

# Net Medical Expenses Tax Offset

One of the tax offsets offered by the Australian Taxation Office to individual taxpayers is the “Net Medical Expenses Tax Offset.”

## What are net medical expenses?

Net medical expenses are the gross medical expenses you have paid throughout the income year; less any refunds you may have received, or are entitled to receive back either from Medicare or your private health fund.

Available to taxpayers is a tax offset of 20% or 20 cents in every dollar, of your net medical expenses exceeding \$1,500. As of the 2002-03 tax year the threshold amount is \$1,500. Further there is no upper limit as to how much you can claim.

However not all medical expenses are allowed to be claimed. The expense must be related to an illness or operation paid to legally qualified medical practitioners and public or private hospitals. Procedures deemed to be of a cosmetic nature are excluded.

Examples of medical expenses which qualify for the tax offset include payments for dental work, optometrists, various carers, therapeutic treatment (provided treatment is directed by a doctor), also laser eye surgery and prescription drugs.

## Calculation of medical expense tax offset.

Complete the following steps to calculate the medical expense tax offset –

- Step 1 Calculate gross medical expenses. This is the total of all eligible medical expenses for the year.
- Step 2 Calculate net medical expenses. Subtract the amount received back from Medicare/private health fund from your gross medical expenses calculated in Step 1.
- Step 3 Determine if you are eligible to claim the medical expense tax offset.  
Less than or equal to \$1,500 – no offset.  
Greater than \$1,500 – offset available.
- Step 4 If offset is available, subtract threshold amount (\$1,500) from your net medical expenses.
- Step 5 Calculate tax offset amount by multiplying the remaining net medical expense by 20%
- Step 6 Include the amount calculated at Step 5 into the tax return.

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## Example

During the 2008-09 income year, Jane Doe has medical expenses totalling \$4,000. She has received \$1,200 back from her private health fund and \$350 from Medicare.

Step 1 Jane totals all of her gross medical expenses for the year = \$4,000 (Gross medical expenses.)

Step 2 Jane subtracts from her total gross medical expenses any refunds received during the year.  
 $\$4,000 - \$1,550 = \$2,450$  (Net medical expense.)

Step 3 Net medical expenses are greater than \$1,500; therefore offset is available to Jane.

Step 4 Subtract threshold amount (\$1,500) from your net medical expenses.  
 $\$2,450 - \$1,500 = \$950$ .

Step 5 Jane calculates her tax offset amount by multiplying the remaining net medical expense by 20%.  
 $\$950 \times 20\% = \$190$  (Tax offset available)

\*Please note – The net medical expenses tax offset is not refundable to you in cash, however it can be used to reduce your income tax expense down to nil.

*If you have any questions or require any further information please feel free to contact your Client Manager and they will be happy to assist you.*

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