | <u>€183,300</u> |
| Taxable Case II Income | €256,550 |
| Taxed at 20% (€40,000) | €8,000 |
| Taxed at 40% (€216,550) | <u>€86,620</u> |
| Total tax | €94,620 |
| Single Person Credit | (€1,775) |
| Earned Income Credit | (€1,775) |
| PSWT deducted | <u>(€30,000)</u> |
| Income Tax Payable | €61,070 |
| *USC and PRSI will also be payable | |
| <p>Doctor A is a chargeable person in respect of income arising from his trade/ profession, which includes income under his GMS contract and private patient income. The income is taxed under Case II of Schedule D. Doctor A is a specified person for the purposes of PSWT and, therefore, may, where the relevant criteria are met, claim a credit for PSWT deducted from the GMS payments. Doctor A is required to file an income tax return (Form 11), accounting for all income from his sole trade/profession, i.e. both his private fee income and GMS income, under the self-assessment system. In computing profits chargeable to tax, a tax deduction may be claimed for any expenditure incurred wholly and exclusively for the purposes of the trade/profession.</p> <p>Doctor B does not have a GMS panel and is not a specified person. Doctor B is employed under a contract of service and is chargeable to tax under Schedule E, that is, Doctor B's salary is subject to deduction of tax at source under the PAYE system. Doctor B is not a chargeable person in respect of this income and is not required to submit an income tax return (unless Doctor B is a chargeable person by reference to other income).</p> | |

3.2.2 GP has a GMS contract and is a partner in a GP partnership

A GMS contract is entered into with an individual GP and not a partnership. The contract envisages that the services will be provided by the GP concerned, albeit there is a provision in the contract allowing deputising in certain circumstances.

Where the services are carried out by a deputy (such as by another partner in a GP partnership or a doctor employed by the partnership), the GP contract holder retains full responsibility for the proper care of all patients on his or her list and is responsible for the provision of services under the contract to his or her patients by any deputy.

Following on from the contractual position that the GMS contract is entered into with an individual GP and not the GP partnership, income arising under the contract is income of the individual GP rather than income of the partnership for tax purposes. However, section 1008A TCA 1997, which was introduced by section 38 of Finance (No.2) Act 2023, in certain circumstances allows GMS income of an individual GP who is partner in a medical partnership to be treated for income tax purposes to be that of the partnership. It is important to note that this treatment applies only in the case of partnerships involving partners who are all individuals and medical practitioners.

The GMS income of an individual GP who is a partner in a medical partnership in which all the partners—

- are not individuals, or
- are individuals but not all of whom are medical practitioners,

will be treated as income of the individual GP for income tax purposes. An election cannot be made under section 1008A TCA 1997 to treat such income as income of the medical partnership for income tax purposes. Details in relation to section 1008A are set out in [section 4](#).

3.2.3 GP has a GMS contract and is also an employee of a medical practice

Where, in addition to holding a GMS contract with the HSE, a GP is an employee of a medical practice (whether the practice is carried on in partnership or through a company), the GP will be chargeable to tax in respect of two sources of income relating to the GP's professional medical services, as follows—

- Following on from the contractual position that the GMS contract is with the individual GP and not with his or her employer, the GP will be chargeable to tax in respect of income arising from the GMS contract under the self-assessment system, and
- The GP's employment income will be payable subject to deduction of PAYE.

As regards the GP's activities in relation to the GMS contract, the GP is regarded as carrying on a sole trade/profession. The sole trade income is income derived from the GMS contract. In computing the amount of such income which is chargeable to tax, deductions will be allowable for expenses incurred wholly and exclusively for the

purposes of the sole trade. Further information on deductibility of business expenses is set out in [section 5](#) of this manual.

As a chargeable person in relation to income arising under the GMS contract, the GP must account for any tax due on that income under the self-assessment system and must include the GMS income on an income tax return (Form 11), together with any other chargeable income. The GP is entitled to claim a credit for PSWT deducted by the HSE from the GMS payments.

The GP's employment income is required to be paid by the employer subject to deduction of PAYE. As the GP is a chargeable person (by virtue of the GMS income), the GP is required to file an income tax return (Form 11) and include all sources of taxable income on that return, i.e. the employment income should also be reported. A credit is available for tax deducted on the employment income under the PAYE system.

Example 2 – Doctor A is a sole trader in respect of her GMS income and also has employment income

Doctor A runs a medical practice in respect of her GMS patients. In 2023, Doctor A is also employed by City Doctors on a part-time basis, and has a separate part-time employment contract with Out of Hours Doc to cover weekend hours.

Income

| | |
|--|---------------------------------------|
| Capitation Income (GMS) (Doctor A) | €100,000 (PSWT deducted €20,000) |
| Employment 1 salary (City Doctors) | €30,000 (PAYE deducted €6,000) |
| Employment 2 salary (Out of Hours Doc) | <u>€25,000</u> (PAYE deducted €5,000) |
| | €155,000 |

Expenses of sole trade

| | |
|-----------------------------|---------------|
| Insurance | €3,300 |
| Premises Costs | €8,000 |
| Medical and Office Supplies | <u>€1,500</u> |
| | €12,800 |

