



The Medicare Levy Surcharge and how to avoid it

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If you don't have the appropriate level of private health insurance, you may have to pay a Medicare Levy Surcharge of over \$900 per year.

However, it is possible to avoid this surcharge, while benefiting from the ability to access private health care that meets your needs and circumstances.

What is the Medicare Levy?

Australia's public health system, Medicare, is partially funded by Australian taxpayers who are required to pay the Medicare Levy, which is usually 2 per cent of your taxable income. This levy is reduced if you earn below a certain level, while some people aren't required to pay it at all.

You may be exempt from paying the Medicare Levy if you:

- Meet certain medical requirements.
- Are a foreign resident from a country that does not hold a Reciprocal Health Care Agreement with Australia.
- Are not entitled to Medicare benefits.

What is the Medicare Levy Surcharge (MLS)?

As well as the standard Medicare Levy, taxpayers who earn over a certain threshold are required to pay the Medicare Levy Surcharge (MLS). Depending on your income the MLS rate is 1, 1.25 or 1.5 per cent of your income. A special definition of income is used to determine the amount of MLS that is payable for people earning in excess of the prescribed income thresholds.

The amount you need to contribute to the Medicare Levy and the MLS is calculated using information provided in your tax return.

You may be exempt from paying the Medicare Levy Surcharge if you:

- Earn under a certain amount,
- Have the appropriate private hospital health insurance, or
- Are a working visitor from a country that does not have a Reciprocal Health Care Agreement with Australia.

What is income for MLS purposes?

Your income for MLS purposes is defined by the following list of factors.

If you have a spouse, your combined income will be used:

- Taxable income.
- Reportable fringe benefits.
- Total net investment losses.
- Reportable super contributions.
- Exempt foreign employment income.

Single incomes as defined above of \$90,000 or less (or \$180,000 for couples) are not charged the MLS. The upper threshold, with an applicable MLS of 1.5 per cent, is for those earning \$140,001 or more (\$280,001 for couples).

This is not expected to change for at least three years, as the 2016-17 Federal Budget froze indexation of the income thresholds for the MLS and private health insurance rebates until June 30, 2021.

For each dependent child after your first, the family income threshold is increased by \$1,500.

Spouse, dependants and family defined for MLS purposes

Dependants must be Australian residents, and you must have contributed to their maintenance.

For MLS purposes, your dependents are:

- Your spouse, even if they work or have their own income.
- Children under 21 years old.
- Children 21–24 years old who are full-time students.

A spouse is considered to be a partner of the same or opposite sex who:

- You are legally married to.
- You live with as a couple (de facto).



How can I avoid paying the Medicare Levy Surcharge?

If you're on a high income, it's often cheaper to invest in private health insurance than to pay the surcharge.

You can avoid paying the MLS if you take out an appropriate level of private health insurance hospital cover. Not only will this enable you to save money, but you may benefit from the assurance of knowing that if anything happens, you and your family will be eligible to receive high-quality health care in the best hospitals depending on the level of cover you choose without the often lengthy wait-times that can be experienced in the public health system.

What is an appropriate level of private hospital cover for MLS?

Appropriate cover for MLS must be provided by a registered health insurer for hospital treatment in Australia and have an excess of:

- **\$500 or less** (for a single person policy), or
- **\$1,000 or less** (for couples and families).

You can take out extras cover as well, but you must have adequate hospital treatment insurance to be MLS exempt.

What are the benefits of private hospital treatment insurance?

In the last quarter of 2017, 45.6 per cent of the Australian population were covered by hospital treatment insurance, according to an Australian Prudential Regulation Authority (APRA) report. This report also showed that health insurance funds are returning the highest percentage of the premium to members of all insurance types.

Some other benefits of private health insurance include:

- Decreased wait times compared to the public system.
- Access to a private hospital room in a private hospital.
- Extras cover (such as dental and optometry).
- Hospital and doctor selection.

How can HICA help me with the surcharge?

Health insurance policies can be researched and matched to meet your requirements, and we can ensure you're exempt from the Medicare Levy Surcharge.

[Get in touch](#) with the experts at HICA to discover which fund is right for you. We'll not only be able to find you a suitable plan to meet your needs, but we'll also provide ongoing services, including monitoring your policy to ensure it remains relevant to your situation.

Complete a [free health insurance assessment online](#) or call HICA on 1300 44 22 01 to discuss your options.

Further information about the MLS is available on the [Australian Taxation Office \(ATO\)](#) website.

Contact the team at HICA today.

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