Medicare levy questions M1-M2

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

QC 101386

M1 Medicare levy reduction or exemption 2024

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

Published 29 May 2024

Things you need to know

Australian residents for tax purposes are subject to a Medicare levy of 2% 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 2023–24, you may be exempt from the Medicare levy. For more information, see **Your tax residency**.

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.

Complete Part A to work out if you can claim the Medicare levy reduction. If you are not eligible for a reduction, complete Part B to work out if you can claim a Medicare levy exemption.

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

Part A – Medicare levy reduction

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

Table 1 – Medicare levy thresholds for an individual

Category	Lower threshold	Upper threshold
If you were entitled to the seniors and pensioners tax offset (see **T1 Seniors and pensioners tax offset 2024**)	$41,089	$51,361 (see note)
All other taxpayers	$26,000	$32,500

Note: The entitlement to the seniors and pensioners tax offsets ceases when rebate income reaches $50,199.

If you have a spouse, you may not get the seniors and pensioners tax offset even if you meet all the eligibility conditions as the amount of the tax offset is based on your individual rebate income, not your combined rebate income. If you don't get the offset, merely being eligible for it will not entitle you to a Medicare levy reduction.

For this question, your taxable income excludes the taxed element of certain superannuation lump sums you received during 2023–24 if you had reached your **preservation age** and were under 60 years old.

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 of a death benefits superannuation lump sum):

- that you received when you had reached your **preservation age** and were under 60 years old
- up to your low-rate cap for 2023–24, which is $235,000. If you received superannuation lump sums in previous years, your low-rate cap for 2023–24 could be less than $235,000.

For more information on the low-rate cap amount for taxable components of superannuation lump sum payments, see **Special circumstances 2024**.

Example: Medicare levy and superannuation lump sums

Bill received superannuation lump sums of $100,000 in 2022–23 and $140,000 in 2023–24 both of which consisted entirely of a taxed element. He was aged over his preservation age and below 60 years old when he received both payments. His low-rate cap is now only $135,000, which is $235,000 less the $100,000 he received in 2022–23. Bill subtracts the $135,000 of his low-rate cap from his 2023–24 taxable income.

Bill's 2023–24 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, $140,000 less $135,000).

Your circumstances and what to do next

Your circumstance	What to do

Your taxable income is equal to or less than your lower threshold amount. See Table 1.	You don't have to pay the Medicare levy. Don't write anything at question **M1** in your tax return. Go to Where to go next.
Your taxable income is greater than your lower threshold amount and less than or equal to your upper threshold amount. See Table 1.	You pay only part of the Medicare levy. We will work it out. Go to Part B if you are single with no dependants to see if you qualify for an exemption.
Your taxable income is over your upper threshold amount, and you are single with no dependants. See Table 1.	You don't qualify for a reduction. Go to Part B to see if you qualify for an exemption.
Your taxable income is greater than your lower threshold amount but you: • had a spouse, or • had a spouse who died during 2023–24, and you did not have another spouse in 2023–24, or • were entitled to an Invalid and Invalid Carer tax offset in respect of your child at question **T5**, or • at any time during 2023–24, had sole care of one or more dependent children or students. See Table 1.	You may be eligible for a Medicare levy reduction based on family taxable income: • first work out your **family taxable income** using Worksheet 1 • then use Worksheet 2 to work out your **family taxable income limit**.

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 the following:

- You were married at any time during 2023–24 but
  - during 2023–24, you then separated from, or were deserted by, your spouse, and
  - for the remainder of 2023–24, you were not in a de facto relationship.
- Your spouse was in prison for a sentence of 12 months or more.
- 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, **contact us**.

Working out your number of dependent children

A dependent child is any child who was an Australian resident whom you maintained in 2023–24 and whose adjusted taxable income (see **Adjusted taxable income for you and your dependants 2024**) was less than the amounts in the table below.

Dependent children – ATI thresholds

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 each additional child:	For the first child: • $1,786 For each additional child: • $1,410

	• $282 plus $21.70 for each week you maintained them	
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 2024, or your spouse died during 2023–24 and you did not have another spouse on or before 30 June 2024, count all your dependent children.

If you were single or separated on 30 June 2024, count only the number of dependent children for whom you received the family tax benefit (FTB) during all or part of 2023–24. 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 2023–24 at Worksheet 2 – row **i**.

