

## ***Cosmetic procedures -***

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⚠ This publication is extracted from the Health Industry Partnership - issues register. See issue 1.b.1 of that register.

This publication should be read in conjunction with the related content of that register where further context is required.



## Health Industry Partnership

### Cosmetic procedures

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If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

**What is the GST status where a doctor provides an item number for a cosmetic procedure, however the health fund disallows the claim and states that it is cosmetic? Does the health funds determination of whether a procedure is cosmetic override the doctor's determination for GST purposes?**

1. This question looks at the payment by a private health insurance provider and whether their assessment of a procedure as 'cosmetic' will determine whether that procedure is also cosmetic for GST purposes and therefore not GST-free under section 38-72(2)(b) or section 38-20(2).
2. A determination by a private health insurance provider is not necessarily relevant to whether a service is rendered for cosmetic reasons under the GST Act. The GST Act in sections 38-7(2)(b) and 38-20(2) contains its own tests. These tests will be decisive to determine the GST status of a procedure.
3. Before determining whether a service is rendered 'for cosmetic reasons' for the purposes of section 38-7(2), it is first necessary that the service must be a '\*medical service' as defined for the purposes of section 38-7(1).
4. The above also applies, for the purposes of section 38-20(2). Before determining whether the provision of '\*hospital treatment' is related to a service rendered 'for cosmetic reasons' for the purposes of section 38-7(2), it is first necessary that the service must be a '\*medical service' as defined for the purposes of section 38-7(1).
5. In accordance of section 38-7(2)(b), if a Medicare benefit is payable in relation to the medical service, the supply will be GST-free and it is not necessary to enquire whether the service was rendered for cosmetic reasons. If no Medicare benefit is payable it is then necessary to consider if the service is rendered for cosmetic reasons.
6. A '\*medical service' will be 'rendered for cosmetic reasons' if it is predominantly performed for, or is rendered for the purpose of permitting, the improvement of the personal appearance of a patient, such as a face-lift. Whether a service is for cosmetic reasons must be evaluated on a case by case basis. Procedures that alter or enhance a patient's appearance but have no medical or reconstructive purpose are considered to be cosmetic and are taxable.

7. However, a procedure that is performed for medical or reconstructive reasons is not cosmetic and is GST-free. An example of this is skin grafting performed on a burn victim. A procedure will be for medical reasons if it is predominantly performed for, or is rendered for the purpose of permitting, the alteration of a significant defect in appearance caused by disease, trauma or congenital deformity and:

- a. it is recommended by a psychiatrist or psychologist as being necessary for the psychological wellbeing, or for the appropriate treatment of a psychiatric condition, of that patient, or
- b. the patient is less than 18 years of age and a defect is in an area of the body, which normally and usually would not be clothed.