Income Tax computation for 2023*

| | |
|------------------------|------------------|
| Income | €100,000 |
| Less: Expenses | <u>(€12,800)</u> |
| Taxable Case II Income | €87,200 |
| Schedule E Income | <u>€55,000</u> |
| Total taxable income | €142,200 |

| | |
|-------------------------|----------------|
| Taxed at 20% (€40,000) | €8,000 |
| Taxed at 40% (€102,200) | <u>€40,880</u> |

| | |
|--------------------------------|-----------|
| Total tax | €48,880 |
| Single Person Credit | (€1,775) |
| Earned Income Credit | (€1,775) |
| PSWT deducted | (€20,000) |
| PAYE deducted City Doctors | (€6,000) |
| PAYE deducted Out of Hours Doc | (€5,000) |
| Income Tax Payable | €14,330 |

*USC and PRSI will also be payable

Doctor A is a chargeable person in respect of income arising from her trade/profession (GMS contract). The income is taxed under Case II of Schedule D. In computing profits of the sole trade that are chargeable to tax, a tax deduction is available for any expenditure incurred wholly and exclusively for the purposes of the trade/profession (see [section 5](#) for further details). Doctor A is a specified person for the purposes of PSWT and therefore may, where the relevant criteria are met, claim a credit for PSWT deducted from the GMS payments. Doctor A is required to file an income tax return (Form 11) reporting all her chargeable income, which includes income from her sole trade as well as her employment income (and any other chargeable income she may have). A credit is available for PAYE deducted from her employment income.

3.2.4 GP has a GMS contract and incorporates his/ her medical practice

Where, in addition to holding a GMS contract with the HSE, a GP is a proprietary director of an incorporated medical practice, the GP will be chargeable to tax in respect of two sources of income, as follows—

- the GP will be chargeable to tax in respect of income arising from the GMS contract under the self-assessment system (this income cannot be treated as income of the company), and
- the GP's director's fees will be payable subject to deduction of PAYE.

As a chargeable person in relation to income arising under the GMS contract, the GP must account for any tax due on that income under the self-assessment system and must include the GMS income on an income tax return (Form 11), together with any other chargeable income. In computing profits chargeable to tax under Case II of Schedule D, the GP will be entitled to deduct expenses incurred wholly and exclusively for the purposes of the GP's trade/profession (see [section 5](#) for further details). The GP is entitled to claim a credit for PSWT deducted by the HSE from the GMS payments.

The GP's director's fees are required to be paid by the company subject to deduction of tax at source under the PAYE system. As the GP is a chargeable person (by virtue of the GMS income and directorship), the GP is required to file

an income tax return (Form 11) and include all sources of taxable income on that return, i.e. the director's fees should also be reported. A credit is available for tax deducted on the director's fees under the PAYE system.

The company is chargeable to corporation tax in respect of income arising to the company. The company must account for any tax due on that income under the self-assessment system and must include the income on a corporation tax return (CT1), together with any other chargeable income. In computing profits chargeable to tax under Case II of Schedule D, the company will be entitled to deduct expenses incurred wholly and exclusively for the purposes of the company's trade/profession.

Example 3 – Doctor A is a sole trader in respect of her GMS income and is also a director of a company

Doctor A is a member of the GMS Scheme for 2023. Her GMS income is €130,000 gross (PSWT deducted €26,000). Doctor A has incorporated her medical practice, Local Practice Ltd, and is a 100% shareholder. Doctor A receives a salary of €75,000 as a director of Local Practice Ltd. A second doctor, Doctor B (who does not have a GMS contract) is employed by Local Practice Ltd on a part-time basis and earns a salary of €50,000 per annum.

Doctor A is a chargeable person in respect of income arising under her GMS contract and is taxable under Schedule D Case II in respect of her GMS income. A tax deduction may be claimed for any expenditure incurred wholly and exclusively for the purposes of the sole trade/profession, being activities relating to the GMS contract. Doctor A is the specified person for the purposes of PSWT and, therefore, is the person who may, where the relevant criteria are met, claim a credit for PSWT deducted of €26,000 in respect of her sole trade income. Doctor A will be required to submit an income tax return (Form 11) in respect of her income for 2023, including her sole trader income from the GMS income.

Local Practice Ltd is required to be registered as an employer and return PAYE, USC and PRSI on the director's fees/salary payable to Doctor A and Doctor B. Local Practice Ltd must file a corporation tax return (CT1) for Local Practice Ltd's accounting period and will be charged corporation tax on the profits of the company. A tax deduction may be claimed for any expenditure incurred wholly and exclusively for the purposes of the profession.

The above tax treatment is not impacted by the transitional arrangements, referred to in [section 6](#) and the same tax treatment will continue after 1 January 2024.

4 Section 1008A - Medical practitioners operating in partnership

4.1 Overview

Finance (No. 2) Act 2023 inserted section 1008A into Part 43 of the TCA 1997. Section 1008A provides that where individual GPs enter into contracts with the HSE to provide certain medical services and provide those services in the conduct of a partnership with other individual GPs who are medical practitioners, the income can be treated for income tax purposes as that of the medical partnership, where a joint election is made. It also allows PSWT to be deducted from relevant payments under the tax number of the medical partnership where the income is treated as that of the medical partnership. This means that partners in the medical partnership will be able to claim a credit for the PSWT deducted.

Section 1008A ensures that, on the making of a joint election by a GP and a medical partnership in which he or she is a partner, amounts paid to, or for the benefit of, the GP by the HSE in respect of GMS and ancillary public services may be treated as income of the medical partnership from 01 January 2024.

4.2 Detail

Section 1008A provides that a medical partnership and a GP partner in the medical partnership, who is a relevant medical services provider, may jointly elect to treat such proportion of the GP's relevant income that relates to services that may be provided by any GP partner in, or GP employed by, the medical partnership as income of the medical partnership.

