

BMD Factsheet - Medicare Levy Surcharge

The Medicare Levy Surcharge (MLS) is levied on Australian taxpayers who do not have an appropriate level of private hospital insurance & who earn above a certain income.

It is designed to encourage individuals to take out private hospital cover, and where possible, to use the private hospital system to reduce demand on the public Medicare system.

The MLS is payable in addition to the Medicare levy.

The base income threshold (under which you are not liable to pay the MLS) is \$90,000 for singles & \$180,000 for families. An amount of \$1,500 is added for each dependent child, after the first, to the base income threshold.

Appropriate Level of Private Hospital Insurance is defined as a policy where:

- Singles – must have an excess of \$500 or less
- Couples or families - must have an excess of \$1000 or less

MLS income thresholds for 2017–18

	Base Tier	Tier 1	Tier 2	Tier 3
Single Threshold	\$90,000 or less	\$90,001 – \$105,000	\$105,001 – \$140,000	\$140,001 or more
Family Threshold	\$180,000 or less	\$180,001 – \$210,000	\$210,001 – \$280,000	\$280,001 or more
Medicare Levy Surcharge	0%	1%	1.25%	1.5%

Note: The family income threshold is increased by \$1,500 for each Medicare levy surcharge dependent child after the first child.

Example:

Josh & Holly are married, have 2 children in primary school and do not have the appropriate level of private patient hospital cover. In 2017–18, Josh's taxable income is \$90,000 & Holly's is \$87,600. Their taxable incomes also include a rental property loss of \$5000 each.

For Medicare Levy Surcharge purposes the family income will be calculated as follows:

Taxable Income – Josh	\$90,000
Taxable Income – Holly	\$87,600
Add back rental property loss	\$10,000
Family Income for MLS purposes	\$187,600

Josh's total income for Medicare levy surcharge purposes is \$187,600, which makes him a tier 1 income earner for calculating the Medicare levy surcharge (even taking into account the \$1500 increase in threshold for the second dependent child). The amount of Medicare levy surcharge is only calculated against taxable income and reportable fringe benefits.

In 2017–18 Josh's Medicare levy surcharge liability is:
 $\$90,000 \text{ taxable income} \times 1.25\% = \$1,125.$

Holly's total income for Medicare levy surcharge purposes is \$187,600, which makes her a tier 1 income earner for calculating the Medicare levy surcharge. The amount of Medicare levy surcharge is only calculated against taxable income and reportable fringe benefits.

In 2017–18 Holly's Medicare levy surcharge liability is:
 $\$87,600 \text{ taxable income} \times 1.25\% = \$1,095.$

Total Medicare Levy Surcharge payable by Josh & Holly is \$2,220.

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