Merchant Surcharge Ban.

What medical practices need to know (and do) before October 2026

GROWTH MD

Specialist Medical Accountants.

GrowthMD | 2026

Contents.

Overview.

The card surcharge ban is coming.

What your practice needs to do before October 2026. From 1 October 2026, businesses across Australia will no longer be able to add a surcharge to payments made through the major card networks. Not every medical practice currently passes card processing costs on to patients, but many do. For those practices, the surcharge will disappear, while the merchant fee will remain. Even if your practice already absorbs these costs, the changes are still worth reviewing because they may affect your merchant rates, payment arrangements and overall pricing strategy.

This guide is divided into two parts. Part 1 covers practices that collect patient payments through a single merchant facility and then disburse funds to independent practitioners. Part 2 covers multi-merchant arrangements, where each practitioner holds their own merchant account. The financial impact is different under each model, so the right response will also differ.

What is changing from 1 October 2026?

The RBA's determination applies to the designated card systems: Visa, Mastercard and EFTPOS. From 1 October 2026, businesses will no longer be able to add a surcharge on payments made through these networks.

American Express is not formally covered by the RBA determination, but it has voluntarily committed to the same outcome from 1 October 2026.

Buy now pay later services such as Zip and Humm are outside the scope of the ban. Practices and practitioners offering payment plans for higher-value services, including cosmetic procedures, specialist deposits or surgical prepayments, should confirm directly with their provider whether those costs can still be passed on to patients.

For simplicity, the examples in this article focus on Visa, Mastercard, EFTPOS, and Amex, which together account for the vast majority of card transactions processed by medical practices.

Bulk billing practices will be largely unaffected. Where there is no patient gap and no card payment, there is no merchant fee and no surcharge to remove. The analysis below is therefore most relevant to private billing and specialist gap-fee arrangements.

Merchant Fees.

What will merchant fees actually cost?

Merchant fees vary by provider, pricing plan and card type. Debit and EFTPOS transactions are generally cheaper, while credit cards, particularly rewards and premium cards, can attract higher rates. As a broad guide, in-person merchant fees in medical practices commonly range from around 0.5% for eftpos to 1.5% or more for some credit cards.

The worked examples below use 1.1% as a mid-range illustration. Your actual rate may be higher or lower, so it is important to review your merchant statement and calculate your practice's average cost.

At present, a practice that passes on card costs may add a surcharge when a patient pays. At 1.1%, a $100 consultation becomes $101.10. The practice collects the additional $1.10 and uses it to offset the merchant fee, leaving little or no net cost. Practices that do not surcharge are already absorbing this cost within their fee structure.

> **From 1 October, the patient pays $100, but the payment provider still deducts $1.10. The $1.10 cost sits with the holder of the merchant account.**

Annual card billings processed	Annual merchant cost (at 1.1%)
$500,000	**$5,500**
$1,000,000	**$11,000**
$2,000,000	**$22,000**
$4,000,000	**$44,000**

Renegotiate your merchant rate

Once the ban takes effect, merchant fees will shift from a pass-through cost to a direct expense on merchant account holders' profit-and-loss statements. That makes the rate much more important and gives practices a stronger reason to negotiate.

Many practices have had limited incentive to challenge merchant rates while those costs were passed on to patients. From October, that changes. The RBA's reductions to interchange caps are also intended to lower underlying costs, so practices should not simply assume their current rate remains competitive.

Before October, ask your payment provider whether rates will be repriced following the interchange cap changes and request their best available offer. It is also worth obtaining quotes from alternative providers. *Merchant fees should now be treated as a negotiable business cost*, not simply accepted as fixed.

01 Single merchant facility.

Practices that collect patient payments through a single merchant facility and then disburse funds to independent practitioners

In most medical practices, the fees collected at reception are not entirely practice income. They are largely the practitioner's funds, collected by the practice on their behalf. The practice processes the payment, deducts its service fee and pays the balance to the practitioner. Under this model, however, the practice incurs the merchant fee on the full amount collected, including the portion ultimately paid to the practitioner. If the practice currently surcharges, the patient covers that cost. From October, the practice will bear it.

Under a single-merchant arrangement, the practice may incur a merchant fee on revenue that largely belongs to independent practitioners. This is therefore a shared commercial issue, not simply an administrative cost for the practice.

Single merchant options.

Applies to practices that collect all patient payments through one merchant account.

01

Absorb the cost

The simplest approach is to absorb the merchant fee as a practice expense and make no other changes. There is no fee increase, no service fee adjustment and no need to renegotiate practitioner arrangements.

02

Increase patient fees

Increasing consultation fees will be the most common response and, in many cases, the most practical. However, the required increase may be higher than it first appears. If the calculation does not allow for a split of the service fee, the practice may still absorb a significant portion of the merchant cost.

