


IT 2144 - Income tax : exemption from medicare levy

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TAXATION RULING NO. IT 2144

INCOME TAX : EXEMPTION FROM MEDICARE LEVY

F.O.I. EMBARGO: May be released

REF H.O. REF: 84/5687-9 DATE OF EFFECT: Immediate

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1172531	PRESCRIBED PERSONS - HOLDERS OF PERSONAL TREATMENT ENTITLEMENT CARD VARIATION TO TAXATION INSTALMENTS	221D 251T 251U

OTHER RULINGS ON TOPIC IT 2010

PREAMBLE

The Medicare Levy is payable on the taxable income of residents of Australia. For most employees the levy is paid automatically as part of the tax instalments deducted from salary or wages by their employers.

2. Some taxpayers are exempt from the levy or may be entitled to a reduced levy. Generally speaking, these taxpayers are lower income earners and certain prescribed persons who are covered by Defence, Veterans' Affairs or Social Security arrangements.

3. Taxpayers in these situations can lodge a Medicare Levy Variation Declaration with the employer with whom they have lodged an Income Tax Instalment Declaration and so have the entitlement reflected in lower tax instalments. However they are not permitted to lodge the respective declarations with different employers.

4. It has recently come to notice that some taxpayers who are exempt from paying the levy (because they hold, for example, a Personal Treatment Entitlement Card issued by the Department of Veterans' Affairs) continue to have Medicare Levy instalments deducted from their salary or wages even though a Medicare Levy Variation Declaration has been lodged. This would normally occur where a taxpayer is receiving income from more than one source, for example, a person receiving a D.F.R.D.B. pension as well as salary or wages from a part-time job.

RULING

5. A taxpayer must lodge his or her Income Tax Instalment Declaration and Medicare Levy Variation Declaration only with one employer. Where this rule results in a taxpayer who would be exempt from levy having Medicare Levy instalments deducted from a second source of salary or wages, a variation pursuant to

s221D of the Income Tax Assessment Act may be allowed to exclude from tax instalments an amount sufficient to offset the amount of any levy deducted.

COMMISSIONER OF TAXATION
22 March 1985

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