



**National
Liaison**

Committee

For International Students
In Australia Inc.

Medicare Levy and International Students

(last updated 21/3/06)

What is the Medicare levy?

Medicare Levy is the scheme that gives Australian residents access to health care. To help fund the scheme resident taxpayers are subject to Medicare levy. People who are not residents for tax purposes generally do not pay Medicare levy as they are not entitled to receive benefits under the Medicare health care system

Do international students pay this levy?

In terms of taxation in Australia, international students are either regarded as non-residents or residents for tax purposes. (to find out more about this see NLC Fact Sheet 6, Income Tax in Australia). If they are non-residents for tax purposes, the Medicare levy will never be deducted by their employer from weekly earnings. If an international student is a resident for tax purposes they may have the Medicare levy deducted from their income when they have tax withheld.

If an international student is employed they may have the Medicare levy withheld from their pay for each pay period, by their employer, under the PAYG withholding system for the collection of income tax. The levy is an additional 1.5 % charged with the normal tax withheld from salary or wages earned. It is normally incorporated into the PAYG withholding amount and is not shown separately on the employee's payslip. The additional 1.5% is charged once the gross income reaches \$301¹ per week. So once the international student's gross income reaches \$301 in one week the levy will be deducted in that week. If the gross income is less than \$301 the following week, the levy will not be deducted. The deduction is determined on a pay period by pay period basis.

What happens if the Medicare levy is deducted with tax during the year?

At the end of the financial year, the international student will be able to receive any overpaid income tax back in their tax return. This will happen in one of three ways:

1. if the students are Australian resident taxpayers with annual taxable incomes of under \$6000 (the tax free threshold). All withheld tax (including any Medicare levy) will be refunded.
2. if the students annual taxable income does not exceed \$15,902² (this figure is higher for students who have a spouse or a sole parent.) (Medicare levy threshold for

¹ For weekly earnings received on or after 1 July 2005.

² The Medicare Levy threshold of \$15,902 is applicable to the year of income ended 30 June 2005. The threshold is also only applicable for individual taxpayers. For information on prior year thresholds or details on thresholds applicable to low income earners and families contact the Personal Tax Infoline on 13 28 61 or visit the Tax Office website at ato.gov.au.

individuals) in the financial year, they will not be charged a Medicare levy but may still have to pay income tax. The Notice of Assessment will not have a Medicare levy charge on it.

3. When a person's taxable income exceeds \$15,902, they may be charged a Medicare levy of 1.5% of their taxable income³. This will be documented on the Notice of Assessment that is sent to the tax payer after they have lodged a tax return. However, for international students they can avoid this happening prior to lodging a tax return. The student needs to contact Medicare Australia and apply for a Certificate of Exemption. The Certificate of Exemption shows that the student is not eligible for Medicare benefits and therefore should not be charged a Medicare levy. Details on applying for this are below. The Certificate of Exemption is lodged with the tax return and, provided the student has no other outstanding tax debts, the Tax Office will then refund any money withheld for Medicare levy throughout the year previously.

How do students know if they have been charged Medicare levy in the past?

If the Tax Office has charged a Medicare levy to any taxpayer it will be documented on the taxpayers Notice of Assessment This notice is issued following the lodgement of a tax return by the taxpayer. On the Notice of Assessment, there will be a list of items, such as: taxable income, tax on taxable income, tax offsets, refund or payment amount, and there will also be an item listed as Medicare levy. Next to this, there will be an amount charged for this. If the taxpayer has not been charged any Medicare levy, this item will not be shown on the Notice of Assessment.

Is it possible to claim back old Medicare levy amounts from previous tax returns?

If an international student has been incorrectly charged the Medicare levy on a Notice of Assessment, they should contact the Tax Office immediately to confirm this has occurred.

The Tax Office will need to confirm the caller's identity, including tax file number, name and address. They will also be able to tell if the caller has ever been charged the Medicare levy by looking at prior year Notices of Assessment.

If this has occurred, the student may be able to have those tax returns amended. A taxpayer generally has 4 years from the date the tax became due and payable under an assessment to request an amendment to their return (the period is 2 years if a taxpayer is a Short Period of Review (SPOR) taxpayer).

A student will be able to request an amendment to their assessment if:

1. They have been incorrectly levied the Medicare Levy in their notice of assessment;
2. Have received an exemption certificate from Medicare Australia for the assessment year(s) concerned; and
3. They are within the time period allowed for requesting an amendment.

³ For the year ended 30 June 2005 the Medicare levy is phased in at 20% of the excess over the threshold of \$15,902. The 1.5% rate will apply once taxable income exceeds \$17,191.

Medicare Levy Exemption Certificate

Students will have to apply for certificates of exemption from Medicare Australia for the income tax years affected. Medicare Levy Exemption Certificates can only be applied for at the end of the income tax year or if the student is leaving Australia during the year and needs to lodge a final taxation return. The student will have to apply separately for each financial year and each application will need to contain specific visa and passport information for the relevant period. The Certificates take approximately 6 weeks to issue. For information on applying go to the Medicare Australia website or contact Medicare Australia.

The student would then have to send the certificates to the Tax Office with written requests to have their tax returns amended. Each tax return will take 6-8 weeks to be amended.

Tax Office contact numbers:

Individual Tax Information Line: 13 28 61
Tax Office Website: www.ato.gov.au

Medicare Australia contact numbers:

Medicare Australia 13 20 11
Levy Exemption Certification Unit - Medicare
Australia (all of Australia except QLD) 1300 300 271
Queensland 07 3004 5333
Medicare Australia Website www.medicareaustralia.gov.au

REMEMBER: AS ALL INTERNATIONAL STUDENTS ARE NOT COVERED BY MEDICARE, THEY ARE REQUIRED TO HAVE CURRENT OSHC COVER!

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