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High income earners set to take another tax hit

Hundreds of thousands of Australians are unaware that they will be hit by the Medicare Levy Surcharge after 30 June this year.

Galaxy research conducted on behalf of health insurance comparison service iSelect reveals that forty percent of high income earners are unaware of the tax implications of not taking out private health insurance before the end of the financial year.

A Medicare Levy Surcharge ranging from 1 to 1.5 percent is charged on the taxable income of singles earning more than \$90,000 or families earning more than \$180,000 per annum who don't have private hospital cover from 1 July onwards.

Younger affluent Australians face additional taxes if they don't take out private health insurance before 1 July in the financial year they turn 31. The Federal Government's Lifetime Health Cover Loading adds a two percent loading to a consumer's premium for every year they are aged over 30 and don't have hospital cover.

iSelect analysis shows that it can be cheaper to pay for private health insurance than pay the tax. Those earning more than \$90,000 who don't have hospital cover will pay a Medicare Levy Surcharge of \$900. Whereas basic hospital cover can be obtained for around \$650, representing a saving of \$250 a year. The more you earn, the more you can save with around \$1,300 to be saved for those earning more than \$140,000 a year.

"We're encouraging consumers to 'detax' before the June 30 deadline. It makes no sense to pay more tax when you can take out private health insurance and potentially save a lot of money," said Matthew Cuming, spokesperson for iSelect.

This low level of consumer awareness regarding the tax implications of not having private health insurance reflects a broader lack of understanding about private health insurance in Australia. The Galaxy research shows that 64 per cent of people with private health insurance say that it is confusing and complex, with 63 per cent reporting that repeated changes in the area are hard to keep up with and understand.

Faced with the complexity of selecting the right policy, many Australians are not taking the opportunity to ensure they have appropriate levels of private health insurance. In fact, 39 per cent of people have not reviewed their private health insurance for more than three years.

"The confusion surrounding private health insurance means that many people are either going without it and paying more tax or not getting the best value cover. The inertia is preventing Australians from making real savings and reaping the benefits that private health insurance provides," Cuming said.

Analysis by iSelect of the top ten private health insurers also uncovered significant differences in premiums.



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“When we compared top hospital cover for the ten largest private health insurers, the potential savings were substantial. Simply by comparing and switching to an equivalent level of hospital cover, consumers may be able to save from \$267 up to \$848 per annum,” he said.

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About iSelect

Serving consumers since 2000, iSelect is a leading Australian comparison service that compares insurance, household utilities and personal finance products. iSelect provides consumers with the convenience of online product comparison and the benefit of telephone advice via its team of 300 product experts.

About the research

Galaxy Research conducted two sets of research for iSelect. Both had a sample of 1,050 Australians aged 18 years and older, distributed across the country. Following completion of the research, the data was weighted by age, gender and region to reflect latest ABS population estimates. The first survey was conducted in February 2014 and the second in May 2014.

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