



17 January 2014

General Manager
Law Design Practice
The Treasury
Langton Crescent
PARKES ACT 2600

Email: IndividualsTaxUnit@treasury.gov.au

Dear Sir,

**Re: Tax Laws Amendment (2013 Measures 3 No. 5) Bill 2013:
Phase-out of rebate for medical expenses**

Guide Dogs Australia members make the following submission in respect of the proposed phase-out of the net medical expenses tax offset (NMETO).

We are disappointed the Government has decided to proceed with the former Government's decision as announced in the 2013/14 Budget.

People who are blind or vision impaired incur significant expenses of a medical nature and in purchasing and maintaining necessary mobility aids. The burden of these necessary expenses is compounded by the low incomes upon which many with a disability are forced to subsist.

We acknowledge that under the current limitations of the operation of the NMETO, there is arguably a small group who will be affected by these amendments. However it is this very category of taxpayers (the majority of whom are currently excluded from eligibility under the NDIS and receive limited financial support to fund necessary mobility aids and assistance) who will bear the burden of this phase-out of the NMETO, come 1 July 2019.



Royal Guide Dogs Associations of Australia
trading as Guide Dogs Australia
2-4 Thomas Street, Chatswood NSW 2067
PO Box 1965, North Sydney NSW 2059

Phone +61 2 9412 9300
Fax +61 2 9412 9399
GuideDogsAustralia.com.au
ABN 99 008 427 423

Guide Dogs Australia members' key concern with this proposed phase-out is that the amendments:

- are likely to lead to additional financial burdens on an already socio-economically disadvantaged group;
- fail to recognise that there a substantial number of people with disability who live on very limited taxable incomes who are reliant on any and all cost saving measures available to them, to meet significant medical and support needs;
- imposes additional hardship on those who are blind or vision impaired who are currently ineligible for support under the NDIS, solely on the basis of age of onset of significant functional impairment, but who have increasing medical expenses; and
- removes one of the few current avenues available for people with disabilities to claim financial rebates for the cost of disability-related expenses which is not, to our knowledge, applied under arguably discriminatory practices determinate on age of onset, or nature of disability.

The attached submission provides further information on the key concerns Guide Dogs Australia members have and the implications that people who are blind or vision impaired are likely to face.

We urge the Government to reconsider the phase-out of the NMETO, especially in relation to the ability of people to claim for the cost of mobility aids and supports.

In addition to making this submission, we would welcome the opportunity to discuss our concerns in person with the Department should the opportunity arise.

Yours faithfully,



Dr Graeme White
CEO, Guide Dogs NSW/ACT
on behalf of Guide Dogs Australia *

**Guide Dogs Australia* is the trading name of Royal Guide Dogs Associations of Australia.

Guide Dogs Australia

Submission to Tax Laws Amendment (2013 Measures 3 No. 5) Bill 2013: Phase-out of rebate for medical expenses

About Guide Dogs Australia

Since the establishment of the first Australian Guide Dog organisation in Perth, Western Australia in 1951, Guide Dogs Australia (GDA) members across all States and Territories continue to provide guide dogs and other mobility aids, support services and programmes for people who are blind or vision impaired.

Guide Dogs Australia members deliver over 20,000 programs annually with demand for services continually growing as the incidence of vision impairment increases, primarily due to the ageing population.

The number of Australians over 40 years of age with significant vision loss (excluding refractive error) will increase to approximately 330,000, including about 105,000 who will be blind, by 2020¹.

Approximately 70% of the client base GDA members are aged over 65 years of age. Access Economics reports that with every decade over 40 years of age, the incidence of vision impairment trebles.

Services, programs and mobility aids are provided free of charge to clients, with Guide Dogs Australia reliant on philanthropy and community support to fund these services.

Guide Dogs Australia members provide a broad range of supports and services primarily to people who are blind or vision impaired.

These services include:

- Breeding, training and provision of guide dogs;
- Orientation and mobility training, including teaching skills in the use of a long cane programs, guide dogs, and other mobility aids, which allow Australians to continue to access and participate in their communities;
- Instrumental activities of daily living services, which involves teaching the skills to offset the impacts of vision loss and providing specialised equipment to ensure safety and independence in carrying out daily living tasks;
- Adaptive technology training and the provision of specialist equipment, which facilitates continued access to information, social and community activities;
- Library services, which provide access to essential information and entertainment in accessible formats through a cooperative agreement with the Guide Dogs WA;
- Advocacy and client support.

