



Medicare levy questions M1–M2

How to complete the Medicare levy questions M1 and M2 in your paper tax return.

M1 – Medicare levy reduction or exemption 2013



Complete question M1 to work out whether you qualify for a Medicare levy reduction or exemption.

M2 – Medicare levy surcharge (MLS) 2013



Complete compulsory question M2 to determine whether you may have to pay the Medicare levy surcharge.

QC 80807

M1 – Medicare levy reduction or exemption 2013

Complete question M1 to work out whether you qualify for a Medicare levy reduction or exemption.

Last updated 28 May 2013

This question is about whether you qualify for a Medicare levy reduction or exemption. Australian residents for tax purposes are subject to a Medicare levy of 1.5% of their taxable income unless they qualify for a reduction or exemption.

If you were not an Australian resident for tax purposes for the whole of 2012-13, you are exempt from the Medicare levy.

A Medicare levy reduction is based on your taxable income. A Medicare levy exemption is based on specific categories. You need to consider your eligibility for a reduction or an exemption separately.

The first part of this question deals with Medicare levy reduction. If you are not eligible for a reduction, you will be directed to read the exemption section to see whether you qualify for a Medicare levy exemption.

Part A - Medicare levy reduction

Answering this question

Your eligibility for a reduction of your Medicare levy is based on your and your spouse's taxable income and your circumstances.

For the definition of spouse, see [Special circumstances and glossary](#).

Table 1		
Medicare levy thresholds for an individual		
Category	Lower threshold	Upper threshold
If you were eligible for the seniors and pensioners tax offset (see question T2)	\$32,279	\$37,975
All other taxpayers	\$20,542	\$24,167

Even if you meet all the eligibility conditions for the seniors and pensioners tax offset, you might not get it as the amount of the tax offset is based on your individual taxable income, not your combined taxable income if you had a spouse. If you do not get it, merely being eligible for it will not get you a Medicare levy reduction.

For this question, your taxable income excludes the taxed element of certain superannuation lump sums you received during 2012-13 while you were between 55 and 59 years old (see Reduced taxable income to take account of certain superannuation lump sums).

Where do you fit?	
Your circumstance	What to do
Your taxable income is equal to or less than your lower threshold amount.	You do not have to pay the Medicare levy. Do not write anything at item M1 on your tax return. Go to question M2 .
Your taxable income is greater than your lower threshold amount and less than or equal to your upper threshold amount, and you are single with no dependants.	<p>You pay only part of the Medicare levy. We will work it out.</p> <p>Go to <u>part B</u> to see if you qualify for an exemption.</p>
Your taxable income is over your upper threshold amount, and you are single with no dependants.	<p>You do not qualify for a reduction.</p> <p>Go to <u>part B</u> to see if you qualify for an exemption.</p>
<p>Your taxable income is over your lower threshold amount but you:</p> <ul style="list-style-type: none"> • had a spouse (married or de facto) • had a spouse who died during the year, and you did not have another spouse before the end of the year • are entitled to a child-housekeeper or housekeeper tax offset at item T5 or • at any time during 2012-13 had <u>sole care</u> of one or 	<p>You may be eligible for a Medicare levy reduction based on family taxable income.</p> <ul style="list-style-type: none"> • First work out your family taxable income using <u>worksheet 1</u>. • Then use <u>worksheet 2</u> to work out your family taxable income limit.

more dependent children or students.	
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Definition of sole care

'Sole care' means that you alone had full responsibility, on a day-to-day basis, for the upbringing, welfare and maintenance of a child or student. You are not considered to have sole care if you are living with a spouse (married or de facto) unless special circumstances exist. Generally, for special circumstances to exist, you must be financially responsible for the dependent child or student and have sole care without the support that a spouse normally provides.

Situations where special circumstances may arise include:

- You were married at any time during 2012-13 but during the year you separated from, or were deserted by, your spouse and for that period you were not in a de facto relationship.
- Your spouse was in prison for a sentence of at least 12 months.
- Your spouse is medically certified as being permanently mentally incapable of taking part in caring for the child or student.

If you are not sure whether special circumstances apply, phone **13 28 61**.

