Medicare Levy
and
Medicare Levy Surcharge

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Medicare Levy

- The Medicare levy is an amount you pay in addition to the tax you pay on your taxable income.
- The Medicare levy helps fund some of the costs of Australia's public health system - Medicare.
- 2% of taxable income.
- The taxpayer can reduce or exempt the Medicare levy depending upon their or spouse taxable income.

Medicare Levy Reduction

- Medicare levy is reduced if the taxable income is below the threshold.
- Taxpayer **do not** have to pay the Medicare levy if the taxable income is equal to or less than the lower threshold.

- **Based on Family Taxable Income:**

- If individual taxable income was more than Low-income earners limit.
- Had spouse or sole care of dependent children.

Medicare Levy Low-Income Thresholds — *2024–25 vs 2025–26*

Category	2024–25 (Income year)	2025–26 (Income year)
Single – Lower threshold (no levy payable)	$27,222	**$27,222** (unchanged)*
Single – Upper threshold (full 2% applies)	$34,027	**$34,027** (unchanged)*
Single Seniors/Pensioners – Lower	$43,020	**$43,020**
Single Seniors/Pensioners – Upper	$53,775	**$53,775**
Family – Lower	$45,907 + $4,216 per dependent	**$45,907 + $4,216 per dependent**
Family – Upper	$57,383 + $5,270 per dependent	**$57,383 + $5,270 per dependent**
Family Seniors/Pensioners – Lower	$59,886 + $4,216 per dependent	**$59,886 + $4,216 per dependent**
Family Seniors/Pensioners – Upper	$74,857 + $5,270 per dependent	**$74,857 + $5,270 per dependent**

Medicare levy related items

M1 **Medicare levy reduction or exemption**

Number of dependent children and students		Y
Exemption – number of days full levy exemption		V
Exemption – number of days half levy exemption		W

M2 **Medicare levy surcharge**

For the whole of the financial year, were you and all your dependants (including your spouse) – if you had any – covered by private patient hospital cover?	Yes / No	E
Number of days not liable for surcharge	365	A

Private health insurance policy detail 2

Medicare Levy Exemption

- Exempted under any of the three categories:

1. Medical
2. Foreign Resident
3. Not entitled to Medicare benefits

1. Medical:

- Satisfy both conditions

1. Blind Pensioner or Entitled to full free medical treatment under Defence Force arrangements or Veterans' Affairs Repatriation Health Card (Gold card).
2. Based on above, met any one of the conditions

   No Dependants – Full

   Dependants in exemption categories or had to pay Medicare Levy - Full

   Dependants not in exemption categories & did not have to pay Medicare Levy – Half

   Separated and had care of dependent child – Half

Medicare Levy Surcharge

- Pay MLS if both conditions satisfied:

1. taxpayer, spouse and dependent children do not have an appropriate level of private patient hospital cover.
2. Earn above a certain income.

   $97,000 – Singles

   $194,000 – Families (plus $1,500 for each dependent child after the first one).

- **Exemption –**

If you had spouse and family income exceeds the $194,000 but own income equal to/less than $26,000 or less..

➢Medicare Levy Surcharge rates:

MLS Income Thresholds

Income Year	**Single**	**Family**
2024–25	≤ $97,000 (0% surcharge)	≤ $194,000 (0%)
Tier 1	$97,001 – $113,000	$194,001 – $226,000
Tier 2	$113,001 – $151,000	$226,001 – $302,000
Tier 3	≥ $151,001	≥ $302,001

➢Income includes

Taxable income, Reportable Fringe Benefits, Net Investment Losses and Reportable super contributions.

Medicare Levy

- The **Medicare Levy** is a tax in Australia that helps fund the country's public healthcare system, **Medicare**. It's collected by the **Australian Taxation Office (ATO)** and is separate from private health insurance or general income tax.

- **Key Points:**
- **Standard Rate**: Most taxpayers pay **2% of their taxable income** as the Medicare Levy.
- **Low-Income Exemptions/Reductions**: If your income is below a certain threshold, you may **pay a reduced rate or be exempt**.
- **Medicare Levy Surcharge (MLS)**: If you're a higher-income earner **without private hospital cover**, you may also have to pay the **Medicare Levy Surcharge**, which is an additional 1% to 1.5% on top of the standard levy.

Example 1: Sarah

- Taxable income: $80,000
- Private hospital cover: No
- Residency: Australian resident for tax purposes
- Low-income threshold: Doesn't qualify

Step 1: Calculate the Medicare Levy

- Sarah must pay **2% of her taxable income**.
- Medicare Levy=2%×80,000=0.02×80,000 = $1,600

- **Step 2: Check for the Medicare Levy Surcharge (MLS)**
- Since Sarah does **not** have private hospital cover, she might have to pay the **MLS** — but only if her income is above **$97,000** (for singles in 2024–25).
- Sarah earns **$80,000**, which is **below the MLS threshold**, so **No extra surcharge**

Final Summary for Sarah:

- Medicare Levy: $1,600
- Medicare Levy Surcharge: $0
- Total Medicare-related tax: $1,600

Difference:

Levy Type	Applies to	Rate	Trigger
Medicare Levy	Most Australian taxpayers	2% of taxable income	Almost everyone pays this unless they're under income thresholds
Medicare Levy Surcharge (MLS)	Higher-income earners **without private hospital cover**	1% to 1.5% (depending on income)	Singles earning over **$97,000**, or families over **$194,000** (2024–25)

Example 2 : James

- Taxable income: $60,000
- Has private hospital cover: Yes (but not relevant for the Medicare Levy)
- Australian resident for tax purposes: Yes
- No low-income reduction/exemption

Medicare Levy Calculation

Medicare Levy=2%×60,000=0.02×60,000 = $1,200

Final Result for James

Medicare Levy payable: $1,200