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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

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TAX LAWS AMENDMENT (MEDICARE LEVY) BILL 2013

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EXPLANATORY MEMORANDUM

(Circulated by the authority of the  
Deputy Prime Minister and Treasurer, the Hon Wayne Swan MP)



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## ***Glossary***

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The following abbreviations and acronyms are used throughout this explanatory memorandum.

<i>Abbreviation</i>	<i>Definition</i>
CPI	consumer price index
ICESCR	International Covenant on Economic, Social and Cultural Rights
ML Act	<i>Medicare Levy Act 1986</i>



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## ***General outline and financial impact***

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### **Medicare levy low-income threshold for families**

This Bill amends the *Medicare Levy Act 1986* to increase the Medicare levy low-income threshold for families and the dependent child-student component of the threshold.

***Date of effect:*** This measure applies to the 2012-13 income year and later income years.

***Proposal announced:*** This measure was announced in the 2013-14 Budget on 14 May 2013.

***Financial impact:*** This measure has the following revenue implications:

<b><i>2013-14</i></b>	<b><i>2014-15</i></b>	<b><i>2015-16</i></b>	<b><i>2016-17</i></b>
– \$16m	– \$8m	– \$7m	– \$7m

***Human rights implications:*** This Bill is compatible with human rights. See *Statement of Compatibility with Human Rights* — Chapter 1, paragraphs 1.15 to 1.19.

***Compliance cost impact:*** Nil.





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# **Chapter 1**

## ***Medicare levy family income threshold***

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### **Outline of chapter**

1.1 This Bill amends the *Medicare Levy Act 1986* (ML Act) to increase the Medicare levy low-income threshold for families and the dependent child-student component of the threshold in line with movements in the consumer price index (CPI).

### **Context of amendments**

1.2 The ML Act provides that no Medicare levy is payable by low income individuals and families where their taxable income or combined taxable family income does not exceed the stated threshold amounts.

1.3 In recent years, all of the low-income thresholds in the ML Act have been indexed annually in line with movements in the CPI.

1.4 The *Clean Energy (Tax Laws Amendments) Act 2011* amended the low-income thresholds, other than the family income threshold and the dependent child-student component of the family income threshold, in response to the increase in effective tax-free thresholds introduced by that Act.

1.5 This Bill increases the remaining low-income thresholds in line with movements in the CPI for the 2012-13 income year.

### **Summary of new law**

1.6 This Bill amends subsections 8(5) to (7) of the ML Act to increase the family income threshold amount and the dependent child-student component of the 'family income threshold'.

## Comparison of key features of new law and current law

<i>New law</i>	<i>Current law</i>
The family income threshold for the 2012-13 income year is \$33,693.	The family income threshold for the 2011-12 income year is \$32,743.
The child-student component of the family income threshold for the 2012-13 income year is \$3,094.	The child-student component of the family income threshold for the 2011-12 is \$3,007.

## Detailed explanation of new law

### Medicare levy family income threshold

1.7 This Bill increases the family income threshold amount and the dependent child-student component of the family income threshold for the 2012-13 income year in line with movements in the CPI.

1.8 Section 5 of the ML Act imposes the Medicare levy, and section 6 specifies the rate of the Medicare levy, being 1.5 per cent of taxable income.

1.9 Section 8 specifies the formula for calculating the amount of the Medicare levy for a person who has a spouse or dependents. The calculation applies where the family income in relation to the relevant person exceeds the 'family income threshold'.

1.10 The 'family income threshold' specified in subsections 8(5) to 8(7) will increase from \$32,743 to \$33,693. *[Schedule 1, items 1, 3 and 4]*

1.11 The dependent child-student component of the family income threshold in subsection 8(5) will also increase from \$3,007 to \$3,094 for each dependent child-student. *[Schedule 1, items 2 and 4]*

### Summary of Medicare levy low-income threshold amounts and phase-in ranges for families

1.12 The increased threshold amounts and phase-in ranges for the 2012-13 income year and future income years are summarised in Table 1.1.

1.13 The Medicare levy phases in at a rate of 10 cents in the dollar where the taxable income or combined family taxable income exceeds the threshold amounts (section 7).

