



1985 MEDICARE LEVY EXEMPTIONS AND REDUCTIONS GUIDE - INCLUDING SCHEDULE M

These notes have been prepared to help persons entitled to a Medicare levy exemption or reduction to complete their 1985 income tax returns. They explain in more detail the categories of persons entitled to Medicare levy exemptions and reductions. If, during any part of the year you were in one or more of the Medicare levy exemption or reduction categories explained on your return form you should read the notes below and then complete Schedule M.

The Taxation Office will work out the amount, if any, of levy that you have to pay from the information you provide. You do not need to make the calculation of the levy that you will have to pay. However, if you want to work out how much levy you have to pay there is a calculation block at the end of these notes.

1. FULL AND HALF LEVY EXEMPTIONS

If you are entitled to full levy exemption for the whole of the year, you do not have to pay any levy. If you are entitled to a half levy exemption, or your exemption is for a part only of the year, then you will be liable for a proportionate amount of levy.

In working out whether you are entitled to any exemption from Medicare levy you must take into account any dependants, who were residents of Australia, that you had during the year. 'Dependants' for this purpose, if they were maintained by you (see the explanation of maintenance at note 7), are:

- your spouse (see note 9);
- your children, or the children of your spouse, under 16; and
- your children, or the children of your spouse, 16 years and older but under 25, receiving full-time education at a school, college or university and whose separate net income for the year was less than \$1786 (if maintained by you for the full year) or less than \$281 plus \$28.94 for each week maintained by you (if maintained by you for part of the year only). 'Separate Net Income' is explained at note 8.

2. FULL LEVY EXEMPTIONS

You are fully exempt from the levy for the number of days in the year that you did not have any dependants and you were:

- entitled to full free medical treatment for all conditions as a member of the Defence Force, as a relative of such a person or as a person otherwise associated with a member of the Defence Force;
- a Repatriation beneficiary holding a Personal Treatment Entitlement Card;
- the holder of:
 - a Health Care Card on a non-income tested basis as a migrant or refugee, a former recipient of an invalid pension, a sheltered employment allowance or a rehabilitation allowance;
 - a pensioner Health Benefits Card as a blind pensioner; or
 - a Health Benefits Card;
- a non-resident for income tax purposes;
- a resident of Norfolk Island, Cocos (Keeling) Islands or Christmas Island;
- a person who was not an Australian citizen and not ordinarily resident in Australia and you were the head or a member of the staff of a diplomatic mission or consular post established in Australia or a member of the family of such a person living with that person;
- a person who was not entitled to Medicare benefits in respect of any service, treatment or care, as certified by the Minister for Health.

For any period during the year that you did have dependants, you are fully exempt from the levy for the number of days that both you and all of the dependants were in any of the categories (a) to (g) above.

3. HALF LEVY EXEMPTIONS

For any period during the year you had a dependant who was not in one of the categories (a) to (g) above, and you were in category (a), (b) or (c) above, you are entitled to half levy exemption for the number of days that this situation existed.

If you consider that you are entitled to some exemption from levy, make sure that you give the necessary information in the 'FULL AND HALF LEVY EXEMPTIONS' area on Schedule M.

4. LEVY REDUCTIONS

For the purposes of the family income ceiling, and the low family income threshold concessions (see below), if you had a spouse who died during the year ended 30 June 1985 and for the remainder of the year you had no spouse, you are regarded as having a spouse on 30 June 1985.

5. FAMILY INCOME CEILING: COMBINED TAXABLE INCOME OF TAXPAYER AND SPOUSE MORE THAN \$73332

A reduced levy is payable if you had a spouse (see note 9) on 30 June 1985, your spouse is also to pay Medicare levy (i.e. his or her taxable income is more than \$7110) and the combined taxable income of yourself and your spouse is more than \$73332. The amount of levy payable by you and your spouse when added together can be no more than \$733.32.

If you are in this situation, make sure that you give the necessary information in the 'TAXABLE INCOME OF SPOUSE' area on Schedule M. In this case there is no need to show the number of dependent students and children.

6. LOW FAMILY INCOME THRESHOLD

For the purposes of the low family income threshold concessions: Family Income - is the combined 1984-85 taxable incomes of yourself and your spouse (see note 9). The taxable income of your spouse must be taken into account even though no tax is payable on it (i.e. it must be taken into account from \$1 up). If you did not have a spouse, but you are entitled to a 'Daughter-housekeeper', 'Housekeeper' or 'Sole Parent' rebate, 'Family Income' is your own taxable income.

Family Income Threshold - is an amount equal to \$11803 plus \$1330 for each dependent student or child that you had in 1984-85 (see table overleaf).

Family Income Upper Limit - is the amount at which any entitlement to levy reduction ceases (see table overleaf).