¹ *Clear Focus: The Economic Impact of Vision Loss in Australia in 2009* - Access Economics report commissioned by Vision2020 (2010)

Analysis

Guide Dogs Australia members are pleased to note that in the Explanatory Memorandum [at 1.11], the Government has undertaken to *“continue to provide a range of subsidies for medical expenses via the Medicare Safety Net as the primary support mechanism, supplemented by Medicare, the National Disability Insurance Scheme and benefits, rebates and safety nets through the health care system.”*

We are also encouraged that the offset will continue to be available for taxpayers with out-of-pocket medical expenses relating to disability aids, attendant care or aged care expenses until 1 July 2019.

Optimistically, we hope this will provide sufficient time for the Government to address the inequity and hardship that will be faced by the cohort of people who are blind or vision impaired who are currently eligible to claim the NMETO. With the removal of the NMETO, this group will be unable to claim such expenses under any other benefit or rebate scheme and are ineligible to receive support under the National Disability Insurance Scheme.

We acknowledge the support for people with high medical expenses through Medicare safety nets and that the NMETO provides no assistance to those with high medical expenses but no tax liability.

Despite this recognition, Guide Dogs Australia members contend that the removal of the NMETO will have a negative impact on a number of people who are blind or vision impaired, which the Government does not appear to have considered. Importantly, those most at risk of being disadvantaged by the amendment are those who are working part time or on a low salary and are still contributing income tax.

There is a real risk that some tax payers with a disability who currently benefit from the NMETO will be ineligible for funded mobility aids and supports under the National Disability Insurance Scheme because of arbitrary age and functional impact barriers to inclusion.

Guide Dogs Australia provides comment on the following key areas of concern:

1. Claims Permissible under the Current Legislation

Access Economics estimated that aids, equipment, home modifications and other indirect costs associated with blindness and vision impairment were \$371 million in 2004.²

² *Clear Insight: The Economic Impact and Cost of Vision Loss in Australia.* (2004) Access Economics report commissioned by the Centre for Eye Research Australia, [pg 9]
http://www.cera.org.au/uploads/CERA_clearinsight_overview.pdf

As outlined in the Explanatory Memorandum³, currently, people with a disability who earn a taxable income are able to claim for expenses above the threshold relating to the cost of purchase of mobility aids, the maintenance of aids, the purchase of carer and disability centric support services which minimise the impact of disability.

Within the Explanatory Memorandum [at 1.27], specific reference is made to the costs inherent in maintaining a guide dog as a mobility aid:

Example 1.2: Maintenance of a Guide Dog

A person that is blind maintains a Guide Dog to achieve independence through access and mobility. The expenses associated with maintaining that Guide Dog, assuming they are eligible medical expenses under section 159P, would be related to an aid for a person with a disability.

This is because the Guide Dog would be considered an item of property that is generally recognised to be an aid to the function and capacity of a person that is blind.

Within the explanatory material, there is little certainty provided that people currently claiming the NMETO will receive equal or better rebates under other schemes.

2. Limitations of the Medicare Safety Net

Whilst the Medicare safety net is an essential allowance for those with significant health issues and accompanying medical expenses, there are countless expenses incurred by people who have a disability which are unable to be claimed under Medicare.

The Medicare Safety Net covers a range of out-of-hospital doctor visits and tests covered by the Medicare Benefits Schedule (MBS).

Unfortunately, to our knowledge, the Medicare Benefits Schedule does not provide for claims relating to assessments, aids or support services for adults provided by specialist disability service organisations.

This is despite these services and support being directly related to minimising the functional impact of disability and enabling participation in employment and thus facilitating an individual's ability to earn a taxable income.

3. Indirect (non-medical) cost of vision impairment

From an economic consideration, Australia is burdened by the cost of vision impairment, which is why research and resources directed towards preventing vision loss are vital.

