

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

16 February 2012

Question No: AET 1

Topic: Private health insurance rebate - implementation

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Senator CORMANN: Have you given any thought to whether a person would have to inform their private health insurance of their income for the coming year for the health insurer to make changes? Is the means testing something that is going to be processed after the event? How will somebody know, before they know how much they are going to earn in a particular year, whether they fall into one or other of the three tiers?

Ms Granger: I am not sure if we have that level of detail amongst us here today.

Senator CORMANN: But you would have to administer that, right?

Ms Granger: Yes. Can we take that on notice and we will get you more detail?

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Senator CORMANN: Okay, so the way it would work is this. A member has to go to the health fund and say that this is what I would want you to charge me; the premium minus 10, 20 or 30 per cent or none. At the end of the tax year then that gets consolidated, does it? Is that the way it will work?

Mr D'Ascenzo: That is our preliminary understanding. It is early days. We have only had the opportunity of seeing the legislation recently and as Ms Granger has said, we will provide the committee with our plans of implementation in more full detail as questions on notice.

Answer:

A private health insurance policy holder may wish to estimate their income as defined in the proposed legislation and adjust the percentage of rebate they would like to receive from their private health insurer as a premium reduction.

The ATO will provide a reconciliation function. When an individual lodges their income tax return the ATO will calculate their income as defined in the proposed legislation and determine the taxpayer's rebate entitlement. If a taxpayer has received too much rebate during the year, they will incur a further liability. If a taxpayer has not received enough rebate during the year, they will receive a tax offset. The liability or tax offset will be taken into account when finalising a taxpayer's assessment.

The ATO will publish information about this measure and how it will be administered once the legislation receives Royal Assent. The ATO will also commence consultation with private health insurers about the changes and impacts.