03

Add a merchant fee recovery line to the service fee invoice

Rather than increasing patient fees or restructuring the service fee percentage, a commercially practical option is to add a separate merchant fee recovery charge to the practice's existing fortnightly or monthly service fee invoice to each practitioner.

01 Absorb the cost.

The simplest approach

The simplest approach is to absorb the merchant fee as a practice expense and make no other changes. There is no fee increase, no service fee adjustment and no need to renegotiate practitioner arrangements.

For some practices, this may be the right decision. Where card volumes are modest, margins are strong, or a change would create unnecessary disruption, absorbing the cost may be commercially reasonable.

The important point is to understand any increased costs before deciding.

> **At 1.1% on $4 million of card billings, the annual cost is $44,000.**

That is a direct reduction in practice profitability, so it should be assessed deliberately rather than allowed to happen by default.

Consider the following:

- [ ] What is your actual annual merchant cost based on current card volumes?

  Review your merchant statements and calculate your cost.

- [ ] Can the practice absorb that cost without materially affecting profitability or owner distributions?

- [ ] Has your payment provider confirmed whether rates will reduce from October?

  Even a small reduction can make a meaningful difference at scale.

02 Increase patient fees.

Increasing consultation fees will be the most common response and, in many cases, the most practical. However, the required increase may be higher than it first appears. If the calculation does not allow for a split of the service fee, the practice may still absorb a significant portion of the merchant cost.

Where the practice is billing 100% of the income

If the practice retains 100% of billings and there are no independent practitioners, the calculation is straightforward. Increasing fees at the merchant rate will broadly cover the costs. At 1.1%, that means a $1.10 fee increase on a $100 consultation.

Where the practice operates a service fee model

This is where the calculation is often underestimated.

At present, any card surcharge collected is generally treated as a separate practice recovery and does not form part of the service fee calculation. The practitioner's service fee is calculated on the $100 consultation fee, while the practice retains the $1.10 surcharge to offset the merchant cost of around $1.10.

From October, any increase in the consultation fee will be reflected in the service fee split. If the fee increases by $1.10 under a 65/35 arrangement, only $0.39 of that increase remains with the practice, while $0.71 flows to the practitioner. The practice will still pay the full merchant fee, so a simple $1.10 increase will not recover the cost.

To recover the full cost, the fee increase needs to be grossed up to reflect the service fee split:

Required fee increase = merchant fee/(practice service fee % - merchant rate %)

Example: (1.1% merchant rate, 35% service fee):
$1.10/(0.35 - 0.011) = $1.10/0.339
= $3.25 per $100 consult

Service fee %	Fee increase needed per $100 consult (at 1.1% merchant rate)
30%	**$3.85**
35%	**$3.25**
40%	**$2.85**

02 Increase patient fees.

The table below shows how the $3.25 gross-up works on a $100 consult, with the 35% service fee and 1.1% merchant fee shown separately.

	Current (with surcharge)	From 1 October (repriced to $103.25)
Patient pays	$101.10	**$103.25**
Surcharge collected by practice	$1.10	**$0.00**
Gross receipt (for service fee calc)	$100.00	**$103.25**
Independent practitioner share (65%)	$65.00	**$67.11**
Practice service fee (35%)	$35.00	**$36.14**
Less: merchant fee paid to provider (1.1%)	($1.10)	**($1.14)**
Practice net	$35.00	**$35.00**

The practice collects the net intended $35.00 service fee under both scenarios. The practitioner benefits from the higher consultation fee because their share increases proportionally, a useful point when discussing the change.

03 Add a merchant fee recovery line to the service fee invoice.

Rather than increasing patient fees dramatically, a commercially practical option is to add a separate merchant fee recovery charge to the practice's existing fortnightly or monthly service fee invoice to each practitioner.

The logic is straightforward. The practice incurs a merchant fee on the practitioner's private billings every time a patient pays by card. That cost is calculable, actual, and directly attributable to the practitioner's revenue. Rather than embedding a recovery mechanism in the fee structure, the practice simply invoices it as a separate line item at the end of each billing period.

Here is how it works in practice, assuming no change to the patient fee:

	Amount (excluding GST)
Practitioner gross private billings (fortnight)	**$20,000**
Merchant fee incurred by practice (1.1%)	**$220**
Existing service fee invoice (35% of $20,000)	**$7,000**
Merchant fee recovery line item	**$220**
Total invoice to practitioner	**$7,220**
Practitioner net after service fee and merchant recovery	**$12,780**

This approach has several advantages. It is transparent, based on actual costs incurred rather than estimates. It scales correctly with the practitioner's billing volume. It requires no change to consultation fees, so patients are unaffected. And because the recovery is calculated on actual merchant fees, bulk-billed services generate no recovery charge at all. The cost is perfectly targeted to the revenue stream that generated it. The downside is that it may not be accepted by practitioners and may require discussion and negotiation.