Working out your number of dependent children

A dependent child is any child who was an Australian resident whom you maintained in 2012-13 and whose adjusted taxable income (see [Adjusted taxable income \(ATI\) for you and your dependants](#)) was less than:

Category of dependent child	ATI if not maintained for the whole year	ATI if maintained for the whole year
Any child under 21 years old you maintained who was not a full time student	For the first child: \$282 plus \$28.92 for each week you maintained them	For the first child: \$1,786 For each additional child:

	For each additional child: \$282 plus \$21.70 for each week you maintained them	\$1,410
Any full-time student aged under 25 years old at a school, college or university	\$282 plus \$28.92 for each week you maintained them	\$1,786

If you had a spouse on 30 June 2013 or your spouse died during 2012-13 and you did not have another spouse before the end of the year, count all your dependent children.

If you were single or separated on 30 June 2013, count only the number of dependent children for whom you received the family tax benefit (FTB) during all or part of 2012-13. Count them even if you received only the rental assistance component of FTB Part A and you shared the care of the dependent child.

Write the number of dependent children you had during 2012-13 at (g) in worksheet 2.

Family taxable income

Family taxable income is the combined taxable incomes of you and your spouse (including a spouse who died during the year), or your taxable income if you were a sole parent.

Worksheet 1		
Family taxable income		
Your taxable income from TAXABLE INCOME OR LOSS on page 4 of your tax return	\$	(a)
Your spouse's taxable income from TAXABLE INCOME OR LOSS on page 4 of their tax return (if applicable)	\$	(b)

Add (a) and (b).	\$	(c)
Any relevant amounts of superannuation lump sums that you or your spouse received (see <u>Reduced taxable income to take account of certain superannuation lump sums</u>)	\$	(d)
Take (d) away from (c). This is your family taxable income .	\$	(e)

Working out your family taxable income limit

Your Medicare levy is reduced if your family taxable income is equal to or less than the following limits.

Worksheet 2			
Family taxable income limit			
Basic family taxable income limit (print X in the applicable box below)			
If you were eligible for the seniors and pensioners tax offset	\$54,117		(f)
All other taxpayers	\$39,638		
Number of dependent children (if applicable)			(g)
Multiply (g) by \$3,640.	\$		(h)
Family taxable income limit. Add the appropriate amount from (f) to the amount at (h).	\$		(i)

Is your family taxable income at (e) in worksheet 1 equal to or less than your family taxable income limit at (i) in worksheet 2?

YES	You are entitled to a reduction. Go to step 1 below.
NO	You do not qualify for a reduction. Go to part B to see if you qualify for an exemption.

Completing your tax return - Medicare levy reduction

Step 1

If you had a spouse on 30 June 2013, or your spouse died during the year and you did not have another spouse before the end of the year, write your spouse's taxable income at **OSpouse's 2012-13 taxable income**, in **SPOUSE DETAILS** on page 9 of your tax return. If your spouse had no taxable income, write **0**.

Step 2

Write the number of your dependent children [from (g) in **worksheet 2**] at **Y** item **M1** on page 6 of your tax return. If you had none, write **0**.

We work out the reduction for you, based on your spouse details and number of dependent children.

Read on to see if a Medicare levy exemption applies to you for all or part of 2012-13.

Part B - Medicare levy exemption

Answering this question

You may qualify for an exemption from paying the Medicare levy if you were in any of the following three exemption categories at any time in 2012-13. These categories are:

- medical
- foreign residents and residents of Norfolk Island
- not entitled to Medicare benefits.

If you do not fit into one of the exemption categories, leave **V** and **W** item **M1** blank and go to question **M2**.

For the Medicare levy exemption (but not the reduction), **dependant** means an Australian resident you maintained who was:

- your spouse

- your child under 21 years old, or
- your child, 21 to 24 years old, who was receiving full-time education at a school, college or university and whose adjusted taxable income (ATI, see [Adjusted taxable income \(ATI\) for you and your dependants](#)) for the period you maintained the child was less than the total of \$282 plus \$28.92 for each week you maintained them.

