

In the 2009-10 Budget, the Australian Government proposed changes to both the Federal Government Private Health Insurance Rebate and the Medicare Levy Surcharge (MLS) tax rates.

The proposed changes require government approval to become legislation and do not become effective until July 2010, so it is important to know that there is no change to your current arrangements.

What are the proposed changes?

The Government has proposed changes to the thresholds for singles, couples and family income levels. While these changes have not been passed through government yet, the table below provides you with the anticipated rates. If legislated, these changes won't be effective until July 2010, so they don't affect you in this current tax year (to 30 June 2009) or next (to 30 June 2010).

Proposed rebate changes

Singles earning:

Up to \$75,000	-	rebate remains at 30% of premium
\$75,001 to \$90,000	-	rebate drops to 20% of premium
\$90,001 to \$120,000	-	rebate drops to 10% of premium
Above \$120,000	-	rebate is abolished

Couples earning:

Up to \$150,000	-	rebate remains at 30% of premium
\$150,001 to \$180,000	-	rebate drops to 20% of premium
\$180,001 to \$240,000	-	rebate drops to 10% of premium
Above \$240,000	-	rebate is abolished

Proposed MLS changes

NB. MLS changes only affect singles/couples *without* private health insurance.

Singles earning:

Up to \$75,000	-	will NOT have to pay any MLS tax
\$75,001 to \$90,000	-	will have to pay 1% MLS tax
\$90,001 to \$120,000	-	will have to pay 1.25% MLS tax
Above \$120,000	-	will have to pay 1.5% MLS tax

Couples earning:

Up to \$150,000	-	will NOT have to pay any MLS tax
\$150,001 to \$180,000	-	will have to pay 1% MLS tax
\$180,001 to \$240,000	-	will have to pay 1.25% MLS tax
Above \$240,000	-	will have to pay 1.5% MLS tax

The rebates drop in equivalent stages for people 65 and over who now receive rebates of 35% and the over 70s who receive 40%.

We understand these changes could be confusing for some. Below are examples of how these changes can impact on people in different situations.

Example 1

Single person, with MyOptions (Vic) earning \$90,000.

Current annual premium, with 30% rebate: \$769

New annual premium, with 20% rebate: \$879

However, if the person drops private health insurance they will be subject to an additional 1.0% tax. On earnings of \$90,000 this means an additional \$900 in tax if they don't have private health insurance.

Therefore, it is actually cheaper to have private health insurance than not.

Example 2

Couple, with Intermediate Hospital (NSW), earning a combined income of \$225,000.

Current annual premium, with 30% rebate: \$2,089.05

New annual premium, with 10% rebate: \$2,685.96

However, if the couple drops private health insurance they will be subject to an additional 1.25% tax. On earnings of \$225,000 this means an additional \$2,812 in tax if they don't have private health insurance.

Therefore, it is actually cheaper to have private health insurance than not.

Example 3

Family, with AdvantagePlus (Qld), earning a combined income of \$320,000.

Current annual premium, with 30% rebate: \$3,283.55

New annual premium, with no rebate: \$4,690.80

However, if the family drops private health insurance they will be subject to an additional 1.5% tax. On earnings of \$320,000 this means an additional \$4,800 in tax if they don't have private health insurance.

Therefore, it is actually cheaper to have private health insurance than not.