myTax 2020 Medicare levy reduction or exemption

How to determine your eligibility for Medicare levy reduction or exemption in myTax.

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Complete this section to work out whether you qualify for a Medicare levy reduction or exemption.

Things to know

Australian residents for tax purposes are subject to a Medicare levy of 2.0% of their taxable income unless they qualify for a reduction or exemption.

A Medicare levy reduction is based on your taxable income. In some cases, you may not have the pay the levy at all. If your taxable income is above the thresholds, you may still qualify for a reduction based on your family income.

A **Medicare levy exemption** may apply if you meet one of the following exemption categories, you:

- meet **certain medical requirements**
- are a **foreign resident**
- were **not entitled to Medicare benefits.**

You need to consider your eligibility for a reduction or an exemption separately.

If you were not an Australian resident for tax purposes for the whole of 2019–20, you may be exempt from the Medicare levy. For the meaning of Australian resident for tax purposes, see **Work out your tax residency status for tax purposes**.

Completing this section

At **Personalise return,** you **don't** need to make a selection to show Medicare levy reduction or exemption as it's always displayed at Prepare return.

At **Prepare return,** select 'Add/Edit' at the Medicare and private health insurance details banner.

At the **Medicare levy reduction** heading:

1. Show the **Number of dependent children and students**.
   For more information, see Working out your number of dependent children.

   Note: We may have populated this for you based on information previously provided to us. Check and correct if necessary.

At the **Medicare levy exemption** heading:

2. Indicate if you were in one of the **exemption categories** at any time during 2019–20.
   If **Yes**, go to step 3.
   If **No**, go to step 6.
3. Work out the number of days that you qualify for full exemption and then enter the number into **Full 2% levy exemption – number of days**.
4. Work out the number of days that you qualify for half exemption and then enter the number into **Half 2% levy exemption – number of days**.
5. If you entered one or more days in **Full 2% levy exemption – number of days**, answer the question **Were you a temporary resident for Medicare purposes and have a Medicare entitlement statement from Services Australia?**

6. You have completed the Medicare levy reduction or exemption section and can go to the **Medicare levy surcharge** section.

We use this information to work out any Medicare levy reduction or exemption for you.

Medicare levy reduction – your number of dependent children

A dependent child is any child who was an Australian resident whom you maintained in 2019–20 and whose Adjusted taxable income amounts in the table below.

Table 1 - Dependent children - ATI thresholds

Category of dependent child	ATI if maintained for the whole year	ATI if not maintained for the whole year
Any child under 21 years old you maintained who was not a full-time student	For the first child: • $1,786 For each additional child: • $1,410	For the first child: • $282 plus $28.92 for each week you maintained them For each additional child: • $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	$1,786	$282 plus $28.92 for each week you maintained them

If you had a spouse on 30 June 2020 or your spouse died during 2019–20 and you did not have another spouse that year, count all your dependent children.

If you were single or separated on 30 June 2020, count only the number of dependent children for whom you received the family tax benefit (FTB) during all or part of 2019–20. Count them even if you received only the rental assistance component of FTB Part A and you shared the care of the dependent child.

How we work out your Medicare levy reduction

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How we work out your Medicare levy reduction

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

Based on the information in your tax return, we will work out any reduction for you.

If you would like to understand more about how we calculate the levy reduction, please use the following information.

Work out your individual Medicare levy threshold

Using Table 2, work out the Medicare threshold that applies to you.

Table 2 - Medicare levy thresholds for an individual

Category	Lower threshold	Upper threshold
If you were entitled to the seniors and pensioners tax offset	$36,056	$45,069
All other taxpayers	$22,801	$28,501

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 do not get the offset, merely being eligible for it will not entitle you to a Medicare levy reduction.

For this section, your taxable income excludes the taxed element of certain superannuation lump sums you received during 2019–20 if you had reached your **preservation age** and were under 60 years old (see Reduced taxable income to take account of certain superannuation lump sums).

Work out where your circumstances fit

Using Table 3, work out your circumstances and how they apply to the calculation of the levy.

Table 3 – 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.

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.	You pay only part of the Medicare levy. We will work it out. Go to **Medicare levy exemption** to see if you qualify for an exemption.
Your taxable income is over your upper threshold amount, and you are single with no dependants.	You do not qualify for a reduction. Go to **Medicare levy exemption** to see if you qualify for an exemption.
Your taxable income is greater than your lower threshold amount but you: • had a spouse • had a spouse who died during 2019–20, and you did not have another spouse in 2019–20 • were entitled to an **Invalid and invalid carer tax offset** in respect of your child, or • at any time during 2019–20 had sole care of one or more dependent children or students.	You may be eligible for a Medicare levy reduction based on family taxable income. • to work out your family taxable income, use worksheet 1 • and to work out your family taxable income limit, use worksheet 2.

Family taxable income

Family taxable income is:

- the combined taxable incomes of you and your spouse (including a spouse who died during 2019–20), 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**.	$
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 **a**. If the amount is less than $0, write $0.	
d	Your spouse's taxable income from **Taxable income** on 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 **d**. If the amount is less than $0, write $0.	$
g	Add rows **c** and **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 $62,738. For all other taxpayers, enter $48,092.	$
i	Number of dependent children (if	

	applicable, see note).	
j	Multiply row **i** by $4,416 (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.

If your family taxable income at row **g** in Worksheet 1 is equal to or less than your family taxable income limit at row **k** in Worksheet 2, you are entitled to a reduction.

