



Medicare Levy

Background

Medicare Levy is payable in addition to income tax by individuals that are resident in Australia at any time during the income year.

The Levy is generally chargeable at the rate of 1.5% on income including capital gains, although there is a measure of relief for low income earners, families and certain defence force personnel - see the table below.

A Medicare Levy Surcharge is also payable above certain income ceilings where resident taxpayers do not have private health cover.

Medicare Levy - 2001/02

Taxable Income \$	Levy Payable \$
0 to 13,807	Nil
13,808 to 14,926	20% of excess over 13,808
> 14,927	1.5% of entire sum

Family Income Threshold Concessions

Relief from the Levy is provided in certain family situations for low income earners by way of a family income threshold. Resident taxpayers who are married on the last day of the income year (including *de facto* relationships), or who are entitled to dependent child-housekeeper, sole parent, or housekeeper rebates may not have to pay any levy if their family income is below \$23,299. This threshold increases by \$2,140 for each dependent child or student. However, the threshold is not increased for a dependent child or student if the taxpayer is not married on the last day of the income year.

The Levy is phased in for family income slightly above these levels; the Levy otherwise payable is reduced using the following formula:

A - $\{0.185 \times (B - C)\}$, where

A = 1.5% x Family Income Threshold

B = Family Income

C = Family Income Threshold

Family Income Thresholds for 2001/02

Number of Dependent Children or Students	Family Income Below Which No Levy Payable \$	Family Income Above Which Full Levy Payable \$
0	23,299	25,188
1	25,439	27,501
2	27,579	29,815
3	29,719	32,128
4	31,859	34,442
5	33,999	36,755
Each extra child	+ 2,140	+ 2,313

Medicare Levy Surcharge

Medicare Levy Surcharge is payable by a high income taxpayer (and his/her spouse) at the rate of 1% of taxable income plus any reportable fringe benefits, and is payable in addition to the standard Levy.

The Surcharge is not payable if the taxpayer, the taxpayer's spouse, and all dependents are covered by private health insurance of a prescribed nature - which basically means that it must provide private patient hospital cover.

Thresholds for Liability to Medicare Levy Surcharge

Number of Dependent Children or Students	Surcharge Threshold <i>Single/Couples</i> \$
0	50,000/100,000
1	100,000/100,000
2	101,500/101,500
3	103,000/103,000
4	104,500/104,500
5	106,000/106,000
Each extra child	+ 1,500/+ 1,500

Any questions?

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