

The Medicare Levy Surcharge and Private Health Insurance Rebate



Depending on your individual circumstances, salary packaging may impact on the Medicare levy surcharge and Private health insurance rebate.

The Medicare levy surcharge (MLS)

Individuals and families on income(s) above the MLS thresholds, who do not have an appropriate level of private hospital cover for themselves and their dependents, may be required to pay the MLS for any period during the financial year that they or their dependents did not have this cover.

This is payable in addition to the Medicare Levy.

Your income for MLS purposes is used by the Australian Taxation Office (ATO) to determine whether you have to pay the surcharge, and if so, the rate that you are liable to pay. If you have a spouse, your combined income is used for MLS purposes.

Your income for MLS purposes includes:

- Your taxable income
- Reportable Fringe Benefits
- Reportable superannuation contributions
- Exempt foreign employment income (if your taxable income is \$1 or more)
- Total net investment losses (includes both net financial investment losses and net rental property losses)

For the 2026-27 financial year, if your income exceeds \$105,000 for a single person, or \$210,000 for a family, you will be liable to pay the MLS.

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Example 1

Sally is a single person without private hospital cover, and for the financial year will have a taxable income of \$80,000. Sally does not salary package, and so her income is \$80,000. As Sally's income is below \$97,000, she is not liable to pay the MLS.

Example 2

Harry is a single person without private hospital cover. Harry's gross wage is \$100,000, however he works for a charity and chooses to salary package. Because of this, Harry will have a taxable income of \$84,100 and a Reportable Fringe Benefit amount of \$30,000. Harry's income for MLS purposes is therefore \$114,100. As this is above \$105,000, he is liable to pay the MLS and his rate is 1%.

Example 3

If Jo and Lee were to take out private hospital insurance for the Fringe Benefits Tax (FBT) year (1 April - 31 March), they would not have to pay the MLS. Based on their family income, they would receive a private health insurance rebate of 16.079%.

Jo and Lee do not have private health cover. As their family income exceeds the surcharge threshold, they are both liable to pay the MLS. This means:

- Jo has to pay a surcharge of \$1,250 - that is, 1% of \$125,000
- Lee has to pay a surcharge of \$450 - that is, 1% of \$45,000

Although reportable employer superannuation contributions are included in calculating the MLS threshold, the actual surcharge is only applied to taxable income, any applicable reportable fringe benefits and any amount on which family trust distribution tax has been paid.

If Jo and Lee were to take out private hospital insurance for the Fringe Benefits Tax (FBT) year (1 April - 31 March), they would not have to pay the MLS. Based on their family income, they would receive a private health insurance rebate of 16.405%.

Australian Government Private Health Insurance Rebate

If you have private health insurance cover, you may be eligible for the private health insurance rebate. This rebate is an amount the government contributes towards the cost of your private health insurance premiums, and can be claimed either through a reduction in the cost of your health insurance premiums, or in the form of a refundable tax offset when you lodge your tax return. The rebate is income tested in the same way as the MLS.

What are the income thresholds?

Both the private health insurance rebate and the MLS will be income tested against the thresholds in the table below.

	Base tier	Tier 1	Tier 2	Tier 3
Singles	\$105,000 or less	\$105,001-123,000	\$123,001-164,000	\$164,001 or more
Families*	\$210,000 or less	\$210,001-246,000	\$246,001-328,000	\$328,001 or more
Private Health Insurance Rebate: 1 April 2026 - 31 March 2027				
Aged under 65	24.118%	16.079%	1.038%	0%
Aged 65-69	28.139%	20.098%	12.058%	0%
Aged 70 or over	32.158%	24.118%	16.079%	0%
Medicare Levy Surcharge rate				
All ages	0.00%	1.00%	1.25%	1.50%

* Single parents and couples (including de-facto couples) are subject to family tiers. The family income threshold is increased by \$1,500 for every child after the first child.

Please note: Information, advice or guidance provided in this factsheet, is general in nature and provided without reference to your organisation's policies or your personal circumstances. Please contact your accountant, tax agent or legal adviser to determine how the information in this factsheet may apply to you.

