

PRODUCT RULING - BR Prd 04/12

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 (which are made monthly) by the College to the Registrars, for the Registrars’ participation in the Course, on terms and conditions that are materially the same as those contained in the following three documents (received by the Rulings Unit on 23 September 2003):

- Terms and Conditions for Registrars and Seminar Attenders 2004: the terms and conditions to be agreed between the College and all Registrars enrolled in the General Practice Educational Programme (“GPEP”).
- Letter of Appointment of Registrar 2004: the letter supplied to the Registrar, by the College, as an agreement of the respective obligations of each party.
- Stage 1: GPEP Handbook 2004: the detailed handbook of 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 the GPEP 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 ("FRNZCGP") qualification.
 5. The Course is a 40 week practice-based training course established by the College as one part of its GPEP. The 40 weeks are divided into two attachments of 20 weeks. The Course is placed at "year nine" of a doctor's standard educational path to gaining the FRNZCGP qualification. The GPEP is regarded as encompassing years seven to eleven of this "path".
 6. It is stated by the College (at page 10 of the Stage 1: GPEP 2004 Handbook) that the general aims of the Course are to:
 - Improve the health of New Zealanders through the provision of a GPEP which achieves a level of competence sufficient to maintain independent general practice;
 - Promote high standards of general practice in New Zealand by ensuring those entering general practice are vocationally trained;
 - Ensure Registrars understand the principles of general practice;
 - Develop and foster a group of general practice teachers and teaching practices; and
 - Foster an understanding of general practice within the medical profession and primary care purchasers.
 7. The Course involves various aspects of training that a Registrar is to complete. Essentially, a Registrar is assigned to a "teaching practice". Each teaching practice is a general practice medical centre for which the College has contracted with a general practitioner to be the Registrar's teacher. The general practitioner teacher ("the Teacher") holds vocational registration and is paid by the College under a separate contract.
 8. The standard week for a Registrar under the Course is broken up as follows:
 - 8 half days per week attendance at the teaching practice to which they are assigned, consisting of:

- Patient contact. The conditions in respect of this are that a Registrar is to participate in between 5 and 13 patient consultations per half day. In the early weeks of the attachment, to relieve possible pressure on a Registrar, each consultation is to be for a generous period of 20-30 minutes.
- The Registrar having at least three hours of direct contact time with the teacher per week, to include discussion, observation, review and feedback. It is essential that there be a minimum of a one hour and 30 minute uninterrupted block between the Teacher and the Registrar per week.
- 2 half days attending seminars and workshops that are provided and organised by the College. Registrars are required to “satisfactorily” attend and participate in these seminars and workshops, and are responsible for organising/presenting part of the programme within these seminars and workshops.

9. A Registrar 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”). The total dollar value of the Payments is as follows (Registrars being paid monthly amounts during the period of the Course the aggregate of which equals that total amount):

	For the Forty Week Course	Annualised (before tax)
1.	\$35,035	\$44,600
2.	\$36,400	\$46,700

10. Whether the Payments are set at the first or second level is dependent on the level of prior medical experience of a Registrar. However, these amounts are set at a level to provide for the maintenance of the Registrars’ 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.

11. A doctor who wishes to attend the Course as a Registrar 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 Registrars for which it has funding.

12. The criteria by which Registrars are selected are merit-based, the College taking the perspective of selecting Registrars who will benefit the community in the long term. These criteria include:

- The intention to enter general practice;
- Experience in various areas of medicine;

- A demonstrated commitment to general practice addressing priority health areas;
 - A demonstrated commitment to general practice addressing rural health issues;
 - A demonstrated commitment to general practice addressing Maori health issues; and
 - A demonstrated commitment to teaching medical students and colleagues.
13. The College initiates an agreement with each individual doctor that is to be agreed before the doctor becomes a Registrar in the Course.
14. The obligations of Registrars are contained in the Terms and Conditions for Registrars and Seminar Attenders 2004, which include (among others) that the Registrar:
- Satisfactorily attends, and participates in, 80% of the seminars and workshops;
 - Completes the “attachment” to teaching practices, and the assessments thereon;
 - Be involved in patient contact, by having 5 to 13 consultations with patients per half day; and
 - Undertakes review sessions with the attachment teacher each day.
15. In exchange for undertaking the above, the Registrars receive from the College the Payments.
16. The College Council is responsible for setting the educational philosophy and mission statement for its GPEP.
17. 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.
18. The College determines, in consultation with its Registrars, the methods of delivery for its programme for Stage I. The content of seminars and workshops is based on the syllabus for the Course and the specific learning needs of Registrars. The College determines the structure of the programme also. Materials for the programme are provided by the College and are purchased from the funding provided by the CTA. Seminars and workshops are held on premises hired by the College for that purpose.
19. Each Registrar’s activities while undertaking the Course reflect the agreement reached between the Registrar and their Teacher as to how the Course syllabus

will, in their view, be best achieved for that Registrar. Each Registrar's activities are therefore designed to enable them to implement their agreed learning programme. A Registrar's performance of these activities may assist the operation of their Teacher's practice, but the activities are not designed to achieve this.

20. The Course is designed to teach Registrars to translate prior learning to a community based, primary health team context, as well as to teach them new skills in relation to (amongst other things) the clinical and business management needs of general practice.
21. The College is responsible for setting the Primex examination (sat at the end of the Course) and, in doing so, sets the standards for entry into Stage II and ultimately for vocational registration. The College also determines the structure and timing of the teaching programme. Furthermore the College determines the outputs of Registrars in terms of assignments, research projects, presentations and other learning activities.
22. The College selects Teachers to the programme 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 whilst they remain a Teacher.
23. Regional directors (employed by the College) are 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 Registrars.
24. The College devotes the majority of its resources (staff, funding and other assets) to the administration and running of the GPEP and the continuing education of doctors in general practice. Over 50% of the College's total income and expenditure for the year ended March 2004 was directly attributable to the GPEP alone.

Condition stipulated by the Commissioner

This Ruling is made subject to the following condition:

- a) The Payments made to the Registrars 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 Registrars 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 2009.

This Ruling is signed by me on the 29th day of July 2004.

Martin Smith
Chief Tax Counsel