

1996-97

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

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TAXATION LAWS AMENDMENT (PRIVATE HEALTH INSURANCE  
INCENTIVES) BILL 1996

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SUPPLEMENTARY EXPLANATORY MEMORANDUM

Amendments to be moved on behalf of the Government

(Circulated by authority of the  
Treasurer, the Hon Peter Costello, MP)





## ***General outline and financial impact***

### **Medical expenses rebate**

Amends the income tax law to raise the threshold above which the medical expenses rebate applies.

***Date of effect:*** Applies for the income year 1996-97 and subsequent income years.

***Proposal announced:*** 1996-97 Budget, 20 August 1996.

***Financial impact:*** This measure is expected to raise \$45 million in 1997-98, \$45 million in 1998-99 and \$50 million in 1999-00.

***Compliance cost impact:*** There will be no additional compliance costs in regard to this measure as taxpayers will not be required to keep additional records. To qualify for the rebate taxpayers will have to keep records of medical expenses as they do under the existing law.



## **Medical expenses rebate**

### **Overview**

1.1 This amendment will amend the *Income Tax Assessment Act 1936* (the Act) to raise the threshold above which the medical expenses rebate will apply.

### **Summary of the amendments**

#### **Purpose of the amendments**

- 1.2 The proposed amendments will:
- for the 1996-97 income year, raise the threshold above which the medical expenses rebate will apply from the existing level of \$1,000 to \$1,430; and
  - for subsequent income years, raise the threshold to \$1,500.

#### **Date of effect**

1.3 The raising of the threshold to \$1,430 will apply to assessments in respect of the 1996-97 year of income.

1.4 The raising of the threshold to \$1,500 will apply to assessments in respect of the 1997-98 and subsequent years of income.

### **Background to the legislation**

1.5 The medical expenses rebate was introduced effective for the 1985-86 income year to replace a concessional expenditure rebate for medical expenses. Originally the rebate was calculated at the rate of 30 cents for each dollar of medical expenses in excess of \$1,000. Between its

introduction and the 1991-92 income year, this rate was progressively decreased to 20 cents.

1.6 Section 159P of the Act provides for a rebate to a taxpayer whose medical expenses, net of Medicare and private health fund reimbursement, exceed \$1,000 during the year of income. To qualify for the rebate the expenses must be paid by a resident taxpayer in respect of himself or a resident dependant. The rate of rebate is 20 cents for each dollar of net medical expenses above the threshold of \$1,000.

## Explanation of the amendments

1.7 In the 1996-97 Budget, the Government announced an increase in the medical expenses threshold from \$1,000 to \$1,500, with effect from the date of announcement.

1.8 **Amendment 2** inserts **Schedule 3. Item 1** amends paragraph 159P(3A)(b) of the Act to increase the threshold to \$1,430, which reflects a prorating of the increase from the date of announcement. This amount applies for the 1996-97 income year. **[Subitem 3(1)]**

1.9 **Item 2** amends paragraph 159P(3A)(b) of the Act to increase the threshold to \$1,500. This amount applies for the 1997-98 and subsequent years of income. **[Subitem 3(2)]**

1.10 **Amendment 1** amends the commencement clause of the Bill to ensure that the changes made by **amendment 2** commence in the correct order.