



Medical expenses and tax

Welcome to the first in an irregular series on managing finances and diabetes.

As it is now tax time, we thought some information on medical expenses and tax could be helpful.

Please note that you should not rely solely on any information provided here and should always seek your own financial advice.

Please also note that this article applies to the Australian tax system only.

You may be able to claim medical expenses as part of your tax return. How? Where? Your tax pack (or tax agent) will ask the following question:

Did you have 'net medical expenses' over \$1,500 in the last financial year?

If you did, you can claim a "tax offset" (this is legally different from an allowable deduction) for 20 cents in the dollar of the excess over \$1,500.

Sounds simple enough? Of course the devil is in the detail.

1. What does 'net' mean?

Net means the actual amount that comes out of your pocket after ALL subsidies or reimbursements. For example, if you pay \$120 for a script of Lantus and then you claim \$100 of that back from your private health insurance, then \$20 is your net expense for that purchase. Similarly, if you see a doctor privately and it costs

you \$50, but Medicare reimburses you \$34 then the net medical expense for tax is \$16.

It is important to note that this includes a reimbursement to which you are entitled even if you did not claim it. So in the example above, if you never take your receipt to Medicare and you never receive the reimbursement, your net medical expense for seeing the doctor remains \$16 because you were entitled to the reimbursement of \$34. So, be careful when doing your calculations that you have taken all real and potential subsidies and reimbursements into account, including anything you may be entitled to claim if you have private health insurance.

2. What counts as a medical cost?

The ATO website says: "You can claim expenses relating to an illness or operation paid to legally qualified doctors, nurses or chemists and public or private hospitals...and therapeutic treatment under the direction of a doctor and medical aids prescribed by a doctor."

This should cover most diabetes expenses including:

- Glucometers;
- Test strips;
- Insulin pump supplies;
- Prescriptions (for insulin, Glucagen, etc.); and
- Doctors' appointments.

The ATO list of Allowable medical expenses (available at the website: www.ato.gov.au/individuals/) has lots of information to guide you on this.

Things that you can buy across the counter or at supermarkets such as pain relievers and vitamin tablets or jelly beans are not counted as medical costs. See the ATO list of Non-Allowable medical expenses at www.ato.gov.au/individuals/ for more details.

Fact sheet



The medical expenses claimed can be for the taxpayer, their spouse and any children under the age of 21 years, regardless of the child's income. So a family can add up all their medical expenses and this includes non-cosmetic dentistry and orthodontics, as well as all scripts and medical consultations for parents and kids.

3. What documentation is required?

Under self-assessment, the taxpayer is responsible for calculating and assessing their liability for income tax and for keeping appropriate records to support their calculation. A good rule of thumb is unless you have the document to back it up such as a receipt or a statement then you can't claim.

You can ask for an itemised statement from Medicare, your private health insurer and your pharmacist that will help you calculate your net medical expenses. Make sure you keep your receipts from any NDSS purchases and anything else, such as the purchase of a glucometer.

4. How do I calculate the tax offset for net medical expenses?

- Add up all the claimable medical expenses for which you have supporting documentation.
- Deduct all the refunds you have received or are entitled to in relation to these claimable medical expenses.
- This amount is your Net claimable medical expenses.
- Deduct \$1,500 from the net claimable medical expenses.
- If the result is less than zero then you cannot claim any offset.
- If the amount is greater than zero then you can claim 20% of this amount (i.e. the amount greater than \$1,500)

For further information, please consult your tax accountant or refer to the ATO website information here:

ATO guide to net medical expenses

Visit: www.ato.gov.au and search for it.

Or type <http://tinyurl.com/jqlwb> into your browser for a shortcut direct to the guide.

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