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Mr John Della Bosca MLC
Minister for Health
Level 30, 1 Farrer Place
SYDNEY NSW 2000

Dear Mr Della Bosca 

Thank you for your recent letter concerning the report of the *New South Wales Legislative Council General Purpose Standing Committee Inquiry into the Program of Appliances for Disabled People*. I note the recommendation that you initiate discussions with the Federal Treasurer regarding ways to increase tax relief for the costs associated with a disability.

As the issues you have raised fall within the scope of the Australia's Future Tax System Review, I have forwarded your correspondence to the Review Panel for its consideration.

The review will consider the role the tax system should play in achieving non-tax policy objectives including possible improvements to the current arrangements relating to the use of concessions, rebates and offsets.

The review will also encompass Australian Government and State taxes, except the goods and services tax (GST), and interactions with the transfer system.

As part of the review, the Australian Government also announced an investigation into measures to strengthen the financial security of seniors, carers and people with disability. The Pension Review report was completed by Dr Jeff Harmer in February 2009. The Government's Secure and Sustainable Pensions package, which was developed with the assistance of Dr Harmer's report, was announced in the 2009-10 Budget.

There are a number of income tax concessions available to disabled people under the Australian tax and transfer system. For example, the Disability Support Pension is not taxed for eligible people under Age Pension age. For people of Age Pension age, the payment is taxable; however, the Pensioner Tax Offset extinguishes any tax liability for all those on the full rate, and almost all on a part rate, of pension. The Mobility Allowance is exempt from tax in all cases. It is paid to people with a disability who cannot use public transport and are required to travel to and from their home to undertake work (including volunteer work), training or job seeking.

As you note, there are also a number of features of the GST which assist people with disabilities.

A large proportion of the supplies of goods and services used in the treatment and management of disabilities are GST free, including most hospital and medical services. In addition, medical aids and appliances are generally GST free where they are specifically designed for people with an

illness or disability and are not of a kind ordinarily used in the wider community, such as wheelchairs, artificial limbs, glucose monitors and Braille equipment. In addition, disabled individuals may be able to purchase a motor vehicle GST free if they meet certain criteria.

Any proposal to alter the GST base requires the support of the Commonwealth, together with the unanimous agreement of the States and Territories. Proposals for change to the GST base are typically considered by the GST Administration Sub Committee (GSTAS), which is comprised of senior Commonwealth, state and territory officials and which makes recommendations to myself and the state and territory Treasurers.

GSTAS has not been inclined to expand the list of GST free medical aids and appliances beyond substitutes for the types of goods already covered by Schedule 3. In view of this there are unlikely to be any significant additions to the list of GST free medical aids and appliances in the foreseeable future.

In general, the Government prefers to assist people with disabilities by direct expenditures through the Budget process. Direct expenditures increase transparency, are more flexible, and can be better targeted to those in need. In effect, by providing a benefit to a group directly rather than through a GST exemption, the same advantage can be provided at a lesser cost.

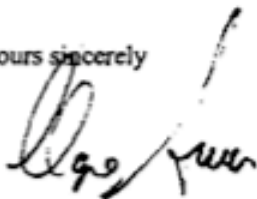
As you would be aware, a new National Disability Agreement was created in 2008 as part of the reforms to Commonwealth-State Financial Relations. Under the new Agreement, the Commonwealth will provide more than \$5 billion in funding over five years to the States for specialist disability services. The Agreement means that in 2013 the Australian Government's contribution will exceed \$1.2 billion, compared to \$620 million in 2007.

Each State has agreed to improve access to disability care, including consideration of a single point of access. This, along with nationally-consistent assessment processes and a quality assurance system, will help to build end-to-end disability services systems within each State.

I consider that this provides the best opportunity for governments to work together to provide more consistent access to disability aids and equipment.

I trust this information will be of assistance to you.

Yours sincerely



WAYNE SWAN