

**What is the Net Medical Expenses Tax Offset?**

The Net Medical Expenses tax offset is an income tax rebate available to resident individuals where qualifying net medical expenses exceed a certain amount. It is a non-refundable tax offset which means the benefit of the offset is limited to income tax otherwise payable. For the year ending 30 June 2012 the tax offset is calculated as 20% of the excess over \$2,000.

**How do I calculate my Net Medical Expenses?**

Your Net Medical Expenses are your gross qualifying medical expenses reduced by any

reimbursements you have received from Medicare, private health fund or any other third party. It is essentially calculated with reference to your "out-of-pocket" expenses.

**What Medical Expenses qualify for the Tax Offset?**

Not all medical expenses qualify for the Net Medical Expenses Tax Offset. The following table lists common types of medical expenses and whether they qualify for the tax offset.

Qualifying Medical Expenses – Payments to / for	Non-Qualifying Medical Expenses – Payments to / for
Legally qualified medical practitioners and nurses in respect of an illness or operation	Cosmetic operations for which a Medicare benefit is not payable
Dentists, orthodontists, registered dental mechanics for non-cosmetic services	Cosmetic dental services or treatments
Opticians and optometrists for non-cosmetic services	Therapeutic treatment where there has been no formal referral by a doctor
Prescription glasses and contact lenses	Ambulance charges and subscriptions
Carers who look after a person who is blind or permanently confined to bed or a wheelchair	Costs of vaccinations associated with overseas travel
Therapeutic treatment under the direction of a doctor	Non-prescribed vitamins or health foods
Medical aids prescribed by a doctor	Travel or accommodation associated with medical treatment
Artificial limbs and eyes, and hearing aids	Funeral expenses
Costs associated with maintaining a trained guide dog which assists a person with a disability	Private health insurance premiums
Chemist items (prescribed or over-the-counter) associated with an operation or treating / relieving symptoms of illness	Chemist items that are not associated with an illness or operation
IVF treatment	
Laser eye surgery	
"Approved care provider" (eg: nursing home or hostel) for an "approved care recipient's" <sup>1</sup> permanent or respite care so long as the payments are for personal or nursing care, not just accommodation	

<sup>1</sup> Approved Care Recipient = a person who has been assessed as requiring care at levels 1 to 7 under an ACAT assessment.

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### Can I aggregate Medical Expenses incurred by my family for the purposes of determining the Net Medical Expenses Tax Offset that I am eligible for?

You are entitled to claim the Net Medical Expenses Tax Offset incurred on behalf of the following members of your family provided they are residents of Australia for tax purposes:

- You
- Your spouse
- Any children under the age of 21 (including step-children and adopted children)
- Any other children under the age of 21 you maintained provided certain conditions, such as an income test, are met
- A student under the age of 25 you maintained provided certain conditions, such as an income test, are met
- A child-housekeeper, provided they qualify you for the child-housekeeper tax offset
- An invalid relative, parent or spouse's parent, but only if they qualify you for the dependants tax offset

### What Next?

If you believe you will incur qualifying net medical expenses in excess of the threshold in force for the year, start keeping records of these types of expenses and any reimbursements you receive. Once the financial year closes, you can also request an annual claims statement from Medicare, your private health fund and your local chemist. These records should be forwarded to your tax agent along with your other income tax records when preparing your income tax return.

*Disclaimer: The information contained in this fact sheet is not intended as specific advice. Please contact Isaacs & Cole to discuss your individual situation.*