See **What is maintaining a dependant?** and **What is 'adjusted taxable income'?** in [Adjusted taxable income \(ATI\) for you and your dependants](#).

If the parents of a child lived separately and apart for all or part of the income year and the child was a dependant of each of them, the child is treated as an equal dependant of each parent (irrespective of the number of days the child was in each parent's care). However, where a parent receives FTB Part A for the child, including receiving only the rental assistance component, the child is a dependant of that parent for the number of days the child was in their care.

Category 1: Medical

You are in this exemption category and can claim a full or half exemption if:

- one of the following applied during all or part of 2012-13
 - you were a **blind pensioner**
 - you received **sickness allowance** from Centrelink
 - you were entitled to full free medical treatment for all conditions under **defence force** arrangements or **Veterans' Affairs** Repatriation Health Card (Gold Card) or repatriation arrangements

and

- during the period you met that condition, you also met **one** of the following conditions.

Condition	Exemption that applies
You had no dependants.	Full

<p>Each of your dependants (including your spouse if you had one) either:</p> <ul style="list-style-type: none"> • was in one of the exemption categories, or • had to pay the Medicare levy. 	Full
<p>You had dependent children who were not in an exemption category but who were also dependants of your spouse, and your spouse either:</p> <ul style="list-style-type: none"> • had to pay the Medicare levy, or • met at least one of the Category 1: Medical conditions and you have completed a family agreement (see the next column) stating that your spouse will pay the half levy for your joint dependants. 	Full
<p>You had at least one dependant (for example, a spouse) who:</p> <ul style="list-style-type: none"> • was not in an exemption category, and • did not have to pay the Medicare levy (for example, because their taxable income was below the lower Medicare levy threshold), see table 1. 	Half
<p>You were single or separated and you:</p> <ul style="list-style-type: none"> • had a dependent child who was not in a Medicare levy exemption category, and • were entitled to FTB Part A or the rental assistance component of FTB Part A for that child, and • were in a shared-care arrangement. <p>Then exemption from the Medicare levy is on the following basis:</p>	

<ul style="list-style-type: none"> for the days that you had care of your dependent child 	Half
<ul style="list-style-type: none"> for the days that you did not have care of your dependent child 	Full
<p>You had a spouse who met at least one of the Category 1:Medical conditions and you had a dependent child who:</p> <ul style="list-style-type: none"> was not in an exemption category, and was dependent on both of you. <p>In this case, either you or your spouse can claim a full exemption and the other can claim a half exemption by completing a family agreement (see below).</p>	Full or Half

If you were in this exemption category, go to step 1 on the next page.

Family agreements

You complete a **family agreement** only if both you and your spouse would have to pay the Medicare levy were it not for your exemption category status. You do not need to send this agreement to us. Keep it with your records.

Family agreement	
We agree that the Medicare levy exemption in respect of our dependants for the 2012-13 year will be claimed as follows.	
Name of person claiming the full exemption	
Name of person claiming the half exemption	
Your signature	

Your spouse's signature	
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Category 2: Foreign residents and residents of Norfolk Island

If you were a foreign resident for tax purposes or a resident of Norfolk Island for the full year, you can claim a full exemption for the year (365 days).

If you were a foreign resident or a resident of Norfolk Island for only part of the year, you can claim a full exemption for that period if:

- you did not have any dependants for that period, **or**
- all your dependants were in an exemption category for that period.

If you were in this exemption category, go to step 1.

Category 3: Not entitled to Medicare benefits

You can claim a **full** exemption for any period for which you have a **certificate** from the Medicare Levy Exemption Certification Unit of Medicare Australia showing you were not entitled to Medicare benefits because you were a temporary resident for Medicare purposes and either:

- you did not have any dependants for that period, **or**
- all your dependants were in an exemption category for that period.

A letter from Medicare is not sufficient. For more information on how to apply for an exemption certificate as a temporary resident, contact Medicare on **1300 300 271** or go to servicesaustralia.gov.au

You also qualify for a full exemption under this category if:

- you were a member of a **diplomatic mission** or consular post in Australia (or a member of such a person's family and you were living with them), and
- you were not an Australian citizen, and
- you do not ordinarily live in Australia, and either
 - you did not have any dependants for that period, or
 - all your dependants were in an exemption category for that period.