- A **“relevant medical services provider”** is a medical practitioner with whom the HSE has entered into a contract to provide relevant medical services. For these purposes the term “medical practitioner” has the same meaning as in the Medical Practitioners Act 2007.
- A **“medical partnership”** is a partnership where all the partners are individuals and are medical practitioners, and the partnership is governed by a valid written partnership agreement. A “partnership agreement” means a valid written agreement governing the partnership which is subject to the laws of the State.
- The term **“relevant income”** refers to the amount, in respect of relevant medical services, paid to, or for the benefit of, a relevant medical services provider, by the HSE.
- **“Relevant medical services”** are medical services provided by a medical practitioner to the HSE pursuant to a number of regulations and legislation. This includes services under the GMS scheme and other ancillary public

services. The relevant medical services within the scope of section 1008A are as follows—

- i. the National Childhood Immunisation Programme
- ii. the GMS Scheme
- iii. the Maternity and Infant Care Scheme
- iv. Termination of Pregnancy Services
- v. the Free Contraception Contract Scheme
- vi. the National Cervical Screening Programme
- vii. provision of health services to relevant participants who have contracted Hepatitis C
- viii. services relating to Involuntary Admissions
- ix. provision of health services relating to the Redress for Women in Certain Institutions
- x. the Opioid Replacement Scheme
- xi. the Mother and Baby Institutions Payment Scheme, and
- xii. reciprocal or other arrangements made for medical services to EU & UK nationals temporarily in the State.

This section also provides that the Minister for Finance may, by order, prescribe other medical services that may be treated as relevant medical services for the purposes of the section.

4.3 Joint Election

A joint election may be made by a medical partnership and a relevant medical services provider who is a partner in the medical partnership on or after 01 January 2024. An election may only be made as regards such proportion of the relevant income of the relevant medical services provider as relates to relevant medical services that may be provided by any medical practitioner who is a partner in, or employee of, the medical partnership, see [4.3.1](#) for further details.

A joint election must be made in advance of the date the relevant medical services provider furnishes the tax number of the medical partnership to the HSE to facilitate the correct operation of PSWT. A payment by the HSE to a relevant medical services provider may only be treated as a relevant payment to a medical partnership for the purposes of PSWT where a joint election is in place. See [4.3.3](#) for special provision for January 2024.

Where an election is not made or an election is invalid, the relevant income will be treated as income of the relevant medical services provider for income tax purposes and he or she will be the specified person for the purposes of PSWT and may claim a PSWT credit on his or her tax return in respect of the relevant payments made by the HSE.

4.3.1 Making a joint election

A medical partnership and a GP partner in that partnership, who is also a relevant medical services provider, may jointly elect to treat so much of the relevant medical service provider's relevant income as relates to relevant medical services that may be provided by any medical practitioner who is a partner in, or employee of, the medical partnership, as income of the medical partnership. For example, where a GP, who has entered a GMS contract with the HSE, is a partner in a medical partnership and any medical practitioner in the medical partnership may, under the operating practice of the medical partnership, provide medical services in respect of which the GP receives GMS income from the HSE, then 100% of that income may be treated as income of the medical partnership where a valid joint election is made.

A joint election under section 1008A TCA 1997 must be made in the specified [medical partnership joint election form](#). The form must be completed in full and signed by both the precedent partner of the medical partnership and the relevant medical service provider.

The medical partnership should submit the joint election to Revenue through **MyEnquiries**, and select the following categories —

Category: IT

Subcategory: Medical partnership section 1008A(4) joint election.

A joint election will take effect on the later of 01 January 2024 and the date on which it is made. Once made, the joint election will remain in place until such time as it is withdrawn by the parties.

Where more than one partner in a medical partnership is a relevant medical services provider and relevant income of each of them is to be treated as income of the medical partnership for income tax purposes, separate elections must be made in respect of **each** relevant medical service provider's relevant income.

4.3.2 Notification of medical partnership tax number

For the purpose of operating PSWT, where a joint election is made under section 1008A TCA 1997, the relevant medical services provider is required to furnish the tax number of the medical partnership concerned to the HSE. In all cases, this notification is to be made by the relevant medical services provider and not by the precedent partner in the medical partnership. The HSE, as the accountable person for PSWT purposes, will withhold PSWT in the tax number of the medical partnership and issue payment notifications to Revenue based on that tax number.

A joint election must be made in advance of the date the relevant medical services provider furnishes the tax number of the medical partnership to the HSE to facilitate the correct operation of PSWT.

In these circumstances, the medical partnership is treated as the specified person for the purposes of operating PSWT on relevant income and claiming the PSWT credit.

A payment by the HSE to a relevant medical services provider may only be treated as a relevant payment to a medical partnership for PSWT purposes where a joint election is in place.

4.3.3 Special provision for January 2024

Revenue acknowledges that, in respect of partnership arrangements in place at 1 January 2024, joint elections under section 1008A(4) TCA 1997, and the subsequent notification of the medical partnership tax reference number to the HSE by the relevant medical service provider, may not be in place at 1 January 2024.

Revenue will accept, subject to all other conditions under section 1008A being satisfied, that relevant income (GMS and ancillary medical services income to which section 1008A relates) paid by the HSE to a medical practitioner in January 2024 and associated PSWT credits may be treated as income/ PSWT credits of the medical partnership where a joint election is in place, and the requisite notification is made to the HSE, by 31 January 2024.