Family taxable income

Family taxable income is:

- the combined taxable incomes of you and your spouse (including a spouse who died during 2023–24), or
- your taxable income if you were a sole parent.

Worksheet 1 – Family taxable income

Row	Calculation	Amount
a	Your taxable income from **Taxable income or loss**.	$
b	Any relevant amounts of superannuation lump sums that you received (see Reduced taxable income to take account of certain superannuation lump sums).	$

c	Take row **b** away from row **a**. If the amount is less than $0, write $0.	$
d	Your spouse's taxable income from **Taxable income or loss** in their tax return (if applicable).	$
e	Any relevant amounts of superannuation lump sums that your spouse received (see Reduced taxable income to take account of certain superannuation lump sums).	$
f	Take row **e** away from row **d**. If the amount is less than $0, write $0.	$
g	Add rows **c** and row **f**. This is your family taxable income.	$

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

Row	Calculation	Amount
h	If you were entitled to the seniors and pensioners tax offset, enter $71,497. For all other taxpayers, enter $54,807.	$
i	Number of dependent children (if applicable, see note).	Children
j	Multiply row **I** by $5,034 (see note).	$
k	**Family taxable income limit**. Add the appropriate amount from row **h** to the amount at row **j**.	$

Note: If you are a sole parent, you can increase your family taxable income limit for a dependent child only if the family tax benefit is payable to you for that dependent child.

Is your family taxable income at **Worksheet 1** – row **g** equal to or less than your family taxable income limit at **Worksheet 2** – row **k**?

- **Yes** – You are entitled to a reduction. Go to Step 1.
- **No** – You don't qualify for a reduction. Go to Part B to see if you qualify for an exemption.

Completing your tax return – Medicare levy reduction

To complete this question, follow the steps below.

Step 1

If you had a spouse on 30 June 2024, or your spouse died during 2023–24 and you did not have another spouse on or before 30 June 2024, write your spouse's taxable income at question **Spouse details – married or de facto** – label **O Spouse's 2023–24 taxable income** in your tax return. If your spouse had no taxable income, write **0** (zero).

Step 2

Write the number of your dependent children (from **Worksheet 2** – row **i**) at question **M1** – label **Y**. If you had none, write **0** (zero).

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 2023–24.

Part B – Medicare levy exemption

You may qualify for a **Medicare levy exemption** if you were in any of the following 3 exemption categories at any time in 2023–24. These categories are:

- medical
- foreign resident
- not entitled to Medicare benefits.

If you don't fit into one of the exemption categories, leave question **M1** – labels **V** and **W** blank and go to Where to go next.

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

- your spouse
- your child under 21 years old
- 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), for the period you maintained the child was less than the total of $282 plus $28.92 for each week you maintained them.

For the meaning of maintaining a dependant and ATI, see **Adjusted taxable income for you and your dependants 2024**.

If the parents of a child lived separately and apart for all or part of 2023–24 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 received FTB Part A for the child, even if receiving only the rental assistance component, the child was 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 2023–24
  - you were a **blind pensioner**
  - you were entitled to full free medical treatment for all conditions under **defence force** arrangements or **Veterans' Affairs** Repatriation Health Card (Gold Card).
- During the period you met that condition, you also met **one** of the following conditions.

Additional medical exemption conditions – type of exemption that applies

Additional condition met	Exemption that applies

You had no dependants.	Full
Each of your dependants (including your spouse if you had one) either: • was in one of the exemption categories, or • had to pay the Medicare levy.	Full
You had dependent children who were not in an exemption category but who were also dependants of your spouse, and your spouse either: • had to pay the Medicare levy, or • met at least one of the **Category 1: Medical** conditions and you have completed a **family agreement** stating that your spouse will pay the half levy for your joint dependants.	Full
You had at least one dependant (for example, a spouse) who: • 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
You were single or separated and you: • 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. Then exemption from the Medicare levy is on the following basis: • for the days that you **had care** of your dependent child.	Half
You were single or separated and you:	Full

- 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. Then exemption from the Medicare levy is on the following basis: - for the days that you **did not have care** of your dependent child.	
You had a spouse who met at least one of the **Category 1: Medical** conditions and you had a dependent child who: - was not in an exemption category, and - was dependent on both of you. 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).	Full or Half

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

Family agreements

A **family agreement** is a written agreement signed by you and your spouse. 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 don't need to send this agreement to us. Keep it with your records. The agreement must contain:

- the statement: 'We agree that the Medicare levy exemption in respect of our dependants for 2023–24 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.

