



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

TAX LAWS AMENDMENT (PERSONAL INCOME TAX REDUCTION) BILL 2007

TAX LAWS AMENDMENT (2007 BUDGET MEASURES) BILL 2007

In Committee

SPEECH

Tuesday, 12 June 2007

BY AUTHORITY OF THE SENATE

SPEECH

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Questioner
Speaker Murray, Sen Andrew

Source Senate
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Responder
Question No.

Senator MURRAY (Western Australia) (1.18 pm)—I seek leave to table a supplementary explanatory memorandum relating to the amendments I propose to move to the Tax Laws Amendment (Personal Income Tax Reduction) Bill 2007.

Leave granted.

Senator MURRAY—The debate on the Tax Laws Amendment (Personal Income Tax Reduction) Bill 2007 is being held cognately with the Tax Laws Amendment (2007 Budget Measures) Bill 2007. Before I move to my amendment on the first of the two cognate bills, I want to briefly address the matter of the Tax Laws Amendment (2007 Budget Measures) Bill 2007 and ask a question of Minister Colbeck, who is at the table.

The purpose of the Tax Laws Amendment (2007 Budget Measures) Bill 2007 is to introduce new taxation offset thresholds for the dependent spouse tax offset and the Medicare levy for low-income earners and pensioners below the age pension age as announced in the federal budget in May. The bill contains a single schedule which proposes amendments to the Income Tax Assessment Act 1936, A New Tax System (Medicare Levy Surcharge—Fringe Benefits) Act 1999 and the Medicare Levy Act 1986. Changes to the ITAA 1936 increase the dependent spouse tax offset from \$1,655 to \$2,100. The full offset applies as long as the income of the dependent spouse is less than \$282. It is phased out at \$1 for every \$4 by which the income of the dependent spouse exceeds \$282. The phase-out limit is increased from \$6,901 to \$8,681.

The Medicare levy increases low-income thresholds for individuals, families, dependent children and students in line with the CPI. It also increases so that those pensioners below age pension age do not have a Medicare levy liability where they do not have an income tax liability. The Medicare levy low-income and under-age pensioner threshold changes are in line with inflation. The cost to the revenue of these changes to the dependent spouse tax offset and the Medicare levy are estimated over the forward estimates period at \$425 million and \$150 million respectively. It is a modest but useful return to those people.

The dependent spouse tax offset is increased annually by the CPI. Several other related tax offsets are also affected by the indexation provisions, including child-housekeeper, invalid relative, parent-housekeeper, notional sole parent and notional dependent spouse with child tax offsets. With my mind on the fact that HREOC will be reporting on the matter in the coming two weeks, I note that the dependent spouse tax offset ignores same-sex couples.

The dependent spouse tax offset is, as I understand it, not means tested. If that is so, it enables wealthier wage earners with stay-at-home partners to receive a tax deduction. Changes to the dependent spouse tax offset would be on an equity basis, meant to broadly reflect the tax-free threshold benefit that dependent spouses forgo by not working. If a dependent spouse earns less than the very minimal amounts set out in this schedule, the working partner can benefit from a reduction in their taxation. This offset has no upper earnings threshold limit for the working spouse, hence wealthy wage earners with stay-at-home partners are able to claim the tax offset.

My question to the minister is with respect to means testing. Does the government continue to hold the view that the dependent spouse tax offset should not be means tested? If it does, is there any data available to indicate how many persons above \$180,000, which is to be the new top tax threshold, are beneficiaries of the dependent spouse tax offset? I recognise, in asking that question, that it is highly unlikely the minister would have the latter figure at hand and I am willing to have it taken on notice if necessary. However, it would be useful to get a general indication of whether it is possible to get such a figure, which it might not be.