4.3.4 Filing Requirements

The precedent partner of the medical partnership must include details of the relevant income, to which an election under section 1008A TCA 1997 applies, in the partnership's Form 1 (Firms) income tax return.

The relevant medical services provider must confirm in his or her income tax return (Form 11) that an election has been made under section 1008A(4) for the relevant year of assessment and provide the name of the medical partnership to which the election relates.

4.3.5 Apportionment of Income and PSWT credits

The relevant income must be included in the calculation of the medical partnership's taxable profits/losses and each partner will receive his or her share of the taxable profits, as apportioned by the partnership profit-sharing agreement.

The PSWT credit will also be apportioned between the partners in the medical partnership, as per the partnership profit-sharing agreement.

As chargeable persons, each partner in the medical partnership will include his or her portion of taxable profits/losses and PSWT credit on his or her income tax return (Form 11).

4.4 Treatment of business expenses for the purposes of section 1008A

Where an election is made to avail of the tax treatment under section 1008A, any expenses laid out or expended for the purposes of earning the relevant income, which is treated as that of the medical partnership, will be treated as expenses incurred by the medical partnership in the course of its trade.

As such, in calculating the medical partnership's taxable profits, relevant income and any expenditure wholly and exclusively laid out or incurred for the purposes of earning that relevant income, will be treated as income earned and expenses expended by the medical partnership in the course of its trade. For more information on the deduction of business expenses, refer to [section 5](#).

4.5 Arrangements to which section 1008A does not apply

Section 1008A TCA 1997 can only apply in the context of partnership arrangements. It does not apply in respect of the relevant income of a relevant medical services provider where:

- a) not all partners in the medical partnership concerned are individuals. The provision applies only for individual GPs who operate in partnership with other individual GPs, and does not apply to, or change the tax situation for GPs who are employees of a partnership or GP partners in partnerships that includes corporate entities.
- b) not all partners in a partnership are medical practitioners, as defined by the Medical Practitioners Act 2007.
- c) the partnership is not governed by a valid written partnership agreement.
- d) a GP, who holds a GMS contract, is an employee of (rather than a partner in) a medical partnership.
- e) a valid joint election is not made.

A relevant medical services provider and medical partnership will not qualify for the tax treatment, as provided for under section 1008A TCA 1997, where all the required conditions and criteria of that section are not met in full.

4.6 Examples - Medical practitioners operating in partnership

4.6.1 Section 1008A(4) joint election is made by the medical partnership and the GP

Example 4

ABC Medical Practice entered into a valid written partnership agreement on 1 January 2020. The medical partnership comprises of Dr. A, Dr. B and Dr. C, each with an equal share in the partnership. Dr. A, Dr. B and Dr. C all have GMS contracts with the HSE. Under operating practice within ABC Medical Practice, any partner in the medical practice may provide relevant medical services to any patient of the medical practice.

Separate joint elections are made under section 1008A(4) TCA 1997 by ABC Medical Practice with Dr. A, Dr. B and Dr. C on 29 December 2023 to take effect from 1 January 2024. The joint elections are submitted in the specified form via MyEnquiries. Dr. A, Dr. B and Dr. C each separately contact the HSE on 30 December 2023 and provide the tax reference number of ABC Medical Practice for the purposes of operating PSWT on their relevant income.

The joint elections made under section 1008A(4) TCA 1997 provide that the GMS income of each of the three GP partners will be treated as income of ABC Medical Practice for income tax purposes.

For each GP partner (Dr. A, Dr. B and Dr. C), under section 1008A —

- The GP partner (who is the relevant medical services provider) and ABC Medical Practice (the medical partnership) may jointly elect that the proportion of the GP partner's income that relates to certain medical services provided by employees or partners of the medical partnership, be treated as income of ABC Medical Practice. Please refer to [4.3.1](#) for further details on making a joint election.
- The GP partner must furnish the tax number of ABC Medical Practice to the HSE. The HSE will withhold PSWT in the tax number of ABC Medical Practice and issue payment notifications to Revenue accordingly.
- The precedent partner of ABC Medical Practice must include details of the relevant income in the partnership's income tax return Form 1 (Firms) for the relevant years.
- The GP partner must confirm, in his or her income tax return (Form 11), that an election has been made under section 1008A(4) TCA 1997 for the relevant year of assessment and also provide ABC Medical Practice's name.
- The relevant income must be included in the calculation of ABC Medical Practice's taxable profits/losses and each partner will receive his or her share of the taxable profits, based on the partnership profit-sharing agreement.
- The PSWT credit will be apportioned between the partners of ABC Medical

Practice, as per the partnership profit-sharing agreement.

- As chargeable persons, each GP partner in ABC Medical Practice must include their portion of taxable profits/losses and PSWT credit on his or her income tax return (Form 11).

4.6.2 An employee of a medical partnership has a GMS contract

Example 5

A GP has a GMS contract with the HSE and entered into an employment contract with XYZ Medical Practice on 1 January 2021. XYZ Medical practice is a partnership where all partners are individuals who are medical practitioners. The employment contract provides that the GP will mandate payments under the GMS contract and associated PSWT credits to XYZ Medical Practice.

A joint election cannot be made under section 1008A(4) by the employee and XYZ Medical Practice. A joint election can only be entered into under section 1008A(4) of the TCA 1997 where the GMS contract is held by a partner of XYZ Medical Practice.

