

PRODUCT RULING - BR Prd 04/14

This is a product ruling made under section 91F of the Tax Administration Act 1994.

Name of the Person who applied for the Ruling

This Ruling has been applied for by The Royal New Zealand College of General Practitioners (“the College”).

Taxation Law

All legislative references are to the Income Tax Act 1994 unless otherwise stated.

This Ruling applies in respect of section CB 9(d) of the Act.

The Arrangement to which this Ruling applies

The Arrangement is the provision of the Payments by the College to the Trainees, for the Trainees’ participation in the Course, on terms and conditions that are materially the same as those contained in the following three documents (provided to the Rulings Unit as part of the application for this Ruling):

- Postgraduate Rural General Practice Education Programme Terms and Conditions: Revised October 2003. This contains the terms and conditions to be agreed between the College and all Trainees enrolled in the General Practice Educational Programme.
- Letter of Appointment of Trainee. This is the letter supplied to the Trainee, by the College, as an agreement of the respective obligations of each party.
- Postgraduate Rural General Practice Education Programme Handbook: Revised October 2003. This is the detailed handbook of the terms, conditions, obligations and syllabus of the Course.

Further details of the Arrangement are set out in the paragraphs below.

1. The College was formed in 1974, and obtained a Royal Charter in 1979. The mission of the College is to improve the health of all New Zealanders through the provision of high-quality general practice care.
2. The main purpose of the College is to provide post graduate general practice education to qualified doctors.
3. The objects and powers of the College (as set out in clause 5.1 of the 28 September 2002 document entitled “The Royal New Zealand College of General Practitioners: Rules”) are:

- (a) To promote in all ways the highest standards in general practice in New Zealand;
- (b) To sustain and improve the professional competence of members of the medical profession who are engaged in general practice in New Zealand;
- (c) To encourage, strengthen, and engage in vocational training for general practice;
- (d) To conduct, direct, encourage, support or provide for continuing education of general practitioners;
- (e) To encourage and assist in the provision of a high standard of teaching and training for all undergraduate medical students in the field of general practice in New Zealand;
- (f) To promote activities that encourage the care of members and their families;
- (g) To encourage and provide for the training of future teachers of general practice;
- (h) To inform the public in New Zealand about general practice and primary health care issues;
- (i) To conduct, direct, encourage, support or provide for research in matters relating to general practice;
- (j) To publish and encourage publication of journals, reports and treatises on matters relating to general practice and allied subjects;
- (k) To grant diplomas and other certification of proficiency in general practice or any related subject, whether upon examination, thesis, outstanding work or upon other grounds which may be considered sufficient;
- (l) To establish a register of members of the College and to publish and revise the same from time to time;
- (m) To acquire, establish, provide and maintain such land and buildings as are deemed necessary and to deal with or dispose of the same with a view to promoting the objects of the College;
- (n) To acquire and receive property of any kind whether by way of gift, devise, bequest or otherwise howsoever to be applied solely towards the objects of the College provided that no portion thereof shall be paid or transferred directly or indirectly by way of profit to members of the College, but this shall not prevent a member being reimbursed for professional services;

- (o) To apply annual dues received from members to defray the expenses of the College, and for such other objects as may be deemed proper by the Council; and
 - (p) To undertake all such other lawful acts and things as are incidental or conducive to the attainment of the foregoing objects.
4. The College runs a Postgraduate Rural General Practice Education Programme (“the PRGPEP”) created from the objectives of the College and based on the College’s commitment to maintaining and supporting standards of excellence among general practitioners. It is viewed as a significant part of a comprehensive cycle of vocational and professional education provided by the College and results in a Fellow of the Royal New Zealand College of General Practitioners qualification.
 5. The Course is a 12 week practice-based training course established by the College. The Course is one part of the house surgeon’s training programme, and is the first part of the rural general practice education pathway.
 6. It is stated by the College (at page 7 of the PRGPEP Handbook: Revised October 2003) that the general aims of the Course are to enable Trainees to:
 - Experience and participate in rural general practice in a supportive rural general practice environment.
 - Acquire medical knowledge and expertise in a rural general practice context.
 - Enhance their interpersonal and communication skills, particularly in relation to patient consultations.
 - Develop an understanding of the general practitioner/hospital interface and the interface between health professionals in the rural sector.
 - Gain an understanding of the relevant cultural context including Maori and rural culture.
 - Develop collegial and peer associations and linkages.
 - Develop an understanding of the pathway to a career in general practice.
 7. The Course involves various aspects of training that a Trainee is to complete. Essentially, a Trainee is assigned to an accredited “teaching practice” for 12 weeks. Each teaching practice, which must rank 35 or more on the Ministry of Health’s “rural ranking scale”, is a general practice medical centre for which the College has contracted with a general practitioner to be the Trainee’s teacher. The general practitioner teacher (“the Teacher”) holds vocational registration and is paid by the College under a separate contract.