03 Add a merchant fee recovery line to the service fee invoice.

Combining a modest fee increase with the recovery invoice

A slight variation on the last example is applying a combination of both approaches - a fee increase and a recovery charge to the practitioner. A modest increase in consultation fees means patients absorb a small portion of the cost, while the residual merchant fee is recovered through the service fee invoice, and the charge to the practitioner is smaller than under the full-invoice-recovery approach. No single party bears a disproportionate share.

Here is how it works using a $1.50 patient fee increase, with the merchant fee split 50/50 between the practice and the practitioner via the service fee invoice:

	Current (with surcharge)	From 1 October (combined approach)
Patient pays	$101.10	**$101.50**
Surcharge collected by practice	$1.10	**$0.00**
Gross receipt for service fee calc	$100.00	**$101.50**
Independent practitioner share (65%)	$65.00	**$65.98**
Practice service fee (35%)	$35.00	**$35.53**
Less: merchant fee paid to provider (1.1%)	($1.10)	**($1.12)**
Practice net	$35.00	**$34.41**
Plus: 50% merchant fee recovery on invoice	$0.00	**$0.56**
Practice net after recovery	$35.00	**$34.97**
Practitioner net after service fee and recovery charge	$65.00	**$65.42**

The $1.12 merchant fee is split evenly. The practice absorbs $0.56 and recovers $0.56 from the practitioner via the service fee invoice. The patient pays $1.50 more than before. The practice lands at $34.97, close to its baseline position, and the practitioner nets $65.42. No single party bears the full cost, and the split is easy to explain and justify.

03 Add a merchant fee recovery line to the service fee invoice.

For practices where the agreement structure makes a separate invoice recovery impractical, adjusting the service fee percentage on private billings could be a viable alternative. We have not modelled this, as for most practices an invoice recovery approach is cleaner, more defensible, and easier to explain to practitioners.

Before implementing a merchant fee recovery charge, review your service and facility agreements with your legal adviser. Either the existing agreement already permits additional cost recovery charges, or the practitioner's consent to the new line item needs to be obtained and documented. Do not assume a new charge can be added unilaterally.

Three questions to guide your decision

01 What will the change actually cost the practice?

Calculate the annual merchant fees based on your current card volumes and expected rates from October. Consider whether the practice can absorb the cost without materially affecting profitability or owner distributions.

02 Who should reasonably bear the cost?

Under a single merchant arrangement, the practice incurs merchant fees on funds that largely belong to independent practitioners. Consider whether the practice will absorb the cost, recover some or all of it from practitioners, increase patient fees, or use a combination of these approaches.

03 What changes are permitted under your existing agreements?

Before changing service fees or adding a merchant fee recovery charge, review the relevant service and facility agreements and obtain legal advice where required.

02 Multi-merchant facility.

Where each practitioner holds their own merchant account

This section applies to practices where each independent practitioner has their own merchant account and patient payments flow directly to them rather than through a central account. From 1 October 2026, when surcharging ends, card processing fees can no longer be passed on to patients and instead sit with the practitioner directly. This means the practice is not exposed to the merchant fee itself, but it does have a responsibility to work with the practitioner to develop a unified response.

Under a multi-merchant arrangement, it is the independent practitioner who incurs the merchant fee and needs to decide how to respond. The practice's role is to make sure practitioners are aware of the change and have time to act before October.

Multi-merchant arrangement.

A multi-merchant arrangement applies where each independent practitioner has their own merchant account and patient payments flow directly to them. **Under this structure, the practitioner, not the practice, incurs the merchant fee**.

The practitioner still pays a service fee to the practice based on the gross patient receipts. This creates the opposite outcome to Part 1: when a practitioner increases fees to recover merchant costs, the practice's service fee income also increases proportionally.

Calculating the practitioner fee increase

The practitioner cannot simply increase the fee by the merchant fee cost and fully recover the outlay. At a merchant rate of 1.1% on a $100 consult, the merchant fee is $1.10. But because the service fee is calculated on gross receipts, part of any fee increase is paid to the practice as a higher service fee.

Under a 65/35 arrangement, a $1.10 fee increase leaves the practitioner with only around $0.72 after the 35% service fee, while they still incur the full $1.10 merchant fee. The increase therefore needs to be grossed up to account for the service fee paid out.

> **The calculation is the inverse of the single merchant example:**
>
> Required fee increase = merchant fee/(practitioner retention % - merchant rate %)
>
> Example (1.1% merchant rate, 65% practitioner retention): $1.10/(0.65 - 0.011) = $1.10/0.639 = $1.75 per $100 consult

Practitioner retention %	Fee increase needed per $100 consult (at 1.1% merchant rate)
60% (40% service fee)	**$1.90**
65% (35% service fee)	**$1.75**
70% (30% service fee)	**$1.60**

Multi-merchant arrangement.