The agreement must be signed before the date of the person claiming the full exemption lodges their tax return, unless the Commissioner allows further time.

Category 2: Foreign resident

If you were a foreign resident for tax purposes for the whole of 2023–24, you can claim a full exemption (366 days).

If you were a foreign resident for only a period in 2023–24, 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 Medicare entitlement statement from Services 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.

To claim an exemption, you must first submit a **Medicare Entitlement Statement** to Medicare and receive a certification letter from them saying that you were not entitled to Medicare benefits for a particular period. You can then claim the exemption for the period that Medicare has advised.

You need to submit a Medicare entitlement statement to Medicare each year you want to claim an exemption.

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)
- you were not an Australian citizen
- you don't 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 question **M1** – labels **V** and **W** blank. You have finished this question, go to Where to go next.

Completing your tax return – Medicare levy exemption

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.

To complete this question, follow the steps below.

Step 1

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 366. 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 2

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

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

If you were a temporary resident for Medicare purposes and have a **Medicare Entitlement Statement** from Services Australia covering a period in 2023–24 (see Category 3), then print **C** in the **CLAIM TYPE** box. If you don't fall within this category, leave the **CLAIM TYPE** box blank.

We will work out your exemption entitlement.

Step 3

If you had a spouse at any time in 2023–24, you must complete question **Spouse details – married or de facto** in your tax return.

Where to go next

- Go to question M2 Medicare levy surcharge 2024.
- Return to main menu Individual tax return instructions 2024.
- Go back to Total tax offsets 2024.

QC 101444

M2 Medicare levy surcharge 2024

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

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Things you need to know

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 income testing

The MLS is income tested against the following income tier thresholds:

Income thresholds

Threshold	Base tier	Tier 1	Tier 2	Tier 3
Single threshold	$93,000 or less	$93,001–$108,000	$108,001–$144,000	$144,001 or more
Family threshold	$186,000 or less	$186,001–$216,000	$216,001–$288,000	$288,001 or more
Medicare levy surcharge	0%	1%	1.25%	1.5%

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

You may have to pay MLS 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, and
- your income for MLS purposes is above the threshold.

Example: Medicare levy surcharge liability

Josh is 35 years old, single, has no dependants, and does not have the appropriate level of private patient hospital cover. In 2023–24, 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 MLS purposes is $117,000 ($90,000 + $20,000 + $7,000). This makes him a tier 2 income earner and will determine the percentage of MLS, which is 1.25%. The percentage of MLS is only applied against taxable income and reportable fringe benefits.

In 2023–24, Josh's Medicare levy surcharge liability is:

($90,000 taxable income + $20,000 reportable fringe benefits) × 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:

- $750 or less (for a policy covering only one person), or
- $1,500 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 (excluding any assessable First home super saver released amount) plus the following if they apply to you:

- reportable fringe benefits (shown on your payment summary or income statement)
- reportable superannuation contributions (which is the total 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 aged from your **preservation age** to under 60 years old, this amount is reduced by the taxed element amount of superannuation lump sums, other than a death benefit superannuation lump sum, received during 2023–24 that don't 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 2023–24 or had their own income
- children under 21 years old
- children 21 to 24 years old who are studying full time at school, college or university.

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

Your **spouse** includes another person 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:

- a child born or adopted in 2023–24, and
- someone who is a child of the individual within the meaning of the *Family Law Act 1975*.

If you and all your dependants, including your spouse, were covered by an appropriate level of private patient hospital cover for the whole of 2023–24, go to Step 1. Otherwise, read on.

If you are not sure whether you had an 'appropriate level of private patient hospital cover' during 2023–24, contact your health insurer. You can also ask your health insurer for a statement showing the number of days you and all your dependants had an appropriate level of health cover.

If you would like to work out the amount of MLS you have to pay, use the Income tax estimator.

What you need to answer this question

If you don't 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 in 2023–24 or if your spouse died in 2023–24.

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 Worksheet 1 – row **a**.