4.6.3 A partner of a medical partnership which includes a corporate entity has a GMS contract

Example 6

A GP has a GMS contract with the HSE and entered into a written partnership agreement with 123 Medical Practice on 1 January 2021. 123 Medical practice is a partnership which comprises of 123 Medical Practice Ltd and 3 individual GPs each with a 25% share in the partnership. A joint election cannot be made under section 1008A(4) of the TCA 1997 as 123 Medical Practice includes a corporate entity.

5 Treatment of business expenses

When computing business profits assessable to tax under Schedule D, Case II (profession), a taxpayer must first look to section 81 of the TCA 1997 to determine what expenses are deductible. The central test of deductibility when computing assessable Case I or II profits is whether the expense has been “*wholly and exclusively laid out or expended for the purposes of the trade or profession*”⁵.

For an expense to be deductible in computing the profits of a trade/profession, the expense must have been incurred for the purpose of the trade/profession concerned. In establishing the purpose of expenditure, it is necessary to have regard to the aims or objectives underlying the expenditure⁶.

Where an identifiable proportion of an expense has been laid out wholly and exclusively for the purpose of a trade/profession, then that part will not be disallowed on the basis that the expense, as a whole, was not so laid out or expended. The expenditure must be capable of division into distinct elements, one or more of which is incurred wholly and exclusively for the purposes of the trade.

Where a particular business expense is wholly and exclusively incurred for the purpose of a particular trade/profession, it may only be treated as a tax-deductible expense of that particular trade/profession. If an expense is incurred by a person (or a body of persons in the case of a partnership) and the expense is not wholly and exclusively incurred for the purpose of that person’s trade/profession, then only such proportion of the expense as relates to that person’s trade/profession will be deductible in computing the chargeable profits of the trade/profession. However, where an election is made under section 1008A(4) TCA 1997, any expenses laid out or expended for the purposes of earning the relevant income, which is treated as that of the medical partnership for income tax purposes, will be treated as expenses incurred by the medical partnership in the course of its trade.

As such, in calculating the medical partnership’s taxable profits, relevant income and any expenditure wholly and exclusively laid out or incurred for the purposes of earning that relevant income will be treated as income that was earned and expenditure that was expended by the medical partnership.

The following are some guiding principles in relation to the deduction of business expenses by GPs—

- Where a GP operates as a sole trader and the GP’s activities include the delivery of services under a GMS contract and the delivery of medical services

⁵ Section 81(2)(a) of the TCA 1997.

⁶ *Bentleys, Stokes & Lowless v Beeson* (1952) 33 TC 491, confirmed in *Mallalieu v Drummond* [1983] STC 665.

to other patients than any expense incurred wholly and exclusively for the purpose of the GP's trade/profession will be allowable as a deduction in computing profits (comprising both GMS and non-GMS income) of the GP that are chargeable to income tax. Where a GP incurs an expense that is not wholly and exclusively incurred for the purpose of the GP's trade/profession, then only such portion of the expense as is incurred for the purpose of the GP's trade/profession will be deductible in computing the trading/professional profits.

- Where a trade/profession is carried on by a partnership, expenses wholly and exclusively incurred for the purpose of the partnership trade/profession will be allowable as a deduction in computing the income of the partnership trade/profession for income tax purposes. That partnership trade/profession is distinct from any sole trade carried on in the same premises by a GP in their own right (for example, by a doctor employed by, but who is not a partner in, the partnership, who has entered into a GMS contract). Where the partnership incurs an expense for the purpose of more than one trade, the expense cannot be treated as fully deductible in computing the profits of the partnership, only such portion of the expense as is incurred wholly and exclusively for the purpose of the partnership trade may be deducted. Where a valid joint election is made under section 1008A(4) of the TCA 1997, GMS income of an individual GP, who is a partner in a medical partnership, and expenses expended in earning that income, will be treated as income earned and expenses expended by the medical partnership in the course of its trade.
- Where the portion of an expense that relates to another trade is charged to the person carrying on that other trade and is wholly and exclusively incurred by that person for the purpose of that other trade/profession, it may be tax deductible in computing profits of that trade/profession.
- Where a trade is carried on by a company, expenses wholly and exclusively incurred by the company for the purpose of the company's trade will be allowable as a deduction in computing income of that trade for corporation tax purposes. A trade of the company, consisting of the delivery of medical services, is separate and distinct to any sole trade carried on by any person who is employed by, or is a director of, the company who holds a GMS contract. Where the company incurs an expense for the purpose of more than one trade, the expense cannot be treated as fully deductible in computing the profits of the company, only such portion of the expense as is incurred wholly and exclusively for the purpose of the company's trade may be deducted. Where the portion of an expense that relates to another trade is charged to the person carrying on that other trade and is wholly and exclusively incurred by that person for the purpose of that other trade/profession, it may be tax deductible in computing profits of that trade/profession.

6 Transitional arrangements up to 31 December 2023

6.1 Background and overview

Revenue understands that practices have developed within the GP community whereby a GP may have mandated that GMS payments are paid to a medical practice in circumstances where—

- a) the GP is employed by the medical practice concerned and receives a salary from that practice, which is payable subject to PAYE, or
- b) the GP is a partner in the medical practice concerned and receives a share of the partnership profits.

Where the payments are so mandated, the parties have been treating the income as if it were income of the medical practice for tax purposes. As outlined in [3.1](#) above, as a matter of law, and following the contractual position, income under a GMS contract is income of the GP who has entered into the contract with the HSE.

