

MEDICAL INDEMNITY INSURANCE - CALCULATION OF AMOUNT OF REFUND, AMENDMENT TO CIRCULAR 1/92

Title: Medical Indemnity Insurance - Calculation of Amount of Refund, Amendment to Circular 1/92

Date: 22 July 1996

Document Type: Circular 5/96

From: Department of Health, Ireland

To: Each Health Board Chief Executive Officer

Re:- Medical Indemnity Insurance - Calculation of amount of Refund, Amendment to Circular 1/92

Dear CEO,

I am directed by the Minister for Health to refer to Circular 1/92 concerning the above matter and to recent discussions and correspondence with the Revenue Commissioners regarding same.

As you will be aware, agreement on a formula for the re-imbursment of medical indemnity insurance costs, for doctors holding a GMS contract, formed part of the agreement reached between the Irish Medical Organisation and Management in Limerick in 1991. This was set out in Circular 1/92. As indicated above this matter was discussed with the Revenue Commissioners and it has emerged that paragraph 3 and the sample calculation given in the Appendix to Circular 1/92 may be construed as giving advice on taxation matters which may be misleading. It was, of course, intended as an indication of the methodology to be used for calculating the amount of refund to be made.

The following Formula, which summarises the refund methodology agreed in Limerick, should be used when calculating the amount of the refund due in each case:

$$(A - (.9A \times B)) \times C$$

Where:-

A = Doctor's Medical Indemnity Premium as invoiced by Insurers;

B = Doctor's Marginal Tax Rate Percentage for previous year;

C = Appropriate Panel Size Percentage applying to the doctor as specified in paragraph 3 of Circular 1/92.

Evidence regarding items A and B should be sought from the doctor before payment of the refund. The amount of refund payable by health boards will not be affected by the above. While a doctor's marginal rate of income tax is used in the formula for calculating a refund of medical indemnity insurance subscription, this is not an indication of the tax relief available for the medical indemnity insurance subscription. The question of the tax relief available for the net subscription (i.e. after the refund by a Health Board) is a matter for each doctor and his/her Inspector of Taxes.

Yours sincerely,

Alan Aylward
GMS Division
22 July 1996