Health Insurance Levy Bill 1978

Date Introduced: 28 September 1978
House: House of Representatives
Presented by: Hon. J. Howard, M.P., Treasurer

Short Digest of Bill

Purpose

To impose the health insurance levy for the 1978-79 financial year at the rate of 0.833% of taxable income, subject to ceilings on the amount payable.

Background

The health insurance levy was introduced as a means of funding Medibank on 1 October 1976. The Labor Government first tried to introduce a levy of 1.35% of taxable income to fund compulsory health insurance in 1974, but the necessary Bills were not passed by the Senate. When Medibank finally became operational on 1 July 1975 it was funded from general revenue. A levy was later introduced at a rate of 2.5% to finance the Liberal Government's modified health insurance system. Although health insurance was compulsory it was possible to join private health insurance funds (including Medibank Private) instead of paying the levy. Ceilings on the amount of levy payable were set for nine different categories; four related to family circumstances and the other five to repatriation beneficiaries and members of the defence forces.

This scheme will continue to operate until 31 October 1978. From 1 November 1978 new health care financing arrangements which were announced in the 1978-79 Budget Speech and do not include the health insurance levy will be applied (see the Income Tax Assessment Amendment Bill (No. 2) 1978 for details of the abolition of the levy). Reflecting these changes the rate of levy to apply to taxable income for the whole year is to be 0.833% i.e. one third of the rate which applied in 1977-78. Similarly the levy ceilings are to be one-third of the ceilings that applied in 1977-78.

Provisions

Sub-clause 3(3) specifies that in applying the various provisions of the Bill the four month period from 1 July 1978 to 31 October 1978 is to be taken as the year of income.
Clause 7 sets the rate of levy payable by individuals and trustees at 0.833% of taxable income for the whole 1978-79 financial year (sub-clauses 7(1), 7(2), and 7(3)). It also sets limits on the amount payable by trustees in some circumstances (sub-clause 7(4)).

Clause 8 sets the maximum levy payable by a taxpayer included in the same category for the whole period from 1 July 1978 to 31 October 1978. The ceiling for a person with dependants will be $100 and for a person without dependants will be $50.

Clauses 9 and 10 set out the maximum amount of levy payable by people who fall within different categories within the period and by people who, because they are members of a private fund or entitled to free medical treatment are exempt from the levy for part of the period only.

Clause 12 provides for a rebate for low incomes earners for 1978-79 equal to 33.5% of the amount by which taxable income falls short of $3,893 which is the level above which income first becomes taxable.

Examples and further explanation of this Bill are given in the Explanatory Memorandum.

Finance, Industries, Trade & Development Group

10 October 1978

LEGISLATIVE RESEARCH SERVICE