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Adjusted taxable income

A person's adjusted taxable income is the sum of the following amounts:

- taxable income (excluding any assessable First home super saver released amount)
- **reportable employer superannuation contributions**
- deductible **personal superannuation contributions**
- adjusted fringe benefits total, which is the sum of:
  - reportable fringe benefits amounts received from employers exempt from fringe benefits tax under section 57A of the *Fringe Benefits Tax Assessment Act 1986* multiplied by 0.53, and
  - reportable fringe benefits amounts from employers not exempt from fringe benefits tax under section 57A of the *Fringe Benefits Tax Assessment Act 1986*
- certain **tax-free government pensions or benefits** received by the person
- **target foreign income** (income and certain other amounts from sources outside Australia not included in your taxable income or received as a fringe benefit)
- **net financial investment loss** (the amount by which the person's deductions attributable to financial investments exceeded their total financial investment income)
- **net rental property loss** (the amount by which the person's deductions attributable to rental property exceeded their rental property income)

less

- any **child support payments** the person provided to another person.

Maintaining a dependant

You maintained a dependant if any of the following applied, you:

- both lived in the same house
- gave them food, clothing and lodging
- helped them to pay for their living, medical and educational costs.

If you had a spouse for the whole of 2019–20 and your spouse worked at any time during the year, we still consider you to have maintained your spouse as a dependant for the whole income year.

We consider you to have maintained a dependant even if the two of you were temporarily separated, for example, due to holidays or overseas travel.

If you maintained a dependant for only part of the year, you may need to adjust your claim accordingly.

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 2019–20, which is $210,000. If you received superannuation lump sums in previous years, your low-rate cap for 2019–20 could be less than $210,000.

Low-rate cap amount for taxable components of superannuation lump sum payments

This concession applies only to superannuation lump sums paid to you when you have reached your preservation age but before you turn 60 years old.

The low-rate cap amount is the maximum amount of taxable components (taxed and untaxed elements) that can be taxed at a concessional lower rate.

For 2019–20, the low-rate cap amount is a maximum of $210,000, but it could be less for you if before July 2019 you received any superannuation lump sums that counted towards your entitlement to a superannuation lump sum tax offset. The amount is indexed to average weekly ordinary time earnings and rounded down to the nearest multiple of $5,000. See Key superannuation rates and thresholds.

The low-rate cap amount is a 'lifetime' limit. This means that the **taxed element** and **untaxed elements** of **all** superannuation lump sum payments that you receive (as well as the amount of any eligible termination payments for which you became entitled to a rebate before 1 July 2007) when you have reached your preservation age but before you turn 60 years old will be taxed at a concessional rate until your total reaches the low-rate cap amount ($210,000 plus future indexed increases). Payments you receive in excess of the low-rate cap amount will be taxed at the tax rate shown in **Table 4** below.

Consequently, for 2019–20 the maximum amount for which you can be taxed at a concessional rate is $210,000 less any amounts to which the concessional tax rate has previously been applied.

See also

- Tax on contributions

Table 4: Superannuation lump sum (other than death benefit)

Under the preservation age at the time of payment

Element	Amount	Tax rate
Tax free component	Whole	Tax free
Taxed element	Whole	20%
Untaxed element	Up to the untaxed-plan cap amount, $1,515,000 (see Note 1)	30%
Untaxed element	Over the untaxed-plan cap amount, $1,515,000 (see Note 1)	45%

Preservation age to 59 years of age at the time of payment

Element	Amount	Tax rate

Tax free component	Whole	Tax free
Taxed element	Up to the low rate cap amount, $210,000 (see Note 2)	Tax free
Taxed element	Over the low rate cap amount, $210,000 (see Note 2)	15%
Untaxed element	Up to the low rate cap amount, $210,000 (see Note 2)	15%
Untaxed element	Over the low rate cap amount, $210,000 (see Note 2) and up to the untaxed-plan cap amount, $1,515,000 (see Note 1)	30%
Untaxed element	Over the untaxed-plan cap amount, $1,515,000 (see Note 1)	45%

60 years of age or older at the time of payment

Element	Amount	Tax rate
Tax free component	Whole	Tax free
Taxed element	Whole	Tax free
Untaxed element	Up to the untaxed-plan cap amount, $1,515,000 (See Note 1)	15%
Untaxed element	Over the untaxed-plan cap amount, $1,515,000 (see Note 1)	45%

Note 1: For 2019–20, the untaxed-plan cap amount is a maximum of $1.515 million, but it could be less for you if you have previously received another superannuation lump sum with an untaxed element from the same superannuation fund. For more information on how we work out your untaxed-plan cap amount, see How tax applies to your super.

Note 2: For 2019–20, the low-rate cap amount is a maximum of $210,000, but it could be less if you received any superannuation lump sums in a prior income year that counted towards your entitlement to a superannuation lump sum tax offset or, if before July 2007, you received an eligible termination payment after your 55th birthday. For more information on how we work out your low-rate cap amount, see How tax applies to your super.

Shared care

You had shared care if you, and your spouse if you had one, cared for your child for some of the income year, and someone else, such as a former spouse, cared for the child for the rest of the income year.

If you received family tax benefit (FTB) Part B as part of a shared-care arrangement, you will need to know your FTB shared-care percentage to calculate your spouse offset. Your FTB shared-care percentage is usually not the same as your 'shared care percentage' which appears on correspondence you have received from Services Australia.

If you do not know your FTB shared-care percentage, contact Services Australia on **13 61 50**.

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 for some time during 2019–20 but

- during 2019–20, you then separated from, or were deserted by, your spouse, and
- for the remainder of 2019–20, 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, phone **13 28 61**.

Spouse

Your spouse includes another person (of any sex) who, for 2019–20:

- 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.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.