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## Minimise your tax – Claim your Medical Expenses Tax Offset

The 2010 federal Election has been called by replacement PM Julia Gillard. The scene is set for a bit of holiday for property investors. Except for the media and those associated with servicing the campaign. most of the country usually stops and waits for the outcome while they evaluate the promises and how they will personally be affected.

Property investors may have opportunities to buy as others are forced to sell.

The reserve Bank left interest rates unchanged in July. I expect because of the election being over 5 weeks it may leave them for August as well. But there are pressures.

With tax time upon us, however, it is a good time to use this slow period to compile the information needed to prepare our tax returns.

**Tax Tip** – Lodge early where you are expecting a refund. This refund will help pay the interest or fund your loans. If cash flow is an issue consider lodging an Income Tax Withholding Variation – where the tax savings can be immediate. *Property Tax Specialists can help with preparation and lodgement if required.* [Shukri@propertytaxspecialists.com.au](mailto:Shukri@propertytaxspecialists.com.au)

See below for brief notes on getting information to improve your tax savings from medical expense Tax Offsets and other topics

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### *Tax Offset (**Saving**) from excessive Medical Expenses*

A tax saving in the form of an offset is available to those with high medical expenses. People with **families** as well as people who have high **dental needs** are likely to fall in this bracket.

The Australian government supports its population by providing a universal health system. Funded by a levy of 1.5% of taxable income, the Medicare system enables people to receive medical service

at a minimum cost. Some doctors charge the basic allowance the government provides. Others charge more.

Where medical practitioners charge more than the nominated Medicare value for the service, people have to pay out of their own pocket.

As the out of pocket component exceeds the threshold of \$1500 (\$2000 in 2011) the government provides additional relief by rebating 20%. The rebate is called a tax offset – it reduces tax payable (if any) by the taxpayer.

All the family's medical expenses can be added together with the tax offset claimed either mum or Dad where tax is payable.

The challenge has always been maintaining the records of all doctor visits and other medical expenses so you can compile and make a claim at tax time.

**Tax Tip** – The easiest way is to request a report from Medicare. They have all the records as they have refunded part of what you paid. So you can either

- Call them
- Go to any Medicare office
- Or register on line and download that report.

Next call your private health insurer for all other medical expenses not covered by Medicare including hospital visits and Dental treatments. They will send you a similar report.

Send both reports to your accountant when preparing the tax return.

An example of the calculation is as follows

	Medicare	Private Health Fund	Total
Total medical expenses	\$5500	\$3000	\$8500
Reimbursement from Medicare	-\$4125	-\$1300	\$5625
Balance paid out of Pocket	\$1375	\$1700	\$3075
Threshold			-\$1500
Net amount rebateable			\$1575
Tax offset rate			20%
Tax Saving - \$1575 x 20%			<b>\$315</b>

## ***Medical Expenses – while on holidays***

To qualify for the medical expenses tax offset the expenses must be paid by a resident taxpayer. They must be paid in respect of himself/herself or their dependent children.

**Tax Tip** – But it is not necessary that the payment be made to a resident or that they be paid in Australia. That means if you meet misfortune and incur medical expenses while overseas, these will be rebateable as described above.

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## ***Avoid delays - Lodge early – Tax Refunds Sooner***

Most property investors are negatively geared. This means that where they have not requested a variation of their PAYG deduction from their employer, they get refunds on lodging their tax returns at the end of the financial year.

ATO is now processing lodgement of returns very fast, particularly where there is a refund and the refund is being deposited electronically into the taxpayer's bank account. Some refund assessments are issued within 7 working days.

**Tax Tip** - To get refunds lodge your tax return soon. *Property Tax Specialists* can help facilitate the process and minimise time and cost with their checklists and templates. Contact Shukri on [Shukri@propertytaxspecialists.com.au](mailto:Shukri@propertytaxspecialists.com.au)

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## ***We look forward to being of Service***

Please do not hesitate to contact us if you would like to review & discuss your current property & tax situation, your asset protection strategy, structuring your next investment property, planning to legally minimise your tax position or just to prepare your next tax return. Contact us on [info@propertytaxspecialists.com.au](mailto:info@propertytaxspecialists.com.au), or call Shukri on 02 9411-8133.

We look forward to being of service. We also look forward to your referrals.

To improve our service we welcome all constructive comments on this newsletter and other materials.

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### DISCLAIMER

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained.

Acknowledgement - parts of this newsletter have been taken from KnowledgeShop Pty Ltd client newsletters. Barbara & co – Property Tax Specialists is a member of the Knowledge Shop and Hayes Knight Network

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Kind Regards  
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