Section 1008A TCA 1997 (which is outlined in [section 4](#) of this manual), is effective from 1 January 2024. Before that date, there is no legal basis to treat income arising under a GMS contract entered into between a GP and the HSE as if it were income arising under a contract between the HSE and the medical practice in which the GP is a partner or an employee for tax purposes. Section 1008A allows an individual GP who is a partner in a medical practice in which all the partners are individuals and medical practitioners, to jointly elect with the medical practice in certain circumstances to treat his or her GMS income as income of the medical practice for income tax purposes. That provision does not operate to treat GMS income of an employee of a partnership as income of the partnership. Nor does it apply in the case of a medical partnership involving any persons who are not individuals/ medical practitioners.

The correct tax treatment of GMS income under existing tax legislation is set out in [section 3](#). It is important to note that this is not a change of tax treatment – the only change is the new section 1008A TCA 1997 which treats GMS income of an individual doctor as that of a medical partnership in certain circumstances.

Revenue expects that, in relation to bona fide arrangements referred to in a) or b) above, for the tax year 2024 onwards, a GP who holds a GMS contract will, where they are not already doing so, account for tax payable in respect of their GMS income in accordance with tax legislation, including section 1008A TCA 1997. This expectation, as regards the application of [section 3](#) above in relation to income arising from a GMS contract for the tax year 2024 onwards, does not apply in respect of arrangements that are not bona fide or which have been entered into for the purpose of securing a tax advantage (see [6.5](#)). In respect of such arrangements, the treatment referred to at [section 3](#) above will be applied for all tax years.

For the avoidance of doubt, in circumstances where a GP, who holds a GMS contract, has incorporated his or her medical practice, the treatment referred to at [3.2.4](#) above will be applied in respect of his or her GMS income for all tax years (i.e. the transitional arrangements will not apply).

6.2 Transfers of PSWT credits

In some cases where GMS payments belonging to an individual GP have been mandated to be paid to a medical practice—

- requests have been made to Revenue to transfer credit for PSWT deducted from the GMS payments to either the medical practice employing the GP or the partnership in which the GP is a partner,
- the employer or the partnership, as the case may be, has treated the credit as being available for an interim refund or set off against the final tax liability of the employer or the partners in the partnership.

There is no legislative basis for the transfer of a PSWT credit from one person to another and, other than where the transitional arrangements for 2023 and prior years apply (see below), requests for transfers of PSWT credits associated with a GP's GMS income to another person will not be facilitated. As outlined in [section 4](#), from 2024, section 1008A TCA 1997 will treat GMS income of a GP partner as income of a medical partnership in certain circumstances. Where this applies, the medical partnership may claim a credit for PSWT deducted by the HSE on such GMS payments.

6.3 Transitional arrangements for 2023 and prior years

The correct tax treatment of income, and the associated PSWT credit, arising from a GMS contract entered into by a GP with the HSE is outlined in [section 3](#) above. From 1 January 2024, this treatment must be applied in all cases.

It is acknowledged that full implementation of the correct legal position will require adjustments to some arrangements currently in place involving GPs and medical practices. Accordingly, Revenue will, as regards certain arrangements, delay enforcing strict adherence to the correct legal position until 1 January 2024 and will implement transitional arrangements up to the end of 2023 where certain conditions are met (see [6.4](#)).

6.3.1 Transitional arrangements: GP with a GMS contract is employed by a medical practice

In circumstances where a GP is employed by a medical practice, receives a salary from that practice (payable subject to PAYE), and has mandated the payments under his or her GMS contract with the HSE to his or her employer, then to the extent that

the correct legal position is not already being applied⁷, the following transitional arrangements will apply for 2023 and prior years—

- Where this is already happening in practice, the GMS income mandated to be paid to the medical practice may, on a concessional basis, be treated as income of the employer and taken into account in computing the chargeable profits of the employer for income or corporation tax purposes, as the case may be.
- Where it is agreed between the GP and the medical practice, and the necessary consent is given to Revenue, PSWT credits related to the GMS income may be transferred from the GP to the medical practice.
- Where the GMS income is treated for tax purposes as income of the employing medical practice, and that income is taken into account in full in computing the chargeable profits of the medical practice in the chargeable period to which the GMS payments relate, the GP need not return the GMS income mandated to be paid to the medical practice in a return of income for a chargeable period ending on or before 31 December 2023.

The above treatment is conditional on the requirements set out in [6.4](#) being met. These transitional arrangements will not apply from 1 January 2024.

Example 7

A GP has a GMS contract with the HSE and entered into an employment contract with Best Medical Practice on 1 January 2021. Best Medical Practice is operated in partnership. The GP concerned is not a partner in the partnership. The employment contract provides that the GP will mandate payments under the GMS contract and associated PSWT credits to Best Medical Practice. The arrangements have been entered into for bona fide commercial reasons.

Best Medical Practice prepares accounts to 31 December each year and for each chargeable period since 1 January 2021, Best Medical Practice has treated the GMS income mandated to be paid to it as its income for tax purposes, with the income being included in full in computing the chargeable profits of the partnership. The GP receives a salary from Best Medical Practice which is payable subject to PAYE. The GP does not have any other income.

⁷ Transitional arrangements are being facilitated to allow GPs and medical practices to make any necessary adjustments to ensure that the correct legal position in relation to the taxation of GMS income is applied from 1 January 2024. They are not intended to facilitate a reversal of the application of the correct legal position, where this is already being applied in a particular case.

