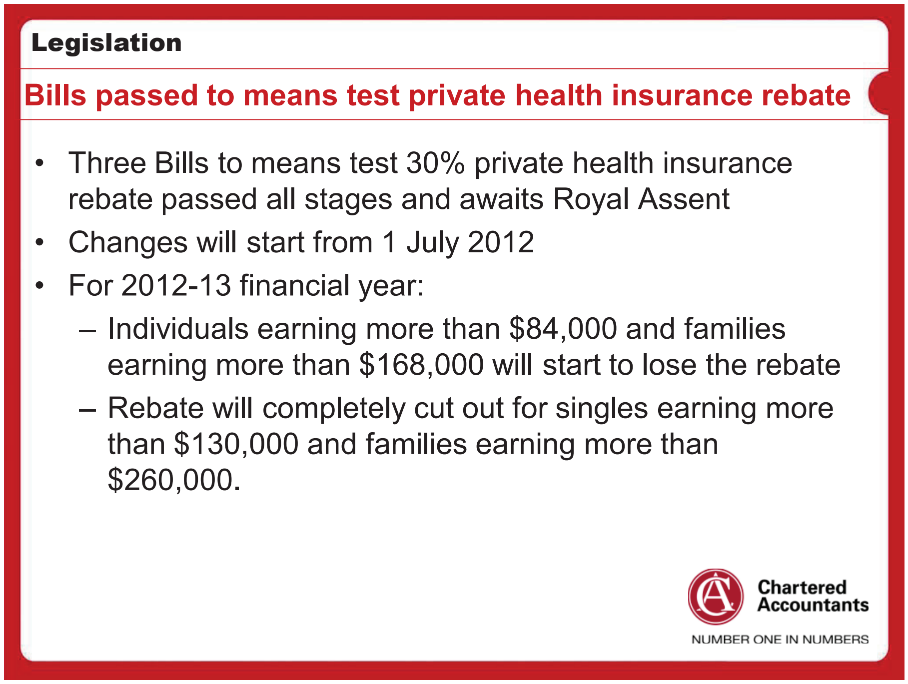


Bills passed to means test private health insurance rebate

The three Bills that propose to means test the 30% private health insurance rebate have now passed all stages and await Royal Assent. They had been amended in the House of Reps to defer the start date to 1 July 2012. The Bills are the ***Fairer Private Health Insurance Incentives Bill 2012***, ***Fairer Private Health Insurance Incentives (Medicare Levy Surcharge)Bill 2012*** and the ***Fairer Private Health Insurance Incentives (Medicare Levy Surcharge - Fringe Benefits) Bill 2012***. Individuals earning more than $84,000, or families earning more than $168,000, will start to lose the rebate in the 2012-13 financial year. In the 2012-13 financial year, the rebate will only cut out completely for singles once they were earning more than $130,000 a year and for families earning more than $260,000. The income test thresholds are based on the income for Medicare levy surcharge purposes.

The three new "Private Health Insurance Incentive Tiers" have income thresholds as follows:

- ***Tier 1***: singles whose income for Medicare levy surcharge purposes (see below) is from $84,001pa to $97,000pa inclusive and couples/families whose income for surcharge purposes is from $168,001pa to $194,000pa inclusive in the 2012-13 financial year. For these people who hold a complying private health insurance policy, they will have their private health insurance rebate reduced by 10% (to 20%) in relation to premiums and amounts in respect of premiums paid on and after 1 July 2012.
- ***Tier 2***: singles whose income for surcharge purposes is from $97,001pa to $130,000pa inclusive and couples/families whose income for surcharge purposes is from $194,001pa to $260,000pa inclusive in the 2012-13 financial year. For these people who hold a complying private health insurance policy, they will have their private health insurance rebate reduced by 20% (to 10%) in relation to premiums and amounts in respect of premiums paid on and after 1 July 2012.
- ***Tier 3***: singles whose income for surcharge purposes is from $130,001pa and over and couples/families whose income for surcharge purposes of $260,001pa and over in the 2012-13 financial year. For these people who hold a complying private health insurance policy, they will not receive any private health insurance rebate after 1 July 2012.

The following table illustrates how the proposed changes would operate:

Tier	Income ($)		Private health insurance rebate			Medicare levy surcharge
	Singles	Families	Under 65 years old	65 - 69 years old	70 years or over	
	0 - 84,000	0 - 168,000	30%	35%	40%	Nil
1	84,001 - 97,000	168,001 - 194,000	20%	25%	30%	1%
2	97,001 - 130,000	194,001 - 260,000	10%	15%	20%	1.25%
3	130,001+	260,001+	0%	0%	0%	1.5%

For families with more than one dependent child, the relevant threshold is increased by $1,500 for each child after the first.