Calculating the practitioner fee increase

The practitioner's gross-up, $1.75 at 65% retention, is lower than the practice gross-up in Part 1 because the practitioner retains the larger share of each additional dollar billed.

The table below shows the outcome using a $1.75 fee increase.

	Current (with surcharge)	From 1 October (repriced to $101.75)
Patient pays	$101.10	**$101.75**
Surcharge collected by practitioner	$1.10	**$0.00**
Gross receipt for service fee calc	$100.00	**$101.75**
Service fee to practice (35%)	$35.00	**$35.61**
Practitioner retains (65%)	$65.00	**$66.14**
Less: merchant fee paid to provider (1.1%)	($1.10)	**($1.12)**
Practitioner net	$65.00	**$65.02**
Practice service fee income	$35.00	**$35.61**

The practitioner remains broadly in the same net position, retaining approximately $65.00 after merchant fees in both scenarios. The practice receives an additional $0.61 in service fee income without incurring the merchant cost. The benefit is modest, but it should be recognised when communicating and deciding on a course of action with practitioners.

What practitioners should review:

Where practitioners hold their own merchant accounts, they should work with the practice manager to:

- [ ] Confirm their actual merchant rate and seek a more competitive offer
- [ ] Determine whether consultation fees need to change
- [ ] Review which cards and payment methods they will continue to accept
- [ ] Agree on how any fee changes will be communicated to patients

Your Merchant Checklist.

Complete before 1 October 2026

- [ ] **Confirm your merchant structure**

  Determine whether patient payments are processed through a single practice merchant account or individual practitioner accounts. This will establish who incurs the merchant cost.

- [ ] **Calculate the financial impact**

  Use your current card volumes and actual merchant rates to estimate the annual cost. Model the effect of absorbing the cost, increasing fees, recovering costs from practitioners, or combining these approaches.

- [ ] **Speak with your payment provider**

  Ask whether your rates will change following the new interchange caps and request their most competitive offer. Obtain alternative quotes where appropriate.

- [ ] **Review payment methods**

  Confirm how Visa, Mastercard, EFTPOS and Amex will be treated from 1 October. Review any Diners Club, Buy Now Pay Later or other non-standard payment arrangements directly with the provider.

- [ ] **Review practitioner agreements**

  Where the practice intends to recover merchant costs from independent practitioners, confirm that the existing agreements permit this or arrange for the change to be properly agreed and documented.

- [ ] **Update your systems and communications**

  Check terminals, online booking platforms, practice management software, payment links and other systems to ensure surcharging is removed. Update signage, websites, receipts and checkout screens.

- [ ] **Prepare your team**

  Give reception staff a simple explanation they can use if patients ask why the surcharge has disappeared or why fees have changed.

- [ ] **Allow extra time for high-value transactions**

  Pay particular attention to surgical deposits, specialist prepayments and other large card payments, where even a small merchant rate can create a high cost.

Working With GrowthMD.

GrowthMD works exclusively with medical practices across Australia. We are not a generalist accounting firm that occasionally handles medical clients. This is all we do. That means we understand the Medicare billing model, the doctor engagement structures, the payroll complexity and the benchmarks that matter for your kind of business.

We work with medical practices at every stage, from start-up through to established multi-doctor practices, and our goal is always the same: to give practice owners clarity, confidence and the time to focus on medicine.

We Can Help You With

- Reviewing your practice structure and tax position
- BAS, tax compliance and ATO obligations
- Payroll Tax, Payday Super readiness and FBT
- Financial reporting and practice benchmarking against our top-performing GP cohort
- Modelling new income streams or service fee changes
- Providing an advisory board service to help you reach healthcare CEO status
- Buying into or selling a GP practice (accounting and tax side)
- Setting up the modern financial systems stack

Get in touch

If you would like to talk through anything in this guide, or if you are not sure whether your practice's finances are in the shape they should be, we would love to hear from you.

07 3292 1158

growth-md.com

contact@growth-md.com

GROWTH MD
Specialist Medical Accountants.

Disclaimer

This guide is general in nature and does not constitute financial, legal or tax advice. Worked examples are illustrative only and use 1.1% as a mid-range merchant fee. Actual merchant fees vary by provider, pricing plan, and card type. The surcharge ban applies to Visa, Mastercard and EFTPOS designated networks from 1 October 2026. American Express has voluntarily committed to the same outcome. Diners Club and BNPL services sit outside the RBA's designated network framework and should be reviewed separately. Any changes to service fee arrangements with independent practitioners should be made with appropriate legal and commercial advice. For illustrative purposes, GST and income tax have been excluded in the worked examples. Please speak with your adviser about your specific circumstances.