If you were aged from your **preservation age** to under 60 years old, write at row **k** the taxed element amount of superannuation lump sums, other than a death benefit, you received during 2023–24 that don't 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 row **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:

- bankrupt
- a person who has been declared legally incapable because of a mental condition
- under 18 years old on 30 June 2024.

Don't include any amount that has already been included in your spouse's taxable income at row **a**.

Write at row **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

Row	Working out income for MLS purposes	You	Spouse
a	Taxable income from **Taxable income or loss** (excluding any assessable First home super saver released amount).	$	$
b	Total reportable fringe benefits amount (the sum of question **IT1** – labels **N** and **W**).	$	$
c	Amount on which family trust distribution tax has been paid (from question **A5** – label **X** in the supplementary tax return).	$	$
d	Net financial investment loss (from question **IT5** – label **X**).	$	$
e	Net rental property loss (from question **IT6** – label **Y**).	$	$
f	Reportable employer superannuation contributions (from question **IT2** – label **T**).	$	$
g	Deductible personal superannuation contributions (from question **D12** – label **H** in the supplementary tax return).	$	$
h	Your spouse's share of the net income of a trust on which the trustee must pay tax (from **Spouse details** – label **T**).	n/a	$
j	Add the amounts from row **a** to row **h** in each column.	$	$

k	If you or your spouse were aged from your preservation age to under 60 years old, write here the taxed element amount of superannuation lump sums, other than a death benefit, received during 2023–24 that don't exceed your or your spouse's low rate cap (see Superannuation lump sums and income for MLS purposes).	$	$
l	Subtract row **k** from row **j**. This is each individual's income for MLS purposes.	$	$

Your income for MLS purposes when you are single is the amount at row **l** in your column.

Your combined income for MLS purposes is the amount from row **l** in your column and the amount from row **l** in your spouse's column.

Medicare levy surcharge exemption

If you fit in one of the following categories, you are exempt from MLS for the whole of 2023–24.

Surcharge exemption categories

- For the **whole of 2023–24, you and all of your dependants (if you had any)** either
  - had an appropriate level of private patient hospital cover, or
  - were in a Medicare levy exemption category (see **question M1**).
- You were **single** for the **whole of 2023–24**
  - you did not have any dependent children, and
  - your income for MLS purposes was **$93,000 or less**.
- You were **single** for the **whole of 2023–24**
  - with a dependent child for the whole of the year, and
  - your income for MLS purposes was **$186,000** (plus $1,500 for each dependent child after the first) **or less**.
- You were **single** for **part of 2023–24**

  - you did not have a dependent child for the whole of the year
  - your spouse did not die during the year, and
  - your income for MLS purposes was **$93,000 or less**.
- You had a **spouse** (with or without dependent children) **for the whole of 2023–24** and your combined income for MLS purposes was
  - **$186,000** (plus $1,500 for each dependent child after the first) **or less**, or
  - **greater than $186,000** (plus $1,500 for each dependent child after the first) but your own income for MLS purposes was $26,000 or less.

If your spouse died during 2023–24 and you did not have another spouse on or before 30 June 2024, you are treated as having had a spouse for the remainder of 2023–24.

Your spouse shows a lump sum payment in arrears in their supplementary tax return.

If you are liable for MLS only because your spouse has shown a lump sum payment in arrears at question **20 Foreign source income and foreign assets or property** or question **24 Other income** in their supplementary 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. On a separate piece of paper write:

- the heading **Schedule of additional information – question M2**
- your name, address, tax file number and the name and address of your spouse
- details that your spouse received a lump sum payment in arrears.

Attach your schedule of additional information to your tax return.

Print **X** in the **Yes** box at **Taxpayer's declaration** in your tax return.

Income threshold when your circumstances change 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. Special rules apply to calculate MLS for these periods.

You need to work out whether you were liable for MLS for any period during 2023–24 that you:

- were single (that is, you had no spouse or dependent children) so you can apply the single surcharge threshold of $93,000 to your income for MLS purposes
- had a spouse or any dependent children, so you can apply the family surcharge threshold of $186,000, plus $1,500 for each dependent child after the first, to your income for MLS purposes.

We will calculate the rate of your MLS liability based on:

- your combined family income using the relevant family income threshold if you had a spouse on 30 June 2024, or
- your own income using the relevant single income threshold if you were single on 30 June 2024.