The income test thresholds are based on the income for Medicare levy surcharge purposes. The income test used to determine a person's liability for the Medicare levy surcharge includes the *sum of* a person's:

- Taxable income; *plus*
- Reportable fringe benefits; *plus*
- Total net investment losses; *plus*
- Reportable super contributions,

Less:

- Where the person is aged 55-59 years old, any taxed element of a lump sum superannuation benefit, other than a death benefit, which they received that does not exceed their low rate cap.

The rebate can currently be claimed in one of three ways:

- The health fund can provide the rebate as a premium reduction;
- Where the full, upfront cost of the private health cover premiums has been paid, people can receive a cash payment from the government through their local medicare office or by lodging the claim form by post;
- The rebate can be claimed on annual income tax returns, as a private health insurance tax offset, if the full, upfront cost has been paid.

Examples

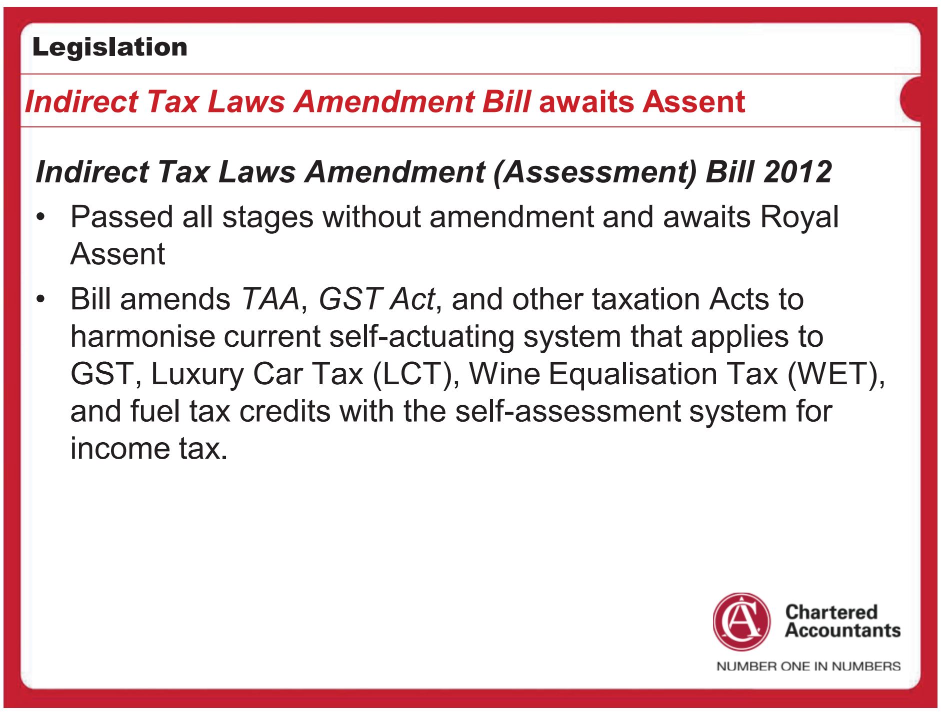
David is a single 34 year old with a complying health insurance policy. In 2012-13, his income for surcharge purposes is $98,000. From 1 July 2012, David would be assessed as a tier 2 earner and would receive a private health insurance tax offset of 10% of the amount of premium paid on and after that date under his insurance policy. For premiums paid before that date, he would receive a private health insurance tax offset of 30% of the amount of premium paid.

Married couple Tony and Kate have two children Liz (aged 15) and Alan (aged 9). They have family private insurance cover. Tony is aged 44 years and Kate is 48. In 2012-13, Tony's income for surcharge purposes is $145,000 and Kate's is $54,000. Their combined income for surcharge purposes is $199,000. From 1 July 2012, Tony and Kate would be assessed as tier 2 earners and would receive a private health insurance tax offset of 10% of the amount of premiums paid on and after that date on their family insurance policy. If their cover costs $3,600 per year, their offset would be $360 compared to $1,080 before the changes ie their private health cover would effectively cost them $720 more than previously. Some private health funds have recently increased their premiums by around 5%, so this would also increase Tony and Kate's outlay for their health cover.

Opposition vows to restore rebate

The Opposition Leader Mr Abbott has indicated that, in government, the Coalition would restore the rebate.

22/03/2012



Indirect Tax Laws Amendment (Assessment) Bill 2012 awaits Assent

Indirect Tax Laws Amendment (Assessment) Bill 2012

The ***Indirect Tax Laws Amendment (Assessment) Bill 2012*** has passed all stages without amendment and effectively awaits Royal Assent. Among other things, the Bill amends the *TAA*, the *GST Act* and other taxation Acts to harmonise the current self-actuating system that applies to GST, the Luxury Car Tax (LCT), the Wine Equalisation Tax (WET) and fuel tax credits with the self-assessment system for income tax.

22/03/2012

