MEDICARE LEVY BILL 1985

Date introduced: 19 September 1985
House: House of Representatives
Presented by: Hon. Chris Hurford, M.P., Minister Assisting the Treasurer

DIGEST OF BILL

Purpose

To declare and impose the basic rate of the Medicare levy of 1 per cent of taxable income for 1985-86 above certain income thresholds and, until Parliament otherwise provides, for 1986-87; to remove the ceiling on the amount of levy payable; to increase the income levels below which taxpayers do not have to pay the levy; to provide for exemptions to paying the levy; and to reduce the levy otherwise payable by 'prescribed persons' who are exempt from the levy for part of a year or who are required to pay levy because they have dependants eligible for Medicare benefits.

Background

Medicare commenced on 1 February 1984 to provide public hospital treatment free of charge and medical benefits of 85% of the Schedule Fee for all Australians, including visitors for more than six months. It is financed by the Commonwealth and a levy, at the rate of 1 per cent, on the taxable income of residents (subject to certain exemptions) above certain income thresholds. The levy is imposed by annual Medicare Levy Acts. Provisions for the assessment and collection of the levy are contained in Part VIIB of the Income Tax Assessment Act 1936 (ITAA).

In 1983-84 the income thresholds for single persons was $6,698, and $11,141 for married couples and sole parents with a $1,100 addition to the threshold for each dependent child or student. In 1984-85, the income thresholds were $7,110 for single persons and $11,803 for married couples and sole parents, with a $1,330 addition to the threshold for each dependent child or student. This Bill provides for
the thresholds to be increased to $7,526, $12,504 and $1,530 respectively in 1985-86, as was announced by the Treasurer in his 1985-86 Budget Speech.

A levy ceiling has applied to single persons and legally or de facto married couples. The ceiling of $700 per annum, which applied from 1 February to 31 October 1984, was increased to $750 per annum from 1 November 1984. As from 1 July 1985, according to the Treasurer in his 1985-86 Budget statement on 20 August 1985, there will be no ceiling on the Medicare levy payable by a taxpayer.

Both the changes to the low income thresholds and the Medicare levy ceiling will be reflected in revised PAYE arrangements from 1 November 1985 and in 1985-86 provisional tax.

Certain repatriation beneficiaries and holders of Government health cards, where income was not taken into account in determining eligibility for the card, are exempt from the levy. Where such persons have dependants who are not similarly entitled to hospital and medical treatment, or who are exempt from the levy for part of a year, the levy otherwise payable will be reduced.

Main Provisions

For a detailed explanation of the clauses of the Bill, refer to the Explanatory Memorandum.

By clause 2, this Bill will come into operation on the date of Royal Assent.

For the purposes of this Bill, a couple who have separated will not be considered to be married. Also, a person whose spouse has died during the year will be taken to have been married as at the last day of the year of income (clause 3).

Clause 5 imposes the Medicare levy that is payable in accordance with Part VIIB of the ITAA. The rate of levy payable for 1985-86 will be fixed at 1 per cent of the taxable income of an individual or trustee (clause 6).

By clause 7, no levy will be payable by a person whose taxable income does not exceed $7,526. However, where a taxpayer's 1985-86 taxable income exceeds $7,526 but does not exceed $7,922, the amount of levy payable is to be limited to 20 per cent of the amount of the excess.
Clause 8 deals with the amount of levy payable by a person who has a spouse or dependants. No levy will be payable by a legally or de facto married couple where the sum of the couple's taxable income does not exceed the 'family threshold' of $12,504. This threshold similarly applies to a person who is entitled to a rebate under the Income Tax Assessment Act 1936 for a daughter-housekeeper, housekeeper or as a sole parent. For each dependent child or student maintained, the threshold for payment of the levy is to be increased by $1,530. Clause 8 also provides 'shading-in' provisions in order to limit the levy payable by the taxpayer (before the application of any reduction to which the taxpayer is entitled as a part year prescribed person under clause 9) to 20 per cent of the excess of the 'family income' over the 'family threshold'.

Clause 9 provides for a reduction in the amount of levy payable by a taxpayer who is a 'prescribed person' for only part of the year. By section 251U of the ITAA, a 'prescribed person' is a person who was entitled to free medical treatment as a member of the Defence Force or under any of the Repatriation Acts, and had no dependants or had dependants who also qualified as prescribed persons. No levy will be payable by a taxpayer who is a prescribed person for the whole of the year.

Clause 11 provides for the Medicare levy to be payable for the 1985-86 financial year. Furthermore, as an interim measure, the levy imposed by this Bill will also apply for 1986-87 until Parliament declares otherwise.

The maximum ceiling on the levy payable will be removed by virtue of the fact that the standard limiting clause has been omitted from this Bill.
For further information, if required, contact the Education and Welfare Group.

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