You are liable for MLS for the number of days you were single if:

- your own income for MLS purposes was more than $93,000, and
- you did not have appropriate private patient hospital cover or were not in a Medicare levy exemption category.

You are liable for MLS for the number of days you had a spouse or dependent children, if:

- your own income for MLS purposes was more than $186,000 (plus $1,500 for each dependent child after the first one), and
- you, or your spouse, or a dependent child
  - did not have an appropriate level of private patient hospital cover, or
  - were not in a Medicare levy exemption category.

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

Example: spouse for the first part of the year

Michael and Michelle lived together as a couple on a genuine domestic basis for 7 years, but on 12 October 2023 they separated and each stayed single. They did not have private patient hospital cover at any time during 2023–24.

Michael and Michelle 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 $95,000. In previous years, they used their combined income to assess their MLS liability. They now have to use their individual income for MLS purposes and compare that with:

- family MLS threshold to calculate if they will have to pay MLS for the number of days they were living together as a couple
- single person MLS threshold to calculate if they will have to pay MLS for the number of days they were single.

Michael and Michelle are considered to be a family for the period 1 July to 12 October 2023 (104 days), so the family MLS threshold of $186,000 applies to each of them for that period. For these 104 days, they will be liable for MLS only if their own income for MLS purposes is more than the family MLS threshold of $186,000. This means:

- Michelle is not liable for MLS for this period because her $95,000 income for MLS purposes was less than $186,000
- Michael is not liable for MLS for this period because his $69,000 income for MLS purposes was less than $186,000.

Michael and Michelle were single for the period 13 October 2023 to 30 June 2024, so the single person MLS threshold of $93,000 applies for that period:

- Michelle is liable to pay MLS for this period because her $95,000 income for MLS purposes exceeded $93,000
- Michael is not liable for MLS for this period because his $69,000 income for MLS purposes was less than $93,000.

Michael and Michelle complete their tax returns at question **M2** – label **A** by writing the number of days that they were not liable for MLS in 2023–24:

- Michelle writes 104, the number of days in the first period when she was not liable for MLS
- Michael writes 366 because he was not liable for MLS in 2023–24.

In calculating the rate of MLS levied on Michelle, the single income threshold is used as Michelle was single on 30 June 2024. Michelle's own income for MLS purposes is $95,000, which is above the single tier 1 threshold ($93,000). This means that any MLS levied on Michelle is at the tier 1 rate of 1%. Therefore, Michelle's MLS for the second part of the year is calculated as follows:

$95,000 × 1% × (262 ÷ 366) = $680.05

Example: spouse for the second part of the year

At the beginning of the income year, Alice and Adam were both single. Alice and Adam got married on 17 January 2024 and are still married on 30 June 2024. They were not in a de facto relationship before their marriage. They did not have private patient hospital cover at any time during 2023–24.

Alice and Adam had no dependent children, but they were dependants of each other for MLS purposes from the date they were married.

Alice's income for MLS purposes was $143,000 (including a net investment loss of $8,000) and Adam's income for MLS purposes was $80,000.

Alice and Adam were single for the period 1 July 2023 to 16 January 2024 (200 days), so the single person MLS threshold of $93,000 applies to each of them for that period. This means:

- Alice is liable to pay MLS for this period because her $143,000 income for MLS purposes exceeds $93,000.
- Adam is not liable for MLS for this period because his $80,000 income for MLS purposes was less than $93,000.

Alice and Adam are considered to be a family for the period 17 January to 30 June 2024 (166 days), so the family MLS threshold of $186,000 applies to each of them for that period. For these 166 days, each is liable for MLS only if their personal income for MLS purposes is more than the family MLS threshold of $186,000. This means:

- Alice is not liable for MLS for this period because her $143,000 income for MLS purposes was less than $186,000.
- Adam is not liable for MLS for this period because his $80,000 income for MLS purposes was less than $186,000.

Alice and Adam complete their tax returns at question **M2** – label **A** by writing the number of days that they were not liable for MLS in 2023–24:

- Alice writes 166, the number of days in the second period when she was not liable for MLS.
- Adam writes 366 because he was not liable for MLS during any period in 2023–24.

