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Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

25 August 2017

Via email: economics.sen@aph.gov.au

Dear Committee Secretary

Submission – Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017

Thank you for this opportunity to make a submission on the Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017. This letter forms our submission on the Bill.

By way of background, the ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage and low income citizens of the Territory. ACTCOSS is a member of the nationwide COSS network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS).

In the 2017 Budget the government proposed to increase the Medicare levy by 0.5% to secure funding for the NDIS, and set up a 'Medicare Guarantee' as an accounting device for Medicare benefits.

The opposition proposes a different approach: a Medicare levy increase limited to people earning over \$87,000 and keeping the deficit levy for individuals earning over \$180,000.

We agree with ACOSS and other organisations that the NDIS, health and aged care services need a fair and robust revenue source to ensure they are there when people need them. We urge the Parliament to quickly resolve funding for the NDIS .

We welcome the government's shift from funding essential universal services such as the NDIS through an increase in the Medicare Levy rather than cuts to benefits and services as the 2016 Budget originally proposed.

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The best way to fund increases in the cost of essential universal services such as NDIS, health and aged care (which will inevitably grow as a share of GDP) is through the tax system.

The alternatives – service rationing and user charges – lead to greater inequality, and two-tier systems where the service people receive depends on their income, not their needs. People on lower incomes are hit harder by fixed out-of-pocket expenses. We all benefit from essential services and should contribute through the tax system to the extent that we can afford to do so.

At the same time, regressive revenue measures have the potential to impact on low income households and the cost of living. Cost of living research commissioned by the ACTCOSS over the past three years has revealed a persistent and widening gap between income and living costs for individuals and households living on low incomes in the ACT.¹

It is our view that all reasonable revenue-raising options to meet future growth in NDIS, health and aged care costs should be considered, based on the four tax principles set out by ACOSS:

1. An adequate and reliable revenue base for the NDIS and essential health services must be secured for the future.
2. All should contribute according to their ability to pay (this includes middle income earners but tax rates should be higher for those with higher incomes).
3. Opportunities to avoid contributing (whether by taking out private health insurance or using tax shelters) should be restricted.
4. The tax used for this purpose should be as simple and transparent as possible.

Neither the government's and the opposition's proposals for the Medicare levy as currently framed fully address these principles and we encourage and propose consideration of the four proposals for broader reform of the Medicare levy as outlined in the ACOSS submission.

These are:

1. Remove the exemption from the Medicare levy surcharge for high income earners who take out private health insurance (this would raise \$4B a year and only affect those earning more than \$90,000 if single or \$180,000 for families);
2. Extend the broader definition of income used for the surcharge to the Medicare levy itself (this would help ensure that people who use tax shelters such as negative gearing, salary sacrifice, and private trusts, at least pay the Medicare levy).

¹ ACTCOSS, *ACT cost of living report: transport*, ACTCOSS, Canberra, June 2017.

3. Restructure the Medicare levy to make it more progressive as well as increasing it (one option is to replace the levy and surcharge with a three-tier rate scale).
4. Replace the Medicare levy and surcharge with a new levy based on a proportion of personal income tax payable each year.

Thank you for considering this submission. Please feel free to contact me via email at [REDACTED] or by phone on [REDACTED]

Yours sincerely,

[REDACTED]

Susan Helyar
Director, ACTCOSS

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