Date introduced: 19 August 1986
House: House of Representatives
Presented by: Hon. Chris Hurford, M.P.,
Minister Assisting the Treasurer

DIGEST OF BILL

Purpose

To increase the rate of Medicare levy from 1% to 1.25% and to raise the threshold limit below which the levy is not payable.

Background

The measures to be introduced by this Bill form part of the Budget. The universal health insurance scheme known as Medicare was introduced in February 1984. The scheme provides coverage of 85% of the scheduled fee for medical services and free public hospital accommodation. Medicare is partly funded through a 1% levy on taxable income, though below a certain threshold level the levy is not payable.

In 1984-85 expenditure on medical benefits totalled $2240.1 million while that on public hospitals totalled $924.5 million, a total of $3164.6 million. In the same year, the Medicare levy rose an estimated $1150 million. The same pattern was evident in 1985-86 when expenditure totalled $3634.6 ($2589.3 million on medical benefits and $1045.3 million on public hospitals) while revenue from the levy was estimated at $1335 million.

For 1986-87 expenditure is estimated at $2864.2 million for medical benefits and $1075.4 million for public hospitals (a total of $3939.6 million). As announced in the Budget, the levy is to increase to 1.25% from 1 December 1986. This will mean an effective rate of 1.145% for the 1986-87 financial year. As a result, revenue will rise by $310 million to an estimated $1645 million or 23.2% higher.
than in 1985-86. This will represent 2.3% of total receipts compared with 2.0% in 1985-86.

The threshold levels below which the levy is not payable have been increased each year since the introduction of Medicare. In 1983-84 the income threshold for single persons was $6698, and $11 141 for married couples and sole parents with a $1100 addition to the threshold for each dependent child or student. In 1984-85, the income thresholds were $7110 for single persons and $11 803 for married couples and sole parents, with a $1330 addition to the threshold for each dependent child or student. The levels were increased to $7526, $12 504 and $1530 for each dependant child for 1985-86. This Bill proposes to increase the levels to $8030, $13 370 and $1660 for each dependant child.

Main Provisions

Clause 6 will increase the rate of levy payable by individuals and trusts to 1.145%.

Clause 7 deals with the threshold for individuals. No levy will be payable on taxable income that does not exceed $8030. Where the taxable income is between $8030 and $8517, the amount of levy will be limited to 20% of the excess above $8030. Trust estates will not pay the levy if their net income does not exceed $416. Where the net income is between $416 and $441, the levy will be limited to 20% of the excess.

Clause 8 will exempt families or single parents from the levy where their income is less than the 'family income threshold'. This is defined in sub-clause 5 to be $13 370 increased by $1660 for each dependant child.

Prescribed people (e.g. those who receive free treatment under other schemes such as repatriation) will have the levy reduced in proportion to the period they were a prescribed person (clause 9).

Clause 11 details the rate of levy and the threshold levels proposed for the financial year commencing
on 1 July 1987. The full year rate of levy will be 1.25% and the upper levels to which the 20% maximum of excess provisions apply will be increased.

For further information, if required, contact the Economics and Commerce Group.

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LEGISLATIVE RESEARCH SERVICE