If you were in this exemption category, go to step 1.

If you were not in any of the above exemption categories leave **V** and **W** item **M1** blank. You have finished this question. Go to question **M2**.

Completing your tax return - Medicare levy exemption

Step 1

Use the information in the categories above to work out whether you qualify for a full exemption or a half exemption and to determine how many dependent children you had during the year.

Step 2

Work out the number of days for which you can claim a full exemption and the number of days for which you can claim a half exemption.

The maximum total number of days you can claim is 365. If you have overlapping qualifying periods, count the days in those overlapping periods only once. If a full exemption period overlaps a part exemption period, count the overlapping days as a full exemption period.

Step 3

Write the number of days you were covered for a full exemption at **V** item **M1**.

Write the number of days you were covered for a half exemption at **W** item **M1**.

If you were a temporary resident for Medicare purposes and have a certificate from the Medicare Levy Exemption Certification Unit of Medicare Australia (see category 3) print **C** in the **CLAIM TYPE** box. If you do not fall within this category leave the **CLAIM TYPE** box blank.

We will work out your exemption entitlement.

Step 4

If you had a spouse at any time in 2012-13, you must complete **Spouse details - married or de facto** on pages 8-9 of your tax return.

Tax tips

If you would like to work out the amount of Medicare levy you have to pay, use the Medicare levy calculator.

Reduced taxable income to take account of certain superannuation lump sums

For Medicare levy purposes, your taxable income excludes the taxed element of a superannuation lump sum, other than a death benefit, that you received when you were 55 to 59 years old that does not exceed your low-rate cap for 2012-13. For 2012-13, the low-rate cap is \$175,000, but it could be less if you received superannuation lump sums in previous years (see [Table 1](#) and the definition of low-rate cap in [Special circumstances and glossary](#) for more information).

Example

Bill received superannuation lump sums of \$100,000 in 2011-12 and \$80,000 in 2012-13 both of which consisted entirely of a taxed element. He was between 55 to 59 years old when he received both payments. His low-rate cap is now only \$75,000, which is \$175,000 less the \$100,000 he received in 2011-12. Bill subtracts the \$75,000 of his low-rate cap from his 2012-13 taxable income.

Bill's 2012-13 taxable income for Medicare levy purposes includes \$5,000, being the amount by which the superannuation lump sum he received exceeded his low-rate cap (that is, \$80,000 less \$75,000).

Where to go next

- Go to question [M2 Medicare levy surcharge](#).
- Return to main menu [Individual tax return instructions](#).
- Go back to [Private health insurance policy details](#).

QC 32399

M2 – Medicare levy surcharge (MLS) 2013

Complete compulsory question M2 to determine whether you may have to pay the Medicare levy surcharge.

Last updated 28 May 2013

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This question is compulsory

The Medicare levy surcharge (MLS) is in addition to the Medicare levy. Depending on your income for MLS purposes the MLS rate is 1%, 1.25% or 1.5% of:

- your taxable income
- your total reportable fringe benefits, and
- any amount on which family trust distribution tax has been paid.

Medicare levy surcharge changes

From 1 July 2012, the Medicare levy surcharge is income tested against the following income tier thresholds:

Income thresholds

	Unchanged	Tier 1	Tier 2	Tier 3
Singles	\$84,000 or	\$84,001-	\$97,001-	\$130,001

	less	97,000	130,000	or more
Families*	\$168,000 or less	\$168,001- 194,000	\$194,001- 260,000	\$260,001 or more
Rates	0.0%	1.0%	1.25%	1.5%

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

There is no change to how the Medicare levy surcharge applies and any exemptions that may apply to your circumstances. The only change has been the introduction of new income thresholds and Medicare levy surcharge rates.

You may have to pay Medicare levy surcharge for any period during the income year that you, your spouse, or any of your dependants:

- did not have an **appropriate level of private patient hospital cover** for the whole income year, and
- your income for Medicare levy surcharge purposes is above the tier 1 threshold.