In calculating the rate of MLS levied on Alice, the family income threshold is used as Alice was married on 30 June 2024. Alice and Adam's combined income for MLS purposes is $223,000, which is above the family tier 2 earner threshold ($216,000). This means that any surcharge levied on Alice is at the rate of 1.25%. Therefore, Alice's MLS for the first part of the year is calculated as follows:

$135,000 (taxable income) × 1.25% × (200 ÷ 366) = $922.13

Part year private patient hospital cover

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: part-year private patient hospital cover

In 2023–24, Jacinta was single and had no dependants. She had income for MLS purposes of $95,000. She was not in a Medicare levy exemption category at any time during the year.

Jacinta took out private patient hospital cover on 16 January 2024. Because Jacinta's income for MLS purposes was above the single surcharge threshold of $93,000 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, 16 January 2024 to 30 June 2024 (167 days).

Jacinta will write the number of days in 2023–24 that she is not liable for MLS (167) at question **M2** – label **A** in her tax return and complete the **Private health insurance policy details** in her tax return.

Family covered for part of the year

If some 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: part-year liability

Jill and Kevin have been married for a number of years. They have 3 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 2024.

Jill and Kevin had a combined income for MLS purposes of $190,000. The family surcharge threshold for Jill and Kevin is $189,000 (that is, $186,000 plus 2 × $1,500). Because not everyone was covered for the period 1 July 2023 to 9 January 2024 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 (173) at question **M2** – label **A** in their tax returns and complete the **Private health insurance policy details** in their tax returns.

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

Your income and your combined income for MLS purposes exclude the taxed element of a **superannuation lump sum**, other than a death benefit superannuation lump sum:

- that you received when you were aged from your **preservation age** to under 60 years old
- that does not exceed **your low-rate cap amount** for 2023–24.

For 2023–24 the low-rate cap amount is $235,000, but it could be less for you if you received certain superannuation lump sums in previous years. For more information, see **table 1**.

Example: superannuation lump sums and income for MLS purposes

Bill received a superannuation lump sum of $100,000 in 2022–23 and $140,000 in 2023–24, both of which consisted entirely of a taxed element. His age was between his preservation age and 60 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 2023–24 when she was aged between her preservation age and 60 years old.

Bill's low-rate cap for 2023–24 is $135,000 because his low-rate cap was reduced by $100,000 in 2022–23. Therefore, the amount he received in excess of his low-rate cap (that is, $5,000) cannot be taken into account at worksheet 1 – rows **k** and **l**. To work out his income for MLS purposes using worksheet 1, Bill subtracts $135,000 from the amount worked out at row **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 row **j** in the spouse column.

Completing your tax return

To complete this question, follow the steps below.

Step 1

If you and all your dependants (including your spouse) had an appropriate level of private patient hospital cover for the whole of 2023–24, print **X** in the **Yes** box at the right of question **M2** – label **E**. Make sure you also complete your **Private health insurance policy details**. You have now finished this question.

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 question **M2** – label **E**. Continue to step 2.

Step 2

If you were in an exemption category (see, [Surcharge exemption categories]) for the whole of 2023-24, print **X** in the **Yes** box to the left of 'You don't have to pay the surcharge.' and write 366 at question **M2** – label **A**. You have now finished this question. Go to **Private health insurance policy details 2024**.

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.'

Step 3

Write at question **M2** – label **A** the number of days for which you don't have to pay **MLS**.

If you don't have to pay MLS for any days during the period 1 July 2023 to 30 June 2024, write 366 at question **M2** – label **A**.

If you have to pay MLS for:

- the whole period 1 July 2023 to 30 June 2024, write **0** (zero) at question **M2** – label **A**
- part of the period 1 July 2023 to 30 June 2024, write at question **M2** – label **A** the number of days for which you don't have to pay MLS.

Step 4

Complete **Income tests**.

Step 5

If you had a spouse during 2023–24 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**.

If your spouse's income for MLS purposes included a superannuation lump sum that was shown at Worksheet 1 – row **k**, write that amount at label **F** under **Spouse details – married or de facto**.

Step 6

If you had private patient hospital cover for any part of the year, you must complete **Private health insurance policy details 2024**.

Where to go next

- Go to **Private health insurance policy details 2024**.
- Return to main menu **Individual tax return instructions 2024**.
- Go back to question **M1 Medicare levy reduction or exemption 2024**.

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