Short Digest of Bill

Purpose

To provide for assessment and collection of a levy on taxable income of 1 per cent, for financing Medicare arrangements.

Background

The current position with respect to treatment for income taxation purposes of expenditure on medical insurance and treatment is that premiums paid for basic medical/hospital insurance to a registered fund are rebatable at 30.67 cents in the dollar (section 159XA). In addition, medical expenses may be taken into account in calculating the concessional expenditure rebate.

The Medicare scheme will provide all Australians with hospital and medical care, and is to commence on 1 February 1984.

Existing Commonwealth social security arrangements provide hospital and medical benefits to certain persons including pensioners and disadvantaged persons. In addition, Defence Force personnel and repatriation beneficiaries are similarly entitled under other legislation.

Medicare is to be financed by a 1 per cent levy on taxable income. Under Medicare persons already entitled to health benefits on a basis where no income test was applied will be exempt from the levy, except that those who have dependants who are not similarly entitled, will be liable to levy at a rate reduced by one-half.

The Bill is associated with the Medicare Levy Bill 1983, which imposes the levy and specifies applicable rates and partial exemptions (see Digest for the Medicare Levy
Bill 1983). Assessment and collection of the levy are provided for in this Bill.

For the 1983-84 year, a reduced levy rate of .416 per cent is imposed instead of the 1 per cent full-year rate.

Main Provisions

The Bill substitutes a new Part VIIB of the Income Tax Assessment Act. The existing part (sections 251R-251ZJ) provides for the Medibank levy payable in the 76/77 and the following two financial years, and is repealed.

The new part comprises new sections 251R-251Y. Levy is imposed by section 251S on Australian residents at rates to be specified in other legislation. Exemption of "prescribed persons" as defined in section 251U is provided for by section 251T. Notable exemptions include holders of Commonwealth Health Care Cards, Health Benefits Cards and Pensioner Health Benefits Cards who are not income-tested and the staff and households of diplomatic missions and consular posts. Where a person already entitled to health care has dependants not entitled the exemption is effectively reduced by one half (subsections 251U (2), (3)).

Other sections of the new part provide for penalty levy where a taxpayer has made a false statement, and permit regulations to specify what information must be provided to the Commissioner. The Commission is given discretion in determining liability for provisional tax of any taxpayer.

Amendments to several Acts set out in the Schedule reflect that the levy is not part of the Commonwealth income tax pool for purposes of proportional allocation to State Governments. Although defined as part of the income tax, the levy collection is expressly excluded from calculations under the Local Government (Personal Income Tax Sharing) Act 1976 and States (Tax Sharing and Health Grant) Act 1981.

For further information, if required, contact:

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