However, from 1 July 2012, the Medicare levy surcharge rate you are charged may increase depending on your income tier.

Example

Josh is 35 years old, is single, and does not have the appropriate level of private patient hospital cover. In 2012-13, Josh's taxable income is \$90,000.

When Josh completes his tax return, he also completes the income test section of the tax return and declares:

- reportable fringe benefits of \$20,000
- net investment losses of \$7,000.

Josh's total income for Medicare levy surcharge purposes is \$117,000, which makes him a tier 2 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 2011-12, Josh's Medicare levy surcharge liability is:

$(\$90,000 \text{ taxable income} + \$20,000 \text{ reportable fringe benefits}) \times 1\%$
= \$1,100.

In 2012-13, Josh's Medicare levy surcharge liability is:

$(\$90,000 \text{ taxable income} + \$20,000 \text{ reportable fringe benefits}) \times 1.25\%$
= \$1,375.

Appropriate level of private patient hospital cover

An appropriate level of private patient hospital cover is cover provided by a registered health insurer for hospital treatment in Australia which has an excess of:

- \$500 or less (for a policy covering only one person), or
- \$1,000 or less (for all other policies).

Excess is the amount you pay before your health insurer pays for any claim you make.

General cover (formerly called ancillary cover) or 'extras' is not private patient hospital cover because it covers only items such as optical, dental, physiotherapy or chiropractic treatment.

If you have health cover but are not sure whether it is at the appropriate level, your registered health insurer can tell you.

Income for MLS purposes

Your income for MLS purposes is your taxable income plus the following if they apply to you:

- reportable fringe benefits (shown on your payment summary)
- reportable superannuation contributions (which is the sum of both your reportable employer superannuation contributions and your deductible personal superannuation contributions)
- your net investment loss (which is the amount by which your financial investment deductions exceeded your financial investment income, plus the amount by which your rental property deductions exceeded your rental property income)

- the amount on which family trust distribution tax has been paid.

If you were 55 to 59 years old this amount is then reduced by the taxed element amount of superannuation lump sums, other than a death benefit, received during 2012-13 that do not exceed your low rate cap (see **Superannuation lump sums and income for MLS purposes**).

Dependants

For this question, your dependants (regardless of their income) are your:

- spouse, even if they worked during 2012-13 or had their own income
- children under 21 years old
- children 21 to 24 years old who are full-time students.

Dependants must have been Australian residents and you must have contributed to their maintenance. See **What is maintaining a dependant?** in **Adjusted taxable income (ATI) for you and your dependants**.

Your 'spouse' includes another person (whether of the same sex or opposite sex) who:

- you were in a relationship with that was registered under a prescribed state or territory law
- although not legally married to you, lived with you on a genuine domestic basis in a relationship as a couple.

The definition of child includes children of people who are in same-sex relationships. See the definition of child in **Special circumstances and glossary**.

If you had private patient hospital cover during 2012-13, you will need a statement from your health insurer showing the number of days you and your dependants were covered by an appropriate level of health cover. If you do not have this statement, contact your health insurer.

**Were you and all your dependants,
including your spouse, covered by an**

appropriate level of private patient hospital cover for the whole of 2012-13?

Yes	Go to step 5.
No	Read on.

Answering this question

If you do not have an appropriate level of private patient hospital cover, you may be liable for MLS. Whether or not you are liable to pay MLS depends on:

- your income for MLS purposes, and
- your combined income for MLS purposes, if you had a spouse for the whole of 2012-13 or if your spouse died in 2012-13.

Complete worksheet 1 to work out your and your spouse's income (if relevant) for MLS purposes.

If you had exempt foreign employment income, and your taxable income is \$1 or more, add your exempt foreign income to your taxable income, and write the total at (a) in worksheet 1. The same applies for your spouse.

If you were 55 to 59 years old, write at (k) the taxed element amount of superannuation lump sums, other than a death benefit, you received during 2012-13 that do not exceed your low rate cap. The same applies for your spouse. (See **Superannuation lump sums and income for MLS purposes**.)

If you did not have a spouse, go to **Medicare levy surcharge exemption** after you have completed worksheet 1.

