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THE PARLIAMENT OF THE COMMONWEALTH OF  
AUSTRALIA

HOUSE OF REPRESENTATIVES

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MEDICARE LEVY AMENDMENT BILL 1992

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EXPLANATORY MEMORANDUM

(Circulated by the authority of the Treasurer, the Hon  
John, Dawkins, M.P.)





## **General Outline and Financial Impact**

### **Medicare Levy Low Income Thresholds**

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#### **Changes to the Threshold Levels (*Medicare Levy Act 1986*)**

- The Medicare Levy Amendment Bill 1992 will amend the Medicare Levy Act 1986 to vary the the taxable income levels below which persons are exempt from the levy as from 1 July 1992; the new levels compare with the old as follows:

	<b>1991-92</b>	<b>1992-93</b>
Individuals	\$11,745	\$11,887
Married couples and sole parents	\$19,674	\$20,070

***Date of effect:*** 1 July 1992

***Proposal announced:*** 1992-93 Budget.

***Financial Impact:*** The increase in the low income thresholds is estimated to cost nil in 1992-93, \$12 million in 1993-94 and \$6 million in 1994-95.

## **Clauses involved in the proposed amendments**

***Subclause 1(1):*** cites the amending Act as the Medicare Levy Amendment Act 1992.

***Subclause 1 (2):*** facilitates references to the Medicare Levy Act 1986 which it refers to as the "Principal Act".

***Clause 2:*** provides for the amending Act to commence on the day on which it receives Royal Assent.

***Clause 3:*** amends section 7 of the Principal Act by:

- omitting "\$11,745" from subsections (1) and (2) and substituting "\$11,887"; and
- omitting "\$12,528" from subsection (2) and substituting "\$12,680".

***Clause 4:*** amends section 8 of the Principal Act by:

- omitting "\$19,674" from subsections (5) and (6) and substituting "\$20,070".

***Clause 5:*** provides that amendments to sections 7 and 8 of the Principal Act will apply for the financial years commencing on or after 1 July 1992.

## **Medicare Levy Low Income Thresholds**

### **Summary of proposed amendments**

***Purpose of amendment:*** Persons with a taxable income below the Medicare levy low income thresholds are not required to pay the levy. This Bill proposes to amend sections 7 and 8 of the Medicare Levy Act 1986 to raise the low income thresholds for individuals, married couples and sole parents.

***Date of Effect:*** 1 July 1992.

### **Background to the legislation**

Under existing law the Medicare levy is assessed on taxable income at a rate prescribed in the Medicare Levy Act 1986. There is provision for individuals and couples below certain levels of taxable income to be exempt from the levy. Each year the Government reviews the low income thresholds and decides whether it is appropriate to vary them. The levy shades in above the low income thresholds.

### **Explanation of proposed amendments**

#### ***General***

The threshold for individuals and couples will be increased for 1992-93.

For 1992-93 no levy will be payable by:

- (a) an individual whose taxable income does not exceed \$11,887;
- (b) a married (including de facto) couple where the sum of the couple's taxable income does not exceed \$20,070; or
- (c) a taxpayer entitled to a housekeeper, child-housekeeper or sole parent rebate where his or her taxable income does not exceed \$20,070.

For each dependent child or student maintained by a taxpayer in (b) or (c) the threshold will continue to be increased by \$2,100 per child.

*Levy in Cases of Individuals with Small Incomes*

Section 7 of the Principal Act exempts individuals on incomes at or below the low income threshold from any liability for the Medicare levy. It also phases in the levy for those taxpayers with taxable incomes that exceed that threshold.

The level of this threshold (subsection 7(1) of the Principal Act) is to be increased from \$11,745 to \$11,887 [*Clause 3*].

Clause 3 will also amend the shading-in range for individual taxpayers so that a reduced levy will be payable if the taxable income exceeds \$11,887 but does not exceed \$12,680.

*Levy for Married Couples and Sole Parents*

Section 8 of the Principal Act exempts a person who has a family from the Medicare levy if two conditions are satisfied:

(a) the person is

- married or de facto married on the last day of the year of income; or
- is entitled to a rebate in his or her assessment in respect of the year of income for a child-housekeeper or a housekeeper or as a sole parent; and

(b) the family income in respect of the year of income (that is, the taxable income of the person plus that of his or her spouse, if any) does not exceed the family income threshold in relation to that person.

The level of the "family income threshold" for a taxpayer is to be increased from \$19,674 to \$20,070 [*Clause 4*]. The level of that threshold in a year of income will continue to be increased by a further \$2,100 for each dependent child or student. (The child or student is one in respect of whom the taxpayer or spouse would have been entitled to a dependant rebate in that year had those rebates been continued).

Subsection 8(6) of the Principal Act places a restriction on increasing the "family income threshold" on account of a dependant in respect of a year of income. The restriction applies where the taxpayer was not a married person on the last day of the year of income. In these circumstances the "family income threshold" shall not be increased on account of another person unless family allowance under the Social Security Act 1991 was payable to the taxpayer in respect of the dependant.

The 1992-93 low income thresholds and shading-in ranges will therefore be as shown in the following table:

<b>1992-93 MEDICARE LEVY LOW INCOME THRESHOLDS AND SHADING-IN RANGES</b>			
Category of taxpayer	No levy payable if taxable income (or family income) does not exceed	Reduced levy payable if taxable income (or family income) is within the range (inclusive)	Ordinary rate of levy where taxable income (or family income) exceeds
Individual taxpayer	\$11,887	\$11,888-\$12,680	\$12,680
Married taxpayer with the following children and/or students			
0	\$20,070	\$20,071-\$21,408	\$21,408
1	\$22,170	\$22,171-\$23,648	\$23,648
2	\$24,270	\$24,271-\$25,888	\$25,888
3	\$26,370	\$26,371-\$28,128	\$28,128
4	\$28,470*	\$28,471*-\$30,368#	\$30,368#

*\*Add \$2,100 for each additional child or student. #Add \$2,240 for each additional child or student.*

