

*The great and glorious
masterpiece of man is how to
live with a purpose.*

----- Michel de Montaigne

Changes to medicare surcharge HECS-HELP

INCREASED MEDICARE LEVY SURCHARGE THRESHOLD

The medicare levy surcharge threshold for singles and members of a family has been increased to \$70,000 and \$140,000 respectively. There is a transition rule for taxpayers who may have stopped their private health cover on the basis of the originally announced threshold of \$100,000 and \$150,000.

The transition rule means you will be taken to have held private health cover for the whole period 01 July 2008 to 31 December 2008 if you:

- Had appropriate private health cover at any time during the period 01 July 2008 to 31 December 2008.
- Still had the same private health cover on 01 January.

If you meet the transitional rule then the tax statements issued by the private health funds will not have the information the ATO needs to work out the correct number of days you are exempt from paying the surcharge.

Please contact your tax agent for a pre-filling report, they will provide you with a report of the actual start and finish dates of policies, which means that you will be able to work out the correct number of days that you are exempt from the surcharge. If you are an early

lodger, you may need to supply the start and end dates for your private health insurance policy. This is because the pre-filling data will be made progressively available during July 2009.

Example:

Ben's taxable income for the 2008-09 year is \$85,000. He is single with no dependent children. After the Government made the original Budget announcement that his Medicare levy surcharge threshold would increase to \$100,000, Ben stopped his private health insurance policy on 01 July 2008. As a result of the threshold being changed to \$70,000, Ben took out new private health insurance on 13 December 2008 and maintain the same policy for the rest of the 2008-09 income year. Ben annual private health insurance statement shows 201 days at label A.

As Ben meets the transitional rule – he has the same health insurance cover on 01 January 2009 that he had for any part of the period 01 July 2008 to 31 December – he is exempt from the surcharge for the whole year as he also had appropriate cover the period 01 January 2009 to 30 June 2009. Ben should complete item M2 on his tax return by stating 'Y' (Yes) at label E and completing the 'Private Health Insurance Policy Details' on Ben's tax return.

NEW HECS-HELP BENEFIT FOR GRADUATES

If you have a Higher Education Loan Programme (HELP) debt and is either a maths or science graduate or an early childhood education teacher, you may be eligible for the new HECS-HELP benefit. The benefit is available from 01 July 2009 for the previous income year. It may reduce your overall tax debt or increase your

tax refund, depending on your individual circumstances.

The HECS-HELP benefit either reduces the eligible person's:

- Compulsory HELP repayment included on your notice of assessment
- Accumulated HELP debt, if they are an early childhood education teacher who does not have to make a compulsory HELP repayment.

The HECS-HELP benefit is one of the initiatives of the Government's education revolution.

The benefit amount you can claim depends on the number of weeks you were employed in an eligible occupation and or location. You may claim a maximum of 260 weeks. The maximum annual benefit for the 2008-09 income year is:

- \$1,500 for maths and science graduates.
- \$1,600 for early childhood education teachers.

The amount of the benefit is indexed each year.

Eligible clients can apply annually for the HECS-HELP benefit by completing the HECS-HELP benefit application. You have two years from the end of the income year you are applying for to submit your application. The application is not valid unless if you have lodged your income tax return or told the ATO you do not need to lodge a return for the income year.

If you are eligible, you should complete and lodge the HECS-HELP benefit application form (NAT 72575 from www.ato.gov.au