

Cliftons – THE Business Specialists

Net Medical Expenses Tax Offset

What is the Net Medical Expenses Tax Offset?

The medical expenses tax offset may be available if you have out of pocket medical expenses over a specified limit for an income year.

For the 2005/06 year, the tax offset is 20% of net medical expenses over \$1,500. There is no upper limit to the amount you can claim.

What are Net Medical Expenses?

Net Medical Expenses are the medical expenses **you have paid less any refunds** you have received, or could receive, from Medicare or a private health fund.

Who can you claim for?

The medical expenses must be for;

- you
- your spouse – married or de facto – regardless of their income
- your children (including any who were students) who were under 21.

Where can you claim?

Although you and your dependant must be Australian residents, the expenses need not be paid to an Australian resident, nor be paid in Australia. Therefore, medical expenses paid overseas may be included in the claim.

Claimable Medical Expenses

Illness or Operations

Expenses relating to an illness or operation paid to any of the following will qualify for the medical expenses tax offset;

- legally qualified doctors
- nurses
- chemists
- public or private hospitals

This includes payments for in-vitro fertilisation procedures. Note that cosmetic surgery is not included, though it was in previous years.

Dental Treatment

Payments to dentists, orthodontists or registered dental mechanics qualify for the medical expenses tax offset. This includes payment for the supply, alteration or repair of artificial teeth.

Optical Treatment

Payments to opticians or optometrists qualify for the medical expenses tax offset, including the cost of;

- spectacles
- contact lenses

Medical or Surgical Wigs

Medical or surgical wigs which have been made to measure and have a special type of construction qualify for the medical expenses tax offset. This does not include cosmetic wigs.

Working Guide Dogs

The cost of keeping a trained working guide dog qualifies for the medical expenses tax offset.

Artificial Appliances

The cost of artificial appliances qualifies for the medical expenses tax offset.

Examples are;

- artificial limbs
- artificial eyes
- hearing aids

Therapeutic Treatment

The cost of therapeutic treatment **at the direction** of a doctor qualifies for the medical expenses tax offset. Examples are;

- physiotherapy
- diathermy
- osteopathy
- chiropody
- acupuncture
- speech therapy
- treatment for dyslexia

Medical Aids

The cost of medical aids **prescribed** by a doctor qualifies for the medical expenses tax offset. Examples are;

- adhesive plaster and strapping
- neoprene bandages
- wheelchairs
- crutches
- spinal and surgical braces
- surgical shoes and boots
- oxygen equipment
- kidney dialysis units
- colostomy appliances
- invalid chairs and tricycles
- car controls for the disabled
- tele-typewriters

Non-Claimable Medical Expenses

The following are examples of expenses that **cannot** be claimed under the medical expenses tax offset;

- therapeutic treatment not formally referred by a doctor – a mere suggestion or recommendation by a doctor to the patient is not enough for the treatment to qualify; the patient must be referred to a particular person for specific treatment
- chemist-type items – for example tablets for pain relief – purchased in retail outlets or health food stores
- purchases from a chemist that are not related to an illness or operation
- ambulance charges or subscriptions
- contributions made to a private health fund (these contributions may be eligible for the 30% private health insurance rebate)
- cosmetic wigs
- funeral expenses
- non-prescribed vitamins and health foods in general
- payments for life insurance medical examinations
- travel or accommodation expenses associated with receiving medical treatment
- inoculations for overseas travel
- other vaccinations
- miscellaneous items including;
 - ordinary lifts
 - wheelchair ramps
 - swimming pools
 - spa pools
 - hydrotherapy pools
 - air-conditioners
 - musical keyboards, language programs and kits
 - heavy underclothing
 - squash balls hand exercises

Calculating the Medical Expenses Tax Offset

How to Calculate your Claim

You can claim a tax offset of 20% of your net medical expenses over \$1,500. There is no upper limit to the amount you can claim.

Complete the following steps to calculate the claim;

1. Add up your total medical expenses for the year.
2. Subtract the amount you received back from Medicare and your private health insurance fund from your gross medical expenses.

If this amount is less than or equal to \$1,500, you cannot claim a tax offset for your net medical expenses. If it is more than \$1,500, then continue;

3. Subtract \$1,500 from your net medical expenses.
4. Multiply the remaining net medical expenses by 20%.