Under transitional arrangements—

- Best Medical Practice may continue to treat GMS payments belonging to the GP up to 31 December 2023, being payments for which payment notifications have been made on or before 31 December 2023, as income of the practice and the individual partners may, in accordance with the terms of the partnership agreement, receive the associated credit for the PSWT deducted up to that date. The GMS payments should be taken into account in full in computing the chargeable profits of Best Medical Practice for each chargeable period to which they relate up to 31 December 2023.
- To enable a transfer of PSWT credit from the GP to the partners in Best Medical Practice, consent must be given by the GP to Revenue.
- The GP will not be required to return GMS income on a tax return for the tax years 2021, 2022 and 2023. As the GP does not have income other than GMS income and a salary from the medical practice, the GP is not required to file an income tax return (Form 11) for those tax years.

From 1 January 2024 (when transitional arrangements cease to apply)—

- Best Medical Practice should not treat GMS payments belonging to the GP as income of the practice and the partners may not claim a credit for any PSWT deducted on such payments.
- As a chargeable person, the GP must account for any tax due on his or her GMS income under the self-assessment system and must file an income tax return (Form 11). The GP is entitled to claim a credit for PSWT deducted by the HSE on GMS payments. Tax and Duty Manual [Part 18-01-04](#), provides information on the operation of PSWT.
- Section 4. 3 of Tax and Duty Manual [Part 18-01-04](#) sets out how interim refund applications by the GP in 2024 will be dealt with.
- Where the GP receives a salary from Best Medical Practice, it will be payable subject to PAYE.

Section 1008A does not operate to treat GMS income of an employee of a partnership as income of the partnership.

Example 8

A GP has a GMS contract with the HSE and entered into an employment contract with Medical Practice Ltd on 1 January 2021. The GP or a person connected with the GP does not hold any shares in Medical Practice Ltd. The employment contract

provides that the GP will mandate payments under the GMS contract and associated PSWT credits to Medical Practice Ltd. The arrangements have been entered into for bona fide commercial reasons.

Medical Practice Ltd's accounting period ends on 31 December and for each accounting period since 1 January 2021, Medical Practice Ltd has treated the GMS income mandated to be paid to it as its income and the income has been included in full in computing chargeable profits for corporation tax purposes. The GP receives a salary from Medical Practice Ltd which is payable subject to PAYE. The GP does not have any other income.

Under transitional arrangements—

- Medical Practice Ltd may continue to treat GMS payments belonging to the GP up to 31 December 2023, being payments for which payment notifications have been made on or before 31 December 2023, as income of Medical Practice Ltd and receive the associated credit for the PSWT deducted up to that date. The GMS payments should be taken into account in full in computing the chargeable profits of Medical Practice Ltd for each accounting period to which they relate up to 31 December 2023.
- To enable a transfer of PSWT credits from the GP to Medical Practice Ltd, consent must be given by the GP to Revenue.
- The GP will not be required to return GMS income on a tax return for the tax years 2021, 2022 and 2023. As the GP does not have any income other than GMS income and a salary from the medical practice, the GP is not required to file an income tax return (Form 11) for those tax years.

From 1 January 2024 (when transitional arrangements cease to apply)—

- Medical Practice Ltd should not treat GMS payments belonging to the GP as income of the practice and may not claim a credit for any PSWT deducted on such payments.
- As a chargeable person, the GP must account for any tax due on his or her GMS income under the self-assessment system and must file an income tax return (Form 11). The GP is entitled to claim a credit for PSWT deducted by the HSE on GMS payments.
- Section 4.3 of Tax and Duty Manual [Part 18-01-04](#) sets out how interim refund applications by the GP in 2024 will be dealt with.
- Where the GP receives a salary from Medical Practice Ltd, it will be payable subject to PAYE.

Section 1008A does not operate to treat GMS income of an employee of a partnership as income of the partnership.

6.3.2 Transitional arrangements: GP with a GMS contract is a partner in a medical practice

In circumstances where a GP is a partner in a medical practice and has mandated that payments under his or her GMS contract with the HSE are made to the partnership, then to the extent that the correct legal position is not already being applied, the following transitional arrangements will apply for 2023 and prior years—

- Where this is already happening in practice, the GMS payments mandated to be paid to the medical practice may, on a concessional basis, be taken into account in computing the chargeable profits of the partnership for income tax purposes.
- Where it is agreed between the GP and the medical practice, and the necessary consent is given by the GP to Revenue, PSWT credits related to the GMS income may be transferred from the GP to the partners in the medical practice, in accordance with the terms of the partnership agreement.
- Where the GMS income is treated for tax purposes as income of the medical practice, and that income is taken into account in full in computing the chargeable profits of the medical practice in the chargeable period to which the GMS payments relate, the GP need not return the GMS income mandated to be paid to the medical practice in a return of income for a chargeable period ending on or before 31 December 2023. Rather, the GP should return in a tax return his or her share of the partnership profits for each chargeable period ending on or before 31 December 2023, together with any other sources of income.

The above treatment is conditional on the requirements set out in [6.4](#) being met. These transitional arrangements will not apply from 1 January 2024.

From 1 January 2024 (when transitional arrangements cease to apply), the applicable treatment set out in tax legislation will apply. As already noted, section 38 of Finance (No. 2) Act 2023, inserted a new section 1008A into the TCA 1997 that will, in certain circumstances, allow GMS income of an individual GP partner to be treated as income of a medical partnership for income tax purposes (see [section 4](#) for further details). Such an election cannot be made where not all partners in the medical partnership are individuals who are medical practitioners.

