

URGENT ATTENTION
ACTION REQUIRED BY 30th JUNE 2012 on HEALTH FUND
PAYMENTS

BY PAYING YOUR HEALTH INSURANCE PREMIUMS FOR THE
2013 FINANCIAL YEAR BY 30TH JUNE 2012 YOU CAN STILL
GET THE 30% MEDICAL REBATE AND AVOID THE INCOME
TEST AS DESCRIBED BELOW

From 1 July 2012, the private health insurance rebate and the Medicare levy surcharge will be income tested against three new income thresholds. This means that if you:

- have private health insurance, the amount of rebate you will be entitled to receive will reduce if your income is over a certain amount
- do not have an appropriate level of private patient hospital cover, and your income is over a certain amount, the rate of Medicare levy surcharge you will be charged will increase.

The tax will determine the amount of private health insurance rebate you are entitled to receive when you lodge your tax return. This may result in a refund or a liability for you.

What are the new income thresholds?

The private health insurance rebate and Medicare levy surcharge will be income tested against the income thresholds in the table below.

	Unchanged	Tier 1	Tier 2	Tier 3
Singles	\$84,000 or less	\$84,001-97,000	\$97,001-130,000	\$130,001 or more
Families*	\$168,000 or less	\$168,001-194,000	\$194,001-260,000	\$260,001 or more
Rebate				
Aged under 65	30%	20%	10%	0%
Aged 65-69	35%	25%	15%	0%
Aged 70 or over	40%	30%	20%	0%
Medicare levy surcharge				
Rate	0.0%	1.0%	1.25%	1.5%

* The family income threshold is increased by \$1,500 for every child after the first child

When does income testing start?

Does the income testing of the rebate apply to premiums paid in the 2011-12 income year?

No. The legislation to income test the private health insurance rebate starts from 1 July 2012 and will apply to premiums paid on or after that date. We will determine your private health insurance rebate entitlement for the 2012-13 income year (Tax Time 2013) and later years.

Can you make a claim for a private health insurance tax offset in your 2011-12 tax return for premiums that provide insurance cover for a future income year?

Yes, providing:

- the premiums are paid in the 2011-12 income year
- you do not claim a tax offset for a premium payment where the private health insurance rebate has been claimed as a premium reduction, or a claim from Medicare.

Premium payments you make in 2011-12 may be for a policy that provides insurance cover for a period that includes a future income year.

When is a premium paid to a private health insurer?

A premium payment occurs when your insurer receives the amount. The time of physical receipt of the amount by your insurer is the relevant time, not the date the payment was made to the insurer or when the insurer allocate the amount to the a member's account.

Payment type	Premiums paid
Cash	When the cash is received by the private health insurer.
Electronic transfer of funds	When the funds are credited to the private health insurer's account.
Money order or bank cheque	When the money order or cheque is received by the private health insurer, unless the money order or cheque is dishonoured.

If you make a payment to a legal agent of your private health insurer, for example, where your insurer has an agreement for Australia Post to receive payments on their behalf, the payment of premium occurs when the agent receives your premium payment.

When is a premium considered to be paid when you have an arrangement with your employer to pay the premium?

A premium payment occurs when your private health insurer receives the amount. For example, if your employer withholds an amount for a private health insurance premium, the amount is paid to your insurer when they receive the payment from your employer (this may be a different time from when your employer withholds the amount).

Who checks claims for the private health insurance tax offset?

We check claims made for the private health insurance tax offset against information provided by private health insurers.

Has there been any change to when Medicare levy surcharge applies?

No. The type and level of cover required to exempt you from paying Medicare levy surcharge has not changed, nor have the other exemption conditions or income threshold. From 1 July 2012, there will be two new income thresholds and applicable rates for when the surcharge applies.

Claiming your rebate

There will be no change in the methods for claiming your private health insurance rebate. You can claim your private health insurance rebate as a:

- premium reduction to your policy price with your insurer
- refundable tax offset through your tax return
- direct rebate refund from Medicare.

There is also no change to the:

- type of complying private health insurance cover you need to be eligible for the rebate

- level of [private patient hospital cover](#) required to avoid paying the Medicare levy surcharge.

Single income thresholds

If you are single on the last day of the income year and have no dependants, you will be income tested against the single income thresholds.

Family income thresholds

If you have a spouse on the last day of the income year, you will be income tested on the combined family income of you and your spouse under the family income thresholds.

If you are a single parent with one or more dependants, you will also be income tested under the family income thresholds.

If as a couple or a single parent you have two or more children, the family income threshold is increased by \$1,500 for every MLS dependent child after the first child. For example, if you have three dependent children, your family income threshold will increase by \$3,000.

How does the income testing work?

When you lodge your tax return, we will calculate your income for Medicare levy surcharge purposes and determine your private health insurance rebate entitlement.

What income is being income tested?

The income test used for both the Medicare levy surcharge and entitlement to the private health insurance rebate is called [Income for \(Medicare levy\) surcharge purposes](#).

The way we calculate your income for Medicare levy surcharge purposes has not changed.



For more information about what is included, refer to [Income for \(Medicare levy\) surcharge purposes](#). If you want to work out your income for Medicare levy surcharge purposes, refer to [Income for \(Medicare levy\) surcharge purposes calculator](#). This calculates the income of a single person. If you have a [spouse](#) on the last day of the income year, you can use the calculator to work out your combined family income by calculating your income and then your spouse's income and adding these together.