

Coalition tips Medicare Levy to get over the line

Treasurer Scott Morrison.

DAVID CROWE THE AUSTRALIAN 12:00AM August 17, 2017

The Turnbull government will put its \$8.2 billion increase in the Medicare Levy to federal parliament today in a sign of growing confidence in legislating a flagship budget policy to fund the National Disability Insurance Scheme.

Scott Morrison will introduce the package of 10 bills this morning after talks with Senate crossbenchers in recent weeks helped clear the ground for a deal.

More than nine million Australian adults will be exempt from the expanded Medicare Levy, which will rise from 2 per cent to 2.5 per cent for most workers, under a package that aims to increase protections for those on low incomes while raising revenue to help the disabled.

Bill Shorten is demanding changes to the budget measure on the ground the higher rate should apply only to people earning more than \$87,000 a year, but the government has been quietly negotiating with crossbenchers to sideline Labor.

The government is open to negotiations with the Greens, who have taken a different approach to Labor, and is also pursuing options with Pauline Hanson's One Nation and the Nick Xenophon Team.

The introduction of the bills is unlikely to allow time for substantial debate, leaving it until the next sitting week in early September at the earliest for debate to begin in earnest and the reforms to be put to a vote.

The primary Medicare Levy bill, along with a package of related bills, went through the Coalition partyroom on Tuesday with unanimous support in an essential step towards putting them to parliament.

While the higher levy does not take effect for almost two years, the government wants to cement one of the biggest items in this year's budget after already legislating policies such as the \$6.2bn bank levy.

Mr Morrison has dismissed the Labor argument for a \$87,000 threshold for the tax by pointing to the approach taken with similar measures in the past, including four years ago when former prime minister Julia Gillard and Mr Shorten backed a 0.5 per cent increase for all workers to fund the disability scheme when Labor was in power.

A senior government source told *The Australian* the government was putting the package to the parliament because it was happy to debate the policy, and the need to fund the NDIS, over the objections from Labor.

Mr Morrison has already introduced safeguards in law to ensure the Medicare Levy will be waived for individuals earning up to \$21,655 a year, families earning up to \$36,541 or retired couples who qualify for a seniors' tax offset and earn up to \$47,670 a year. The bill also expands the "phase-in" rules that apply the Medicare Levy at a concessional rate for millions of workers depending on whether they have children. As an example, a family with two children and a taxable income of up to \$43,253 will not pay the levy, an increase from the previous threshold of \$42,613.

The increase in the exemptions will cost the budget \$180 million over four years and add about 100,000 people to the nine million who are exempt from the Medicare Levy.

The increase in the levy will be \$350 a year or about \$1 a day for a worker earning \$70,000.

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