

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 3-5 June 2008

**Question: bet 30**

**Topic: Indexation of the Medicare Levy Surcharge**

**Hansard Page: E56 – E57**

**Senator Cormann asked:**

**Senator CORMANN**—Okay. Let us go to my question, then. If the Medicare levy surcharge thresholds had been increased by the CPI every year since their introduction, what would those thresholds be today?

**Mr Ray**—I would need to take that on notice because I do not have that spreadsheet.

**Senator CORMANN**—Maybe I can help you, because I have done a bit of research on this—

**Mr Ray**—But I think the government was talking about how this was affecting wage earners.

**Senator CORMANN**—The government has been making the point that the thresholds have not been indexed. I put it to you that, if the thresholds had been indexed, today the threshold for singles would be at \$73,900. Do you disagree with that figure?

**Mr Ray**—I cannot confirm that figure because I do not have the CPI series in front of me or a spreadsheet, but it is obviously in the ballpark—

**Senator CORMANN**—This was an obvious area for questioning, surely? This is the area that your output provides advice on and it is under the revenue measures. I am a bit surprised that an obvious question on what would happen if the Medicare levy surcharge thresholds had been indexed cannot be answered in the light of the fact that that is what a lot of the public debate on this has been centred on.

**Mr Ray**—Senator, I actually provided you with what the numbers would have been if they had been indexed by wages.

**Senator CORMANN**—My question is—and again, please take it on notice: if the Medicare levy surcharge thresholds had been indexed since their introduction, what would be the figure? You say by wages it is \$78,000; I say by CPI it would have been \$73,800. The point I am making is that, whatever it is, it is significantly less than \$100,000.

**Answer:**

There are a variety of answers to the question of the current threshold had it been indexed by CPI since its introduction, which will differ slightly depending on the specific indexation methodology applied. However, all methods provide an indexed threshold estimate that is of the same order of magnitude as Senator Cormann has suggested.