



## Fairer Private Health Insurance Incentives (Medicare Levy Surcharge—Fringe Benefits) Bill 2009

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## **Fairer Private Health Insurance Incentives (Medicare Levy Surcharge—Fringe Benefits) Bill 2009**

**Date introduced:** 27 May 2009

**House:** House of Representatives

**Portfolio:** Treasury

**Commencement:** Sections 1–3 on Royal Assent; Schedule 1 immediately after the commencement of Schedule 1 to the *Fairer Private Health Insurance Incentives Act 2009*.

**Links:** The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### **Purpose**

This Bill is one of three Bills which propose changes to various Acts in order to implement a 2009–10 Budget initiative changing private health insurance incentives and penalties.<sup>1</sup> The other two Bills are Fairer Private Health Insurance Incentives Bill 2009 and Fairer Private Health Insurance Incentives (Medicare Levy Surcharge) Bill 2009.<sup>2</sup> The Bills propose the introduction of three new Private Health Insurance Incentive Tiers, so that those on higher incomes receive a lower private health insurance rebate when they purchase a complying health insurance policy, and face a higher Medicare levy surcharge if they opt out of private health cover.

This Bill proposes amendments to *A New Tax System (Medicare Levy Surcharge—Fringe Benefits) Act 2009* (ANTS (MLS) Act 1999). It proposes amendments to insert new definitions of income threshold tiers for singles and families, and staggered increases to the Medicare levy surcharge for those assessed as high income earners so they are consistent with the proposed changes to other Acts contained in the Fairer Private Health Insurance (Medicare Levy Surcharge) Bill 2009 and the Fairer Private Health Insurance Incentives Bill 2009.

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- 1 W Swan (Treasurer), N Roxon (Minister for Health and Ageing), *Rebalancing support for private health insurance*, media release, Canberra, 12 May 2009, viewed 28 May 2009, <http://www.health.gov.au/internet/budget/publishing.nsf/Content/budget2009-hmedia13.htm>
  - 2 For analysis of the measures contained in these Bills refer to the relevant Bills Digests.

#### **Warning:**

*This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.*

*This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.*

## Background

The Medicare levy surcharge is an additional surcharge on taxable income imposed on ‘high-income’ earners who are eligible for Medicare, but do not have appropriate private hospital insurance. It is in addition to the 1.5 per cent Medicare levy.<sup>3</sup>

The ANTS (MLS) Act 1999 determines whether an individual is liable to pay the Medicare levy surcharge in respect to a reportable fringe benefit they or their spouse may have.

### Basis of policy commitment

The measures proposed in this and the other two Bills were announced in a joint media release from the Treasurer, Wayne Swan, and the Minister for Health and Ageing, Nicola Roxon on 12 May 2009, as part of the 2009–10 Budget.<sup>4</sup>

### Committee consideration

The Bill has been referred to the Senate Economics Legislation Committee, to report by 16 June 2009.

### Position of significant interest groups/press commentary

In itself, this Bill has not attracted commentary. However, it is one of three Bills that propose changes to the private health insurance rebate and Medicare levy surcharge. These proposals have attracted commentary and debate. For an overview of this debate see the Bills Digest prepared for the Fairer Private Health Insurance Incentives Bill 2009.

## Financial implications

Refer to the Bills Digest for the Fairer Private Health Insurance Incentives Bill 2009.

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3 Private Health Insurance Administration Council (PHIAC), *Insure? Not sure?* PHIAC, Canberra, 2009, p. 3, viewed 2 June 2009,  
<http://www.phiac.gov.au/insurenotsure/pdf/insure.pdf>

4 W Swan (Treasurer), N Roxon (Minister for Health and Ageing), *Rebalancing support for private health insurance*, media release, Canberra, 12 May 2009, viewed 28 May 2009,  
<http://www.health.gov.au/internet/budget/publishing.nsf/Content/budget2009-hmedia13.htm>

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## **Main provisions**

### *Schedule 1—Amendments to A New Tax System (Medicare Levy Surcharge—Fringe Benefits) Act 1999*

**Items 1, 4-6** propose to insert new definitions for family tier 1 threshold, singles tier 1 threshold and tier 2 and tier 3 earners, so they are consistent with the definitions in the *Income Tax Assessment Act 1997*.

**Item 7** proposes to replace references to the way a ‘dependant child’ is defined. Instead of referring to the meaning of a ‘dependant child’ as given in the ITAA 1997, the meaning of ‘dependant’ is broadened to that which is defined in the ANTS (MLS) Act 1999, in order to make the definition consistent with other legislation.

**Items 8, 10, 12, 14, 15** propose to replace all references to ‘singles surcharge threshold’ with ‘singles tier 1 threshold’ and all references to ‘family surcharge threshold’ are replaced with ‘family tier 1 threshold’.

**Items 9, 11, 13, 16** proposes new provisions that increase the Medicare levy surcharge for someone assessed as being a tier 2 or tier 3 earner. The surcharge is increased to 1.25 per cent and 1.5 per cent respectively.

**Item 17** proposes that the amendments made in the Schedule apply to the 2010–11 year of income and later years.

## **Concluding comments**

This Bill is one of three seeking to give effect to a 2009–10 Budget announcement intended to ‘rebalance’ private health insurance arrangements. This specific Bill proposes amendments to the *A New Tax System (Medicare Levy Surcharge—Fringe Benefits) Act 2009* that will make it consistent with the provisions proposed in the other two Bills. As the Opposition has indicated it opposes the overall measure, it will require the support of the Greens and the Independents to pass the Senate.

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