

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 360-361

Topic: Medicare Levy Surcharge #2

Hansard Page: Written

Senator WATERS asked:

Response AET 148 did not answer Sen Brown's question "Should the Medicare levy surcharge be costed like a 'tax expenditure' as it is effectively an increase in the marginal tax rate with a concession for people who take out private health insurance?"

360. Is the surcharge not effectively a use of the tax system to provide a subsidy to the private health insurance industry?
361. If it were treated as a tax expenditure, how large would be the tax expenditure?

Answer:

Subject to a few exceptions, all taxpayers who may benefit from Australia's health system, or who have a dependant who may benefit, pay the Medicare levy. The Medicare levy surcharge is an additional amount of Medicare levy imposed on high-income taxpayers who do not hold complying private hospital cover. The purpose of the surcharge is to encourage these taxpayers to take out hospital cover, and where possible, to use the private system to reduce the demand on the public Medicare system.

As with the Medicare levy, revenue from the Medicare levy surcharge is paid into the Consolidated Revenue Fund and contributes generally to the Government's ability to finance health outlays, in the same way as other sources of revenue such as income tax.

As set out on page 42 of the 2011 Tax Expenditures Statement (TES), the Medicare levy surcharge is levied in addition to the Medicare Levy for individuals and families who do not have complying private hospital insurance, and is estimated to have raised around \$190 million in 2011-12. The surcharge represents a deviation from the standard taxation treatment of personal income. More detail on tax expenditure benchmarks are provided in Appendix A of the 2011 TES.