

2010-2011

The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES

Presented and read a first time

**Fairer Private Health Insurance
Incentives (Medicare Levy Surcharge—
Fringe Benefits) Bill 2011**

No. , 2011

(Treasury)

**A Bill for an Act to amend the *A New Tax System
(Medicare Levy Surcharge—Fringe Benefits) Act
1999*, and for related purposes**

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1 **A Bill for an Act to amend the *A New Tax System***
2 ***(Medicare Levy Surcharge—Fringe Benefits) Act***
3 ***1999, and for related purposes***

4 The Parliament of Australia enacts:

5 **1 Short title**

6 This Act may be cited as the *Fairer Private Health Insurance*
7 *Incentives (Medicare Levy Surcharge—Fringe Benefits) Act 2011.*

8 **2 Commencement**

9 (1) Each provision of this Act specified in column 1 of the table
10 commences, or is taken to have commenced, in accordance with
11 column 2 of the table. Any other statement in column 2 has effect
12 according to its terms.

13

Commencement information

| Column 1 | Column 2 | Column 3 |
|---|---|---------------------|
| Provision(s) | Commencement | Date/Details |
| 1. Sections 1 to 3 and anything in this Act not elsewhere covered by this table | The day this Act receives the Royal Assent. | |
| 2. Schedule 1 | At the same time as Schedule 1 to the <i>Fairer Private Health Insurance Incentives Act 2011</i> commences. | |

1 Note: This table relates only to the provisions of this Act as originally
2 enacted. It will not be amended to deal with any later amendments of
3 this Act.

4 (2) Any information in column 3 of the table is not part of this Act.
5 Information may be inserted in this column, or information in it
6 may be edited, in any published version of this Act.

7 **3 Schedule(s)**

8 Each Act that is specified in a Schedule to this Act is amended or
9 repealed as set out in the applicable items in the Schedule
10 concerned, and any other item in a Schedule to this Act has effect
11 according to its terms.
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Schedule 1—Amendments

A New Tax System (Medicare Levy Surcharge—Fringe Benefits) Act 1999

1 Subsection 3(1) (definition of *family surcharge threshold*)

Repeal the definition.

2 Subsection 3(1)

Insert:

family tier 1 threshold, of a person for a year of income, means the family tier 1 threshold (within the meaning of the *Private Health Insurance Act 2007*) of the person for the financial year corresponding to the year of income.

3 Subsection 3(1) (definition of *singles surcharge threshold*)

Repeal the definition.

4 Subsection 3(1)

Insert:

singles tier 1 threshold, of a person for a year of income, means the singles tier 1 threshold (within the meaning of the *Private Health Insurance Act 2007*) of the person for the financial year corresponding to the year of income.

5 Subsection 3(1)

Insert:

tier 2 earner has the meaning given by section 6.

6 Subsection 3(1)

Insert:

tier 3 earner has the meaning given by section 6.

7 Sections 5A and 6

1 Repeal the sections, substitute:

2 **6 What is a *tier 2 earner* and *tier 3 earner***

3 (1) Subject to this section, for the purposes of this Act:

4 (a) ***tier 2 earner***, for a year of income, means a tier 2 earner
5 (within the meaning of the *Private Health Insurance Act*
6 *2007*) for the financial year corresponding to the year of
7 income; and

8 (b) ***tier 3 earner***, for a year of income, means a tier 3 earner
9 (within the meaning of that Act) for the financial year
10 corresponding to the year of income.

11 (2) In determining whether a person is a ***tier 2 earner*** or ***tier 3 earner***
12 for a year of income for the purposes of this Act, section 22-30 of
13 the *Private Health Insurance Act 2007* operates with the
14 modification set out in subsection (3).

15 (3) Replace paragraph 22-30(1)(b) of the *Private Health Insurance Act*
16 *2007* with the following paragraph:

17 (b) on any day in the year, the person has one or more
18 dependants (within the meaning of the *A New Tax System*
19 *(Medicare Levy Surcharge—Fringe Benefits) Act 1999*),
20 other than a dependant to whom the person is married (within
21 the meaning of that Act):

22 **8 Paragraph 12(1)(a)**

23 Omit “the singles surcharge threshold”, substitute “the person’s singles
24 tier 1 threshold”.

25 **9 At the end of section 12**

26 Add:

27 (4) Increase the amount of each percentage mentioned in
28 subsections (2) and (3) by 0.25 of a percentage point if the person
29 is a tier 2 earner for the year of income.

30 (5) Increase the amount of each percentage mentioned in
31 subsections (2) and (3) by 0.5 of a percentage point if the person is
32 a tier 3 earner for the year of income.

33 **10 Paragraph 13(1)(a)**

1 Omit “family surcharge threshold”, substitute “family tier 1 threshold”.

2 **11 At the end of section 13**

3 Add:

4 (5) Increase the amount of each percentage mentioned in
5 subsections (3) and (4) by 0.25 of a percentage point if the person
6 is a tier 2 earner for the year of income.

7 (6) Increase the amount of each percentage mentioned in
8 subsections (3) and (4) by 0.5 of a percentage point if the person is
9 a tier 3 earner for the year of income.

10 **12 Paragraph 15(1)(b)**

11 Omit “family surcharge threshold”, substitute “family tier 1 threshold”.

12 **13 At the end of section 15**

13 Add:

14 (3) Increase the amount of the percentage mentioned in subsection (1)
15 by 0.25 of a percentage point if the person is a tier 2 earner for the
16 year of income.

17 (4) Increase the amount of the percentage mentioned in subsection (1)
18 by 0.5 of a percentage point if the person is a tier 3 earner for the
19 year of income.

20 **14 Paragraph 16(2)(b)**

21 Omit “family surcharge threshold”, substitute “family tier 1 threshold”.

22 **15 Paragraph 16(3)(b)**

23 Omit “family surcharge threshold”, substitute “family tier 1 threshold”.

24 **16 After subsection 16(4)**

25 Insert:

26 (4A) Increase the amount of the percentage mentioned in subsection (4)
27 by 0.25 of a percentage point if the person is a tier 2 earner for the
28 year of income.

- 1 (4B) Increase the amount of the percentage mentioned in subsection (4)
2 by 0.5 of a percentage point if the person is a tier 3 earner for the
3 year of income.

4 **17 Application**

5 The amendments made by this Schedule apply to the 2011-12 year of
6 income and later years of income.

7 **18 Transitional—2011-12 year of income**

- 8 (1) Subitem (2) applies to the amount of surcharge payable by a person on
9 the person's reportable fringe benefits total for the 2011-12 year of
10 income.
- 11 (2) The amount of surcharge worked out under the *A New Tax System*
12 *(Medicare Levy Surcharge—Fringe Benefits) Act 1999* is treated as
13 being the total of:
- 14 (a) the amount of surcharge that would be payable under that Act
15 if:
 - 16 (i) the amendments made by this Schedule did not apply to
17 the year of income; and
 - 18 (ii) Divisions 2, 3 and 4 of Part 3 of that Act were treated as
19 not applying to the person for any day after
20 31 December 2011; and
 - 21 (b) the amount of surcharge that would be payable under that
22 Act, as amended by this Schedule, if Divisions 2, 3 and 4 of
23 Part 3 of that Act were treated as not applying to the person
24 for any day before 1 January 2012.