

I would like to make a submission in relation to the phase out of the net medical expenses tax offset. Particularly in relation to the Category B transitional arrangements.

I believe that the proposed legislation is discriminatory and should be amended. Where is the fairness and equity in relation to the different treatment of the same level of taxpayer. Consider the following example of two individual taxpayers on the same income:

Taxpayer A – High Medical Costs 2013, 2014, 2015 and 2016 financial years

2013 Financial Year: Taxpayer A suffered an illness that required hospitalisation and as such exceeded the relevant threshold for net medical expenses and was eligible for the NMETO in the 2013 financial year

2014 Financial Year: Taxpayer A has a relapse and again exceeds the relevant threshold and again receives the NMETO in respect of the 2014 financial year

2015 Financial Year: Taxpayer A still ill and again receives the tax offset

2016 Financial Year: Taxpayer A recovers and rebate has phased out

Taxpayer B – High Medical Costs 2014 and 2015 financial years

2013 Financial Year: Medical costs under the relevant threshold and therefore not eligible

2014 Financial Year: Taxpayer B diagnosed with the same illness as Taxpayer A, has the same costs and exceeds the relevant threshold – not eligible for the tax offset

2015 Financial Year: Taxpayer B still ill – no rebate

2016 Financial Year: Taxpayer B still ill – no rebate

Discrimination

Assuming that for the 2014 to 2016 financial years that both taxpayers pass the means tests and incurred net medical expenses of \$5,000 each per annum.

Year	Taxpayer A		Taxpayer B	
	Net Medical Exp	NMETO	Net Medical Exp	NMETO
2013	5000	576	0	0
2014	5000	576	5000	0
2015	5000	576	5000	0
2016	0	0	5000	0
Total	15000	1728	15000	0

As can be seen from the table above, for the same net medical expense spend over three years, Taxpayer B is worse off by \$1,152 (two years of \$576).

Summary

In the case of the identical taxpayers above, Taxpayer B is worse off by \$1,152 purely on the basis that Taxpayer A was “fortunate” enough to get sick one year earlier. That in my mind is unfairly prejudicing the rights of Taxpayer B.

Whilst I accept the reasoning behind the need to phase out the rebate, I do believe that fairness and equity need to be borne in mind. As such I believe the draft legislation should be amended to extend the Category B NMETO to all taxpayers for the 2014 and 2015 years (subject to means testing) irrespective of whether the taxpayer was fortunate enough to receive the NMETO in respect of the 2013 year.

Yours sincerely,



Matthew Moloney | Director

client care...personally

Address: Locksley House, 135 – 137 Peter Street
PO Box 2297, Wagga Wagga NSW 2650

Phone: 02 6921 5444

Email: mmoloney@wdf.com.au

Website: www.wdf.com.au

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