Example 9

A GP has a GMS contract with the HSE and entered into a partnership agreement to become a partner in Good Medical Practice on 1 January 2021. All partners in Good Medical Practice are individuals and medical practitioners and, under operating practice within Good Medical Practice, any GP partner or doctor employed by the

practice may provide medical services to patients. The partnership agreement provides that the GP will mandate payments under the GMS contract to the partnership and that associated PSWT credits will be shared between the partners in accordance with the terms of the partnership agreement for Good Medical Practice. The arrangements have been entered into for bona fide commercial reasons.

Good Medical Practice prepares accounts to 31 December each year and for each chargeable period since 1 January 2021, Good Medical Practice has treated the GMS income mandated to be paid to it as its income, with the income being included in full in computing the chargeable profits of the partnership. The GP receives the agreed share of the partnership profits and claims the associated PSWT credit.

Under transitional arrangements—

- Good Medical Practice may, up to 31 December 2023, treat GMS payments belonging to the GP, being payments for which payment notifications have been made on or before 31 December 2023, as income of the practice and the individual partners may, in accordance with the terms of the partnership agreement, receive the associated credit for the PSWT deducted up to that date. The GMS payments should be taken into account in full in computing the chargeable profits of Good Medical Practice for each chargeable period to which they relate up to 31 December 2023.
- To enable a transfer of PSWT credits from the GP to the partners in Good Medical Practice, consent must be given by the GP to Revenue.
- The GP will not be required to return GMS income on a tax return for the tax years 2021, 2022 and 2023 and should only include on the return his or her share of the partnership profits and income from any other sources.

From 1 January 2024 (when transitional arrangements cease to apply), the applicable treatment set out in tax legislation will apply. Where section 1008A applies, the GP and Good Medical Practice may jointly elect to treat GMS income of the GP as income of Good Medical Practice for income tax purposes (see [section 4](#) for further details).

6.4 Conditions attaching to the transitional arrangements for 2023 and prior years

The transitional arrangements outlined in [6.3](#) in respect of 2023 and prior years will only apply in respect of GP/medical practice arrangements, whereby payments belonging to the GP are mandated to be paid to the medical practice in which the GP is an employee or a partner, where the following conditions are satisfied—

- a) The GP concerned is not already applying the correct legal treatment in respect of payments arising from his or her GMS contract, i.e. the payments are being

taken into account in computing the chargeable profits of the employing medical practice or the partnership, as the case may be.

- b) The GMS payments are taken into account in full in computing the chargeable profits of the medical practice for income tax or corporation tax purposes, as the case may be, and the medical practice is tax compliant.
- c) In relation to a transfer of PSWT credits from the GP concerned to the medical practice, the following is complied with—
 - The GP concerned must submit a written notification to Revenue authorising the transfer and specifying details of the credit and the relevant payment notification. A copy of the authorisation notification should also be provided to the medical practice concerned and retained by the practice for their records.
 - The practice (whether partnership or corporate) to whom the credit is being transferred must apply to Revenue to have the PSWT credited to their Revenue account, giving details of the credit and the relevant payment notification.

Applications for transfers of credit in respect of a chargeable period up to and including 2023 must be submitted to Revenue by 31 December 2024.

Where a credit has been transferred and a practice fails to account for the corresponding GMS income, the credit transfer will be withdrawn.

- d) In circumstances where a GP, who holds a GMS contract, is an employee of a medical practice that is operated through a company, the GP or a person connected with the GP must not hold, or have previously held, any share capital in the company.
- e) The GP/ medical practice arrangements are not arrangements referred to in [6.5](#).

Revenue will not seek to revisit cases where credits were transferred in the past on the basis of bona fide commercial arrangements and where the main objective of entering such arrangements was not to secure a tax advantage.

6.5 Arrangements to which the transitional arrangements do not apply

As noted above, the transitional arrangements will not apply unless the conditions specified in [6.4](#) are met. Furthermore, the transitional arrangements will also not apply where arrangements have been entered into otherwise than for bona fide commercial reasons or where the main objective of the arrangements is to secure a tax advantage.

The transitional arrangements do not apply where a GP, who holds a GMS contract, has incorporated his or her medical practice. In such circumstances the correct legal position as set out in [3.2.4](#) will apply for all years.

Example 10

A GP who has entered into a GMS contract sets up a company, the shares in which are wholly owned by the GP and the GP's spouse/ civil partner. The GP mandates the GMS payments and associated PSWT credits to the new corporate entity. The main objective of the arrangement is to convert income liable to income tax at marginal rates to income liable at lower corporation tax rates.

The following applies—

- The GMS payments and PSWT deducted belong to the GP and should not be included in the accounts of the company.
- The GP is required to account for the GMS income on his or her income tax return (Form 11) and will receive credit for the PSWT deducted.

Example 11

A GP who has entered into a GMS contract enters into a partnership with a company, the shares in which are held by the GP's niece who is also a GP in the medical practice. The GP mandates the GMS payments under the contract and associated PSWT credits to the partnership. Under the terms of the partnership agreement, the bulk of the partnership income is allocated to the company. The main objective of this arrangement is to convert income liable to income tax at marginal rates to income liable at lower corporation tax rates.

The following applies—

- The GMS payments and PSWT deducted belong to the GP and should not be included in the accounts of the company.
- The GP is required to account for the GMS income on his or her income tax return (Form 11) and will receive credit for the PSWT deducted.