If you had a spouse on 30 June 1985, or if you are entitled to a 'Daughter-housekeeper', 'Housekeeper' or 'Sole Parent' rebate, and your 'Family Income' is:

- less than or equal to your 'Family Income Threshold', no levy is payable; or
- between your 'Family Income Threshold' and your 'Family Income Upper Limit', a reduced amount of levy is payable.

The table overleaf is provided for you to work out your 'Family Income Threshold' and your 'Family Income Upper Limit'. Dependent students and children who can be taken into account in using the table are students under 25 and children under 16, who were not students, whom you maintained during the year and whose separate net income was less than \$1786 (if maintained for the whole year) or \$281 plus \$28.94 for each week maintained by you (if maintained for part of the year only). However, if you have two or more children under 16 who are not students, these conditions are varied to the extent that the second and any subsequent child who is not a student can only be taken into account if his or her separate net income was less than \$1410 (if maintained for the whole year) or \$281 plus \$21.72 for each week maintained by you (if maintained for part of the year only).

If you maintained a dependant who was overseas during the year, you should not include that dependant for the purposes of calculating your threshold or upper limit unless that dependant was temporarily overseas or awaiting early migration to Australia. Full details of any child or student taken into account for these purposes should be shown on Schedule M unless you have provided the information for Zone or Overseas Forces rebate purposes.

If your 'Family Income' falls within a range eligible for reduced levy, the amount of levy reduction to which you are entitled is calculated by deducting 19% of the excess of your 'Family Income' over your 'Family Income Threshold' from the amount obtained by applying levy at the rate of 1% to a taxable income equal to your 'Family Income Threshold'.

If you had a spouse on 30 June 1985 and you are both liable to pay levy then the amount of reduction is shared between you both in the same proportion as your personal taxable incomes bear to your 'Family Income'. If either person's share of the reduction exceeds his or her levy payable then the other person's levy is further reduced by the amount of that excess.

Family Income Threshold and Family Income Upper Limit Table

Number of dependent students or children	Family income	
	Threshold	Upper limit
0	\$ 11803	\$ 12425
1	13133	13825
2	14463	15225
3	15793	16625
4	17123	18025
5	18453	19425
6	19783	20825
7	21113	22225
8	22443	23625
9	23773	25025
10	25103	26425
	For each additional student or child add \$1330	For each additional student or child add \$1400

If you consider that you are entitled to the low family income threshold concession, give the necessary information in the 'TAXABLE INCOME OF SPOUSE' and 'NUMBER OF DEPENDENT STUDENTS AND CHILDREN' areas on Schedule M. Where you show the number of your dependent students and children at this item, make sure that you give the necessary details about them unless you have provided the information for Zone or Overseas Forces rebate purposes.

7. MAINTENANCE OF DEPENDANTS

You are regarded as having contributed to a dependant's maintenance if you provided food, lodgings or clothing for the dependant or made payments for the dependant's living, medical or education expenses. For any period that you and the dependant lived together you are regarded as having contributed to the maintenance

of the dependant, even if he or she had a separate net income (see note 8). For example, a husband and wife living together are dependants of one another. If each has a 'separate net income' each is considered to have maintained the other.

8. SEPARATE NET INCOME

Separate net income means gross income which a dependant derived from all sources during the period you maintained the dependant, less any expenses incurred in the production of such income. Separate net income includes pensions and the full amount of any lump sum payment in lieu of annual leave, sick leave or long service leave and any amounts that are free of tax. For a dependent student, it also includes that part of the value of any scholarship, bursary, etc. (not including a payment made by the Commonwealth Government under the scheme for assistance with the education of isolated children) which is a contribution by a Government towards a student's living expenses. Tax instalment deductions, tax deducted from prescribed payments income and superannuation contributions should not be deducted from gross income in calculating separate net income. Separate net income does NOT include family allowances (child endowment) including the family allowance component of payments made under the Tertiary Education Assistance Scheme, family income supplement, a handicapped child's allowance or benefits paid by the Commonwealth Government for domiciliary nursing care. Nor does it include any lump sum payment made in consequence of retirement or termination of employment which is of a capital nature, e.g. a lump sum payment from a superannuation fund or for compensation for loss of office.

9. SPOUSE

For Medicare levy purposes, 'spouse' means a person with whom you were living as husband and wife, whether you were legally married or not.

