IT 2342 - Income tax : medicare levy - defence force personnel on overseas postings

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TAXATION RULING NO. IT 2342

INCOME TAX : MEDICARE LEVY - DEFENCE FORCE PERSONNEL ON OVERSEAS POSTINGS

F.O.I. EMBARGO: May be released

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REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1209807	MEDICARE LEVY	251T 251U

PREAMBLE Paragraph 251U(1)(a) of the Income Tax Assessment Act exempts Defence Force personnel from liability to the Medicare levy provided they are entitled to receive free medical treatment and provided, also, that all of their dependants are entitled to receive free medical treatment. Where dependants are not so entitled the levy is payable by the Defence Force member at half the normal rate.

2. This Ruling deals with the liability of Defence Force personnel on overseas postings.

FACTS 3. Before taking an overseas posting Defence Force personnel are advised to make private arrangements for medical and hospital cover for their dependants. In particular it is urged on them to enrol in Medicare and take out private hospital insurance to the standard of a private room in a public hospital with choice of doctor. Provision is made in the calculation of overseas allowances for all personnel to insure to this standard. A liability to half the Medicare levy is assumed in the calculation.

4. Provided the appropriate cover is taken out Defence Force personnel on an overseas posting are entitled to a reimbursement of any excess medical costs over and above any amounts recovered from Medicare and/or the private health insurance fund. Should no cover or insufficient cover be taken out no entitlement to reimbursement exists.

5. Special conditions of service exist for Defence Force personnel posted to the Butterworth Airbase in Malaysia. Under long-standing arrangements the families of members accompanying them to Malaysia are entitled to free medical, dental, hospitalization and optometry treatment from the RAAF medical organization at Butterworth.

RULING 6. Dependants covered by the special arrangements at Butterworth are prescribed persons in terms of paragraph 251U(1)(a). Accordingly, Defence Force personnel posted to

Butterworth Airbase will not be liable to pay half the levy in respect of dependants. It is important to note that sub-section 251U(2) requires every dependant to be a prescribed person. If, for example, a dependent child does not accompany the family to Butterworth Airbase but remains at school in Australia and is not otherwise entitled to free medical treatment then not all dependants would be prescribed persons. In these circumstances there would be a liability for half the levy.

7. In postings other than to Butterworth Airbase it is considered that the reimbursement arrangements in force do not constitute free medical treatment in terms of section 251U. Defence Force personnel posted to the other areas are liable for half the levy.

COMMISSIONER OF TAXATION
18 July 1986

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