Date Introduced: 7 September 1984
House: House of Representatives
Presented by: Hon. P.J. Keating, M.P., Treasurer

Short Digest of Bill

Purpose

To declare the basic rate of the Medicare levy as 1 per cent of taxable income for 1984-85 and, until Parliament otherwise provides, for 1985-86; to provide for rules for fixing the maximum amount of levy payable, exemptions to paying the levy as well as rules for reducing 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 to 85 per cent of the Schedule Fee for all Australians, including visitors for more than six months. It is financed by a levy on taxable income, administered by the Australian Taxation Office. Provisions for assessment and collection of the levy are contained in Part VIIB of the Income Tax Assessment Act 1936 (ITAA).

The Medicare Levy Act 1983 imposed the levy at an annual rate of 1 per cent of taxable income (0.416 per cent for 1983-84). The levy applies only to residents (subject to certain exemptions) with taxable incomes above certain low income thresholds. A levy ceiling also applies to single persons and legally or de facto married couples. In 1983-84 the low income thresholds were, $6,698 for single persons, and $11,141 for married couples and sole parents, with a $1,100 addition to the threshold for each dependant child or student. This Bill provides for the thresholds to be increased to $7,110, $11,803 and $1,330, respectively in 1984-85. Furthermore, the levy ceiling of $700 per annum which applied from 1 February 1984 will be increased to $750 per annum from 1 November 1984, and will apply proportionately for the 1984-85 income year i.e. $733.32 (derived from a pro-rating of the existing ceiling of $700 and the proposed $750 ceiling).
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

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 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 ITAA. The rate of levy payable for 1984-85 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 $7,110. However, where a taxpayer's 1984-85 taxable income exceeds $7,110 but does not exceed $7,484, the amount of levy payable is to be limited to 20 per cent of the amount of the excess.

Clause 8 sets the maximum amount of levy payable by any person, legally or de facto married couple to be $733.32 for 1984-85, before any reduction to which the taxpayer is entitled by reason of being a prescribed person for part of the year. Where a couple are legally or de facto married at the last day of the year of income, they are to be eligible to share in the one "family" ceiling of $733.32 which will operate when the sum of their taxable incomes exceeds $73,332. The amount of the levy payable by each will be limited to $366.66 plus the amount by which either spouse's levy liability (before any reduction to which the spouse is entitled by reason of being a prescribed person for part of the year) is less than $366.66. The amount of levy payable by a trustee must not exceed $733.32 where the income on which the trustee is assessable for tax is $417 or more.

Clause 9 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 $11,803. This threshold similarly applies for a sole parent. For each dependant child or student maintained, the threshold
for payment of the levy will be increased by $1,330. Clause 9 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) to 20 per cent of the excess of the "family income" over the "family threshold".

Clause 10 provides for a reduction in the amount of levy 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 12 provides for the Medicare levy to be payable for the 1984-85 financial year. Furthermore, as an interim measure until Parliament declares otherwise, the levy imposed by this Bill will also apply for 1985-86, with a maximum of $750 on the annual amount of levy that is payable by an individual or a married couple.

For further information, if required, contact:

20 February 1985

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