³<http://www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/2013/Phase%20out%20of%20the%20NMETO/Key%20Documents/PDF/NMETO-Explanatory-Material.ashx> [pg 8, paragraph 1.24]

In addition, significant costs are incurred (often by not-for-profit service providers reliant on philanthropy) in supporting and facilitating provision of rehabilitation services and mobility aids to minimise the functional impact of vision loss.

A report prepared for the Centre for Eye Research Australia by Access Economics⁴ determined that the indirect (non-medical) costs of visual impairment is \$3.2 billion annually and are almost twice the direct health costs.

Significantly, and considering taxable income and available rebates and offsets claimable for people who are blind or vision impaired, lost earnings are estimated to cost the economy nearly \$1.8 billion in 2004⁵, whilst the cost of carers, including their lost productivity (earnings), is estimated as \$845 million⁶.

People who are blind or vision impaired who are able to overcome the many barriers to obtaining employment and earn a taxable income, do so with the supports and services provided by organisations such as Guide Dogs Australia members and through the use of mobility aids and other forms of adaptive technology.

For people who use guide dogs, the cost of feeding and maintaining the dog plus the associated veterinary expenses can have a significant financial impact. For those earning an income and potentially ineligible for the NDIS, the ability, as per existing provisions, to recoup some of these expenses through the NMETO, is of considerable assistance.

4. Timing of the phase-out of the NMETO

We note that the phase-out of the NMETO appears to correlate with the proposed full implementation of the National Disability Insurance Scheme. Furthermore, the Explanatory Memorandum accompanying the Legislative Amendment references the introduction of the NDIS as providing additional avenues for support and thus justifying the phasing out of the NMETO.

The proposed improvement in circumstances and ability to recoup or avoid the costs of mobility aids and support services for individuals identified within the Explanatory Memorandum is reliant on the current implementation of the NDIS proceeding as planned.

There also appears to be implicit acknowledgment within the Explanatory Memorandum that all 'disability aids' currently able to be claimed through the NMETO, such as the maintenance costs of a guide dog, will be claimable under the NDIS.

⁴ *Clear Insight: The Economic Impact and Cost of Vision Loss in Australia*. (2004) Access Economics report commissioned by the Centre for Eye Research Australia, [pg 9]
http://www.cera.org.au/uploads/CERA_clearinsight_overview.pdf

⁵ Ibid.

⁶ Ibid.

Whilst we concede this will hopefully be the case for the majority of people who are blind or vision impaired of working age who rely of a guide dog to facilitate independent mobility and society participation, we reiterate that there is no guarantee that all people currently eligible to receive the tax offset, will qualify under the NDIS.

The NDIS is too early in its implementation phase and far too few people who are blind or vision impaired who are of a working age (and thus potentially earning a taxable income) have had an opportunity to be assessed for eligibility under the NDIS.

Therefore it is far from guaranteed that those people currently claiming the NMETO will be eligible for funding under the NDIS.

5. Inequity and potential discrimination

The opportunity to access funded supports and services under the NDIS is prohibited for people who have an onset of disability or significant functional impact of an existing disability after the age of 65.

As has been communicated, those over 65 at the time of application will be unable to qualify for the NDIS and cannot have their non-medical disability related expenses (including maintenance costs of their guide dog) rebated under Medicare.

With the Government's ongoing consideration of raising the retirement age to 70⁷ and the trend towards working longer, there is the potential for a significant increase in the number of people working and paying taxes whilst being unable to claim reasonable expenses for a vital mobility aid which facilitates said employment and therefore income generation.

Conclusion

Given the limitations of the Medicare Safety Net and the limitations imposed on eligibility to receive support under the NDIS, it is unclear under the proposed amendments, what alternative mechanisms are in place to ensure the continued ability of people eligible to claim for the maintenance cost of a guide dog to do so once the NMETO is phased out.

Whilst we concede it is a potentially small group of people who are blind or vision impaired who, under the current proposal, will fall 'between the cracks' of eligibility to claim maintenance costs for their guide dog under any mechanism proposed. This group should not be discriminated against and unfairly disadvantaged.

We would welcome the opportunity to further discuss matters raised above with you.

⁷ <http://www.news.com.au/finance/superannuation/plan-to-raise-retirement-age-to-70/story-e6frfmdi-1226765584588>