

# Senate Economics Legislation Committee

## ANSWERS TO QUESTIONS ON NOTICE

### Treasury Portfolio

#### Budget Estimates

2017 - 2018

**Division/Agency:** Individuals and Indirect Tax Division

**Question No:** 230

**Topic:** Medicare Levy Surcharge Thresholds

**Reference:** Written

**Senator:** Ketter, Chris

#### Question:

1. The Government recently introduced the Treasury Laws Amendment (Medicare Levy and Medicare Levy Surcharge) Bill 2017 to Parliament. Can you confirm that this is effectively an annual measure?
2. Can you confirm the intent of the measure is to ensure the Medicare levy thresholds are kept in line with inflation?
3. How many people would have been affected had the thresholds not been raised?
4. An article on Thursday May 25 in The Australian reported "More than nine million Australian adults will be exempt from the expanded Medicare Levy as the Turnbull government widens protections for those on low incomes". This appears to imply the thresholds measure itself meant 9 million people were protected from the levy. Is that an accurate reflection of the measure?
5. Would the majority of the nine million people have been protected from the expanded levy if the thresholds remained at the status quo?
6. Who are the nine million taxpayers? Retirees? Can you give an indication of the demographics?

#### Answer:

1. The Medicare levy low-income thresholds are not subject to automatic annual indexation. Setting the level of the Medicare levy low-income thresholds is a matter for Government. However, successive governments have generally decided to increase the Medicare levy low-income thresholds in line with positive movements in the consumer price index (CPI) each year since 1996-97.
2. Yes. Increasing the Medicare levy low-income thresholds ensures that the thresholds keep pace with growth in consumer prices. These changes will ensure that low-income households who did not pay the Medicare levy in the 2015-16 income year will generally continue to be exempt in the 2016-17 income year if their incomes have risen in line with, or by less than, the CPI.
3. Around an estimated one million individuals will benefit from the increase in the low-income thresholds in 2016-17, including individuals who receive a concession as part of a family. Around an estimated 100,000 individuals will not be required to pay the Medicare levy in 2016-17 because of the increase in the low-income thresholds. The other 900,000 individuals who are estimated to benefit from the increase in the low-income thresholds in 2016-17 will continue to pay some Medicare levy (at a reduced 'shade-in' rate), but less than they otherwise would.
4. In total, around 9 million Australian adults are expected to not be required to pay any Medicare levy in 2016-17.

5. Please refer to parts 3 and 4 above.
6. In 2016-17, the following groups are eligible for an exemption from the Medicare levy:
  - low-income earners (the largest group);
  - people who are entitled to full free medical treatment for all conditions under defence force arrangements or Veterans' Affairs Repatriations Health Card (Gold Card);
  - sickness allowance recipients;
  - blind pensioners;
  - non-residents for tax purposes; and
  - Medicare exemption certificate recipients.

Individuals can be exempt from the Medicare levy against more than one of these criteria. Some individuals are eligible to receive an exemption for only part of the year or at a half-rate. These individuals will pay some Medicare levy, but less than the full rate.