If your spouse was under a legal disability, write at (h) in the spouse column your spouse's net income from a trust for which the trustee was liable to pay tax. Examples of a legal disability include being:

- a bankrupt
- a person who has been declared legally incapable because of a mental condition
- under 18 years old on 30 June 2013.

Do not include any amount that has already been included in your spouse's taxable income at (a).

Write at (c) the total amount of distributions to you or your spouse:

- on which family trust distribution tax has been paid, and
- which you or your spouse would have had to show as assessable income if the tax had not been paid.

Worksheet 1			
Working out income for MLS purposes			
Working out income for MLS purposes	You	Spouse	
Taxable income (from TAXABLE INCOME OR LOSS on page 4 of the tax return)	\$	\$	(a)
Total reportable fringe benefits amount (from W item IT1 on page 8 of the tax return)	\$	\$	(b)
Amount on which family trust distribution tax has been paid (from X item A4 on page 16 of the supplementary section of your or your spouse's tax return)	\$	\$	(c)
Net financial investment loss (from X item IT5 on page 8 of the tax return)	\$	\$	(d)
Net rental property loss (from Y item IT6 on page 8 of the tax return)	\$	\$	(e)
Reportable employer superannuation contributions (from T item IT2 on page 8 of the tax return)	\$	\$	(f)

Deductible personal superannuation contributions (from H item D12 on page 15 of the supplementary section of the tax return)	\$	\$	(g)
Your spouse's share of the net income of a trust on which the trustee must pay tax (from T Spouse details on page 10 of the tax return)		\$	(h)
Add the amounts from (a) to (h) in each column.	\$	\$	(j)
If you or your spouse were 55 to 59 years old, write here the taxed element amount of superannuation lump sums, other than a death benefit, received during 2012-13 that do not exceed your or your spouse's low rate cap (see Superannuation lump sums and income for MLS purposes).	\$	\$	(k)
Take (k) away from (j). This is each individual's income for MLS purposes.	\$	\$	(l)
Add the amount from (l) in your column to the amount from (l) in your spouse's column.		\$	(n)
<p>Your income for MLS purposes when you are single is the amount at (l) in your column.</p> <p>Your combined income for MLS purposes, is the amount at (n).</p>			

Medicare levy surcharge exemption

If you fit in one of the following categories, you are exempt from MLS for the whole of 2012-13.

Surcharge exemption categories

- Your income for MLS purposes was \$84,000 or less, and for the whole of 2012-13, you were single without a dependent child.

- Your income for MLS purposes was \$84,000 or less, and:
 - for part of 2012-13 you were single
 - your spouse did not die during the year, and
 - for the whole of the year you did not have a dependent child.
- You were single with a dependent child and your income for MLS purposes was \$168,000 or less (plus \$1,500 for each dependent child after the first).
- You had a spouse (with or without dependent children), and your combined income for MLS purposes was \$168,000 or less (plus \$1,500 for each dependent child after the first). In working out whether your income exceeds an MLS income threshold, if your spouse died in 2012-13 and you did not have another spouse before the end of the year, you are treated as having had a spouse for the remainder of 2012-13.
- You and all your dependants (including your spouse, if any) were in a Medicare levy exemption category for the whole of 2012-13 (see question M1).
- The combined income of you and your spouse for MLS purposes was above the limit, but your own income for MLS purposes was \$20,542 or less.

Your spouse shows a foreign lump sum payment on the supplementary section of their tax return.

If you are liable for MLS only because your spouse has shown a lump sum payment in arrears at item 20 Foreign source income and foreign assets or property or item 24 Other income on the supplementary section of their tax return, you may be entitled to a tax offset up to the amount of MLS you have to pay. We will calculate the tax offset for you.

You will need to provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION - ITEM M2 on the top of a separate piece of paper. Print your name, address, tax file number and the name and address of your spouse. Explain that your spouse received a lump sum payment in arrears. Attach your schedule to page 3 of your tax return.

Print **X** in the **Yes** box at *Taxpayer's declaration* question **2a** on page 12 of your tax return.

What if your circumstances changed during the year?