CALCULATION OF MEDICARE LEVY															
<p>The Taxation Office will work out the amount of Medicare levy that you have to pay from information shown on Schedule M. You need not make a calculation unless you wish to do so.</p>															
<p>FOR TAXPAYERS CLAIMING A MEDICARE LEVY EXEMPTION OR REDUCTION</p> <ul style="list-style-type: none"> No levy is payable if: <ul style="list-style-type: none"> your 'Family Income' is less than or equal to your 'Family Income Threshold'; or you were fully exempt from the levy for the full year. <p>In other situations your levy liability is calculated as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Basic Levy Payable on Taxable Income (see 'Basic Levy' block below)</td> <td style="width: 20%; text-align: right;">\$.....(i)</td> </tr> <tr> <td>Less your share of any 'Family Reduction Amount' (see 'Family Reduction Amount' block below)</td> <td style="text-align: right;">\$.....(ii)</td> </tr> <tr> <td>Net Basic Levy (Subtract (ii) from (i))</td> <td style="text-align: right;">\$.....(iii)</td> </tr> <tr> <td>Less any adjustment for period(s) of exemption (see 'Exemption Adjustment' block below)</td> <td style="text-align: right;">\$.....(iv)</td> </tr> <tr> <td>Medicare Levy Payable (Subtract (iv) from (iii))</td> <td style="text-align: right;">\$.....(v)</td> </tr> </table>		Basic Levy Payable on Taxable Income (see 'Basic Levy' block below)	\$.....(i)	Less your share of any 'Family Reduction Amount' (see 'Family Reduction Amount' block below)	\$.....(ii)	Net Basic Levy (Subtract (ii) from (i))	\$.....(iii)	Less any adjustment for period(s) of exemption (see 'Exemption Adjustment' block below)	\$.....(iv)	Medicare Levy Payable (Subtract (iv) from (iii))	\$.....(v)				
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<p style="text-align: center;">BASIC LEVY</p> <p>Basic Levy is 1% of your taxable income unless you are in any of the following categories.</p> <p>If your taxable income is more than \$7110 but less than \$7485, basic levy is 20% of your taxable income minus \$7110.</p> <p>If you did not have a spouse and your taxable income is more than \$73 332, basic levy is \$733.32.</p> <p>If you had a spouse on 30 June 1985, your taxable income is more than \$36 666 and the total of your taxable income and the taxable income of your spouse is more than \$73 332, basic levy is:</p> <ul style="list-style-type: none"> if the taxable income of your spouse is less than \$7111, the lesser of 1% of your taxable income and \$733.32; if the taxable income of your spouse is more than \$7110 but less than \$7485, the lesser of 1% of your taxable income and \$733.32 reduced by 20% of your spouse's taxable income minus \$7110; if the taxable income of your spouse is more than \$7484, but less than \$36 667, \$733.32 minus 1% of your spouse's taxable income; or if the taxable income of your spouse is more than \$36 666, \$366.66. 	<p style="text-align: center;">FAMILY REDUCTION AMOUNT</p> <p>Your 'Family Income Threshold' from</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">table above</td> <td style="width: 20%; text-align: right;">\$.....(a)</td> </tr> <tr> <td>1% of (a)</td> <td style="text-align: right;">\$.....(b)</td> </tr> <tr> <td>Your 'Family Income'</td> <td style="text-align: right;">\$.....(c)</td> </tr> <tr> <td>Less the amount at (a) \$.....(d)</td> <td style="text-align: right;">\$.....(e)</td> </tr> <tr> <td>19% of (e)</td> <td style="text-align: right;">\$.....(f)</td> </tr> </table> <p style="text-align: center;">FAMILY REDUCTION AMOUNT (Subtract (f) from (b)) \$.....(g)</p> <p>The amount at (g) is your 'Family Reduction Amount', unless you had a spouse whose taxable income is more than \$7110. In this case your share of the 'Family Reduction Amount' is worked out as follows:</p> $\frac{\text{Amount at (g)} \times \text{Your taxable income}}{\text{Your 'Family Income'}} = \$.....(h)$ <p>Your 'Family Reduction Amount' cannot exceed the basic levy payable by you. If it does, the excess is transferred to your spouse to reduce the levy payable by him or her. Similarly, any excess 'Family Reduction Amount' that your spouse may have is transferred to you.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Add any excess 'Family Reduction Amount' transferred from your spouse</td> <td style="width: 20%; text-align: right;">\$.....(i)</td> </tr> <tr> <td>Your share of 'Family Reduction Amount' add (h) and (i)</td> <td style="text-align: right;">\$.....</td> </tr> </table>	table above	\$.....(a)	1% of (a)	\$.....(b)	Your 'Family Income'	\$.....(c)	Less the amount at (a) \$.....(d)	\$.....(e)	19% of (e)	\$.....(f)	Add any excess 'Family Reduction Amount' transferred from your spouse	\$.....(i)	Your share of 'Family Reduction Amount' add (h) and (i)	\$.....
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<p>EXEMPTION ADJUSTMENT</p> <p>For the time that full levy exemption applies-</p> $\text{Your Net Basic Levy } \$ \dots \times \frac{\text{Number of Days}}{365} = \$ \dots$ <p>For the time that half levy exemption applies-</p> $\text{Your Net Basic Levy } \$ \dots \times \frac{\text{Number of Days}}{365} = \$ \dots$ <p>If you are eligible for both full and half levy exemption, add the results of both of the above to obtain your adjustment for periods of exemption.</p>															