Keeping in Touch
your monthly update
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Ease the pain of a Medicare levy increase

A rise in the Medicare levy from 1.5% to 2.0% from 1 July 2014 makes it imperative to consider all options on how you can mitigate the impact of the levy on your personal finances.

A Medicare levy of 2% represents a significant rise over the previous rate and is good cause to have your situation reviewed to determine if you are using all available avenues to legitimately reduce the amount of levy that you pay. On an income of $100,000 the increase would amount to an extra $500 a year, so it is worthwhile having the conversation with your financial adviser.

Tax efficient strategies can help

The Medicare levy is based on taxable income, so your financial adviser can help you understand tax effective strategies that may reduce your taxable income and also reduce the impact of a levy increase. One potential strategy to help do this is salary sacrificing into your super.

This involves arranging, with your employer, to divert some of your pre-tax income into your super so that your retirement savings increase and you reduce your taxable income (and therefore your Medicare levy). This strategy can boost your super for the future and you benefit by paying less tax now.

Make sure you are not hit with the Medicare levy surcharge

If your income is over certain thresholds and you don't hold any private health insurance, you need to be careful that you don't bear the sting of the increased Medicare levy surcharge. In the new tax year these thresholds are set at $90,000 for singles and $180,000 for couples.

Earnings above those levels will mean you incur the surcharge on top of your normal Medicare levy, up to an extra 1.5%, unless you have private health insurance in place.

In many cases the cost of private health cover will be a lot less than the amount of the surcharge, so it makes sense to review your situation with your financial adviser who understands these changes and can review the impact and options for your situation.

To find out more, please contact us for an appointment.

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