



After his promotion last week, my husband and I have a combined income of \$102,000. We have one son and we were thinking of getting private health insurance, but I'm not sure if it's worth it under the new budget. What do you think?

Monica, NSW

Congratulations to your husband on his promotion. I am sure that the extra cash will help you out.

Families with combined income above certain thresholds, who do not have private health cover, will need to pay a Medicare levy surcharge which is calculated at a rate of 1% of your family taxable income (including your total reportable fringe benefits).

These thresholds were increased in the recent Federal budget and the changes for the family Medicare levy threshold and are summarised below.

Number of dependent children	Surcharge income threshold (pre 30 June 2008)	Surcharge income threshold (post 1 July 2008)
0-1	\$100,000	\$150,000
2	\$101,500	\$151,500
3	\$103,000	\$153,000
4	\$104,500	\$154,500
More than 4 dependent children	\$104,500 plus \$1,500 for each additional child	\$154,500 plus \$1,500 for each additional child

As you can see, you would have been liable for additional tax of \$1,020 (being 1% of \$102,000) if the previous thresholds remained in place again for this year.

However due to the raising of the family income threshold from \$100,000 to \$150,000 you will not be liable for the Medicare Levy surcharge. It will now become a personal decision for you about whether to have private health care rather than merely a tax motivated exercise.

There are obviously benefits to private health care, particularly for a young family, but if the family budget is under pressure and you can do with a bit extra each week then it is a luxury that a "working family" such as yourselves may do without.