**Table 1.1: Medicare levy low-income threshold amounts and phase-in ranges for families**

<i>Families<sup>1 2</sup> with the following children and/or students</i>	<i>No levy payable if family taxable income does not exceed (figure for 2011-12)</i>	<i>Reduced levy if family taxable income is within range (inclusive)</i>	<i>Ordinary rate of levy payable where family taxable income is equal to or exceeds (figure for 2011-12)</i>
0	\$33,693 (\$32,743)	\$33,694 – \$39,638	\$39,639 (\$38,522)
1	\$36,787 (\$35,750)	\$36,788 – \$43,278	\$43,279 (\$42,059)
2	\$39,881 (\$38,757)	\$39,882 – \$46,918	\$46,919 (\$45,597)
3	\$42,975 (\$41,764)	\$42,976 – \$50,558	\$50,559 (\$49,135)
4	\$46,069 (\$44,771)	\$46,070 – \$54,198	\$54,199 (\$52,672)
5	\$49,163 (\$47,778)	\$49,164 – \$57,838	\$57,839 (\$56,210)
6	\$52,257 <sup>3</sup> (\$50,785)	\$52,258 <sup>4</sup> – \$61,478 <sup>5</sup>	\$61,479 <sup>6</sup> (\$59,748)

## **Application and transitional provisions**

1.14 The amendments made by this Bill apply to assessments for the 2012-13 income year and later income years.

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<sup>1</sup> These figures also apply to taxpayers who are entitled to a tax offset in respect of a child-housekeeper or housekeeper, or who would have been entitled to a sole-parent rebate (had the sole parent rebate not been repealed with effect from 1 July 2000).

<sup>2</sup> Tax and Superannuation Laws Amendment (2013 Measures No. 2) Bill 2013 contains amendments that may affect the eligibility of some taxpayers to tax offsets mentioned in note 1.

<sup>3</sup> Where there are more than six dependent children and/or students, add \$3,094 for each extra child or student.

<sup>4</sup> See note 3.

<sup>5</sup> Where there are more than six dependent children and/or students, add the appropriate amount of the child/student component of the upper phase-in limit for each extra child or student.

<sup>6</sup> See note 5.

## STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

### Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

#### ***Tax Laws Amendment (Medicare Levy) Bill 2013***

1.15 This Bill is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

#### **Overview**

1.16 This Bill amends the *Medicare Levy Act 1986* to increase the Medicare levy low income threshold for families and the dependent child-student component of the threshold in line with movements in the CPI.

1.17 This will ensure that low-income families who were exempt from the Medicare levy in the 2011-12 income year will continue to be exempt in the 2012-13 income year if their incomes have increased in line with or less than the CPI.

#### **Human rights implications**

1.18 This Bill engages the following human rights:

##### *Right to Health*

Article 12(1) of the International Covenant on Economic, Social and Cultural Rights (ICESCR) recognises the right to the enjoyment of the highest attainable standard of physical and mental health.

While ICESCR contains no definition of health, the United Nations Committee on Economic Social and Cultural Rights has stated that the right to health is not to be understood as a right to be healthy.<sup>7</sup> The Committee has stated that the right to health contains both freedoms and entitlements, and the entitlements include the right to a

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<sup>7</sup> United Nations Committee on Economic Social and Cultural Rights, General Comment No 14, paragraph 8.

system of health protection which provides equality of opportunity for people to enjoy the highest attainable level of health.<sup>8</sup>

Increasing the low income threshold for families promotes the right to health by ensuring that low-income families who were exempt from the Medicare levy in 2011-12 income year will continue to be exempt in the 2012-13 income year if their incomes have increased in line with or less than the CPI, promoting their access to the health care system.’

### **Conclusion**

1.19 This Bill is compatible with human rights because it promotes the right to health by ensuring that those families on lower incomes are not liable to pay the Medicare levy, therefore providing equality of opportunity for people to enjoy access to the health care system without additional financial burden.

**Assistant Treasurer, the Hon David Bradbury**

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<sup>8</sup> See note 7.



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### **Schedule 1: Medicare levy family income threshold**

<i>Bill reference</i>	<i>Paragraph number</i>
Items 1, 3 and 4	1.10
Items 2 and 4	1.11