If you had a new spouse or you separated from your spouse, or you became or ceased to be a sole parent, both the single and the family surcharge thresholds may apply to you for different periods.

You need to work out whether you were liable for MLS for any period during 2012-13 that you:

- were single (that is, you had no spouse or dependent children) so you can apply the single surcharge threshold of \$84,000 to your income for MLS purposes
- had a spouse or any dependent children, so you can apply the family surcharge threshold of \$168,000, plus \$1,500 for each dependent child after the first, to your income for MLS purposes.

If your spouse died during 2012-13 and you did not have another spouse before the end of the year, you are treated as if you had a spouse for the remainder of 2012-13 and you apply the family surcharge threshold of \$168,000, plus \$1,500 for each dependent child after the first.

If your income for MLS purposes (or if you have a spouse, your combined income for MLS purposes) was above the relevant surcharge threshold that applies to you, and you and all of your dependents (including your spouse, if any) did not have an appropriate level of private patient hospital cover, or were not in a Medicare levy exemption category for the whole year, then you may be liable for MLS.

To help you work out whether you were liable for MLS for the different periods, see the example below.

Example 1: Spouse for part of the year

Michael and Michelle lived together as a couple on a genuine domestic basis for seven years, but on 12 October 2012 they separated and each stayed single. They did not have private patient hospital cover at any time during 2012-13.

Michelle and Michael had no dependent children, but they were dependants of each other for MLS purposes until they separated.

Michael's income for MLS purposes was \$69,000 and Michelle's was \$90,000. In previous years they had used their combined income to assess their MLS liability. They now have to use their individual income for MLS purposes.

Michael and Michelle are considered to be a family for the period 1 July to 12 October 2012 (104 days), so the family MLS threshold of \$168,000 applies to each of them for that period. This means:

- Michelle is not liable for MLS for this period because her \$90,000 income for MLS purposes was less than \$168,000,
- Michael is not liable for MLS for this period because his \$69,000 income for MLS purposes was less than \$168,000.

Michael and Michelle were single for the period 13 October 2012 to 30 June 2013, so the single person MLS threshold of \$84,000 applies for that period:

- Michelle is liable to pay MLS for this period because her \$90,000 income for MLS purposes exceeded \$84,000
- Michael is not liable for MLS for this period because his \$69,000 income for MLS purposes was less than \$84,000.

Michelle and Michael complete their tax returns at **A** item **M2** by writing the number of days that they were not liable for MLS in 2012-13:

- Michelle writes 104, the number of days in the first period when she was not liable for MLS
- Michael writes 365 because he was not liable for MLS in 2012-13.

Single person covered for part of the year

If you were single and took out private patient hospital cover during the year use the following example to help you work out how many days you are liable to pay MLS.

Example 2: Part-year private patient hospital cover

In 2012-13 Jacinta was not married and had no dependants. She had income for MLS purposes of \$86,000. She was not in a Medicare levy exemption category at any time during the year.

Jacinta took out private patient hospital cover on 15 January 2013. Because Jacinta's income for MLS purposes was above the single person surcharge threshold of \$84,000 and she did not have private patient hospital cover for the full year she will have to pay MLS for the part of the year that she did not have private patient hospital cover.

Jacinta will not have to pay MLS for the time she had private patient hospital cover, that is, 15 January 2013 to 30 June 2013 (167 days).

Jacinta will write the number of days in 2012-13 that she is not liable for MLS (167) at **A item M2** on her tax return and complete **Private health insurance policy details** on page 6 of her tax return.

Family covered for part of the year

If some members of your family were covered by private patient hospital cover for the whole year and other members of your family had cover for only part of the year, use the following example to help you work out how many days you are liable to pay MLS.

Example 3: Part-year liability

Jill and Kevin have been married for a number of years. They have three dependent children. Jill, Kevin and their children were not in a Medicare levy exemption category at any time during the year. Jill and the children were covered by private patient hospital cover for the full income year. Kevin had his name added to the policy on 10 January 2013.