8. The Course involves Trainees entering a planned and managed learning environment achieved through the interactions between the Trainee, the Teacher and patients, as well as interactions with other health professionals in the local area, and it includes support and guidance to ensure that learning occurs, and that a representative experience is obtained.
9. Trainees are formatively assessed during the Course, and they receive a final assessment from the Teacher. This assessment is available to the resident medical officer coordinator as part of the Trainee's house surgeon training. Trainees completing the programme receive a letter of completion of this part of their overall training.
10. The standard week for a Trainee undertaking the Course consists almost entirely of patient contact within the teaching practice to which they are assigned. Trainees can also expect to have, on average, two hours each week of "protected teaching time" with the Teacher, sitting in on consultations, and group seminars. In addition to this, Trainees are required to complete a minimum of three "out of hours" supervised sessions. Given that Trainees are geographically distributed throughout New Zealand they attend teleconference (rather than face-to-face) seminars.
11. A Trainee does not receive any payment from the Teacher, but receives the Payments from the College allocated from the funding the College receives from the Clinical Training Agency ("CTA").
12. The CTA has the mandate to purchase educational programmes that will ensure an adequate and stable future workforce. The CTA funds activities based on identified training requirements in respect of the future workforce, and it is expressly prohibited from funding based on current service needs. The CTA undergoes extensive health sector consultation to ensure that all the programmes it funds (including the Course) meet identified training needs.
13. The dollar value of the Payments is \$12,000, being paid monthly during the period of the Course (and representing an annualised payment of \$52,000). This amount is set at a level to provide for the maintenance of the Trainees' standard of living while undertaking the Course. The Payments are at a level lower than that which a doctor with similar experience in appropriate employment would earn during the period of the Course.
14. A doctor who wishes to attend the Course as a Trainee applies to the College at the appropriate time. From the total number of applicants, the College undertakes a selection process to accept only the number of Trainees for which it has funding.
15. The criteria by which Trainees are selected are merit-based, the College taking the perspective of selecting Trainees who will benefit the community in the long term. These criteria include whether:
 - the applicant has a firm intention to enter general practice and continue general practice vocational education; and

- the applicant has completed hospital runs relevant to general practice.
16. The College initiates an agreement with each individual doctor that is to be agreed before the doctor becomes a Trainee in the Course. The obligations of Trainees are contained in the PRGPEP Terms and Conditions: Revised October 2003.
 17. In exchange for undertaking the above, the Trainees receive from the College the monthly Payments which are intended to maintain the Trainees while attending the Course.
 18. The College Council is responsible for setting the educational philosophy and mission statement for its PRGPEP.
 19. With regard to the Course content, the College has developed a curriculum for general practice training in consultation with College Members and Fellows and with the CTA to ensure that Government health priority areas are reflected in the educational programmes.
 20. The College determines, in consultation with its Trainees, the methods of delivery for its programme. The College also determines the structure of the programme. Materials for the programme are provided by the College and are purchased with funding provided by the CTA.
 21. Each Trainee's activities while undertaking the Course reflect the agreement reached between the Trainee and their Teacher as to how the Course syllabus will, in their view, be best achieved for that Trainee. Each Trainee's activities are therefore designed to enable them to implement their agreed learning programme. A Trainee's performance of these activities may assist the operation of their Teacher's practice, but the activities are not designed to achieve this. As Trainees are unable to work independently without the presence of a supervisor, they are not in the position of providing services.
 22. The College selects Teachers who meet a number of specific criteria. These include holding general registration with the Medical Council, being a Fellow of the College, and being assessed by the Regional Director as being competent and able to provide excellent education to a Trainee. The Teachers are employed by the College to provide teaching within the calendar year of the programme. All Teachers must undertake ongoing professional development activities while they remain a Teacher.
 23. A director (employed by the College) is responsible for maintaining contact with the Teachers during the programme and resolving any difficulties that may arise. They do so primarily through meetings and practice visits with Teachers. The Regional Directors are kept informed by Teachers on the progress of Trainees.

Condition stipulated by the Commissioner

This Ruling is made subject to the following condition:

- a) The Payments made to the Trainees under the Arrangement are not grants made under regulations made under section 193 of the Education Act 1964, section 303 of the Education Act 1989, or any enactment in substitution for those sections.

How the Taxation Law applies to the Arrangement

Subject in all respects to the condition stated above, the Taxation Law applies to the Arrangement as follows:

- The Payments made to the Trainees under the Arrangement are exempt income under section CB 9(d).

The period or income year for which this Ruling applies

This Ruling will apply for the period 1 January 2004 until 31 December 2006.

This Ruling is signed by me on the 30th day of November 2004.

Howard Davis
Senior Tax Counsel