Jill and Kevin had a combined income for MLS purposes of \$175,000. The family surcharge threshold for Jill and Kevin is \$171,000 (that is, \$168,000 plus twice \$1,500). Because not everyone was covered for the period 1 July 2012 to 9 January 2013 and their combined income for MLS purposes exceeds the family surcharge threshold, Jill and Kevin are both liable for MLS for this period (193 days). Jill and Kevin would both write the number of days that they were not liable for MLS (172) at **A item M2** on their tax returns and complete **Private health insurance policy details** on page 6 of their tax returns.

Completing your tax return

Step 1

If you or any of your dependants (including your spouse) did not have private patient hospital cover or only had cover for part of the year, print **X** in the **No** box at the right of **E** item **M2**.

Step 2

Write at **A** item **M2** the number of days for which you do not have to pay **MLS**.

If you were in an exemption category (see **Surcharge exemption categories**) for the whole of 2012-13, print **X** in the **Yes** box to the left of 'You do not have to pay the surcharge.' and write 365 at **A** item **M2**. You have now finished this question. Go to question **A1**.

If you were not in an exemption category, print **X** in the **No** box to the left of 'You may have to pay the surcharge.'

Write at **A** item **M2** the number of days for which you do not have to pay **MLS**.

If you do not have to pay **MLS** for any days during the period 1 July 2012 to 30 June 2013, write 365 at **A** item **M2**.

If you have to pay **MLS** for:

- the whole period 1 July 2012 to 30 June 2013, write 0 at **A** item **M2**
- part of the period 1 July 2012 to 30 June 2013, write at **A** item **M2** the number of days for which you do not have to pay **MLS**.

Step 3

Complete **Income tests** on page 8 of your tax return.

Step 4

If you had a spouse during 2012-13 and you or any of your dependants (including your spouse) were not covered by private patient hospital cover for the full year, complete **Spouse details - married or de facto** on pages 8-9 of your tax return.

If your spouse's income for **MLS** purposes included a superannuation lump sum that was shown at (k) in **worksheet 1**, write that amount at **F**

under **Spouse details - married or de facto**.

If you had private patient hospital cover for any part of the year, you must complete **Private health insurance policy details**. See **Private health insurance policy details**.

Step 6

If you and all your dependants (including your spouse) had an appropriate level of private patient hospital cover for the whole of 2012-13, print **X** in the **Yes** box at the right of **E** item **M2**. Make sure you also complete your **Private health insurance policy details**. You have now finished this question. Go to question A1.

Tax tips

If you would like to work out the amount of Medicare levy surcharge you have to pay, use the **Medicare levy calculator**.

Superannuation lump sums and income for MLS purposes for worksheet 1 (k)

Your income and your combined income for MLS purposes exclude the taxed element of a superannuation lump sum, other than a death benefit, that you received when you were 55 to 59 years old that does not exceed your low-rate cap amount for 2012-13. For 2012-13 the low-rate cap amount is \$175,000, but it could be less for you if you had received certain superannuation lump sums in previous years (see **table 1** and **the definition of low-rate cap** in **Special circumstances and glossary** for more information).

Example 3

Bill received a superannuation lump sum of \$100,000 in 2011-12 and \$80,000 in 2012-13, both of which consisted entirely of a taxed element. He was between 55 and 59 years old when he received both payments. Bill's wife Mary received a superannuation lump sum of \$50,000 that consisted entirely of a taxed element in 2012-13 when she was 56 years old.

Bill's low rate cap for 2012-13 is \$75,000 because his low-rate cap was reduced by \$100,000 in 2011-12. Therefore, the amount he received in excess of his low-rate cap (that is, \$5,000) cannot be taken into account at (k) and (l) in worksheet 1. To work out his

income for MLS purposes using worksheet 1, Bill subtracts \$75,000 from the amount worked out at (j) in that worksheet.

To work out his combined income for MLS purposes (using worksheet 1, spouse column), Bill subtracts Mary's \$50,000 superannuation lump sum from the amount worked out at (j) in the spouse column.

Where to go next

- Go to [Private health insurance policy details](#).
- Return to main menu [Individual tax return instructions](#).
- Go back to question [M1 Medicare levy reduction or exemption](#).

QC 32400

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