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# Appendix 3: July 2020 New Texts (Impact of COVID Pandemic)

## Account Based Pension (ABP) & Transition to Retirement Income Streams (TRIS) – New Minimum payments

An Account Based Pension (ABP), or a Transition to Retirement Income Stream (TRIS), is purchased with superannuation monies and is designed to provide you with a regular, flexible, tax effective income stream. Account Based Pension and Transition to Retirement Income Stream balances increase with positive investment returns and decrease with pension payments, negative investment returns and fees.

When a person turns 65, or notifies the fund trustee that he/she meets a condition of release, the TRIS moves into its ‘retirement phase’. At that time, it is practically indistinguishable in operation from an Account Based Pension.

The relevant conditions of release are: retirement, permanent incapacity or terminal illness.

Any TRIS payable upon death to an eligible reversionary beneficiary is also in ‘retirement phase’.

The balance of the ABP or ‘retirement phase’ TRIS counts for the determination of both the Total Superannuation Balance (TSB) and an individual’s Transfer Balance Account (TBA).

Earnings from the underlying portfolio of your Account Based Pension are tax free; only earnings from a ‘retirement phase’ TRIS are tax free. These pension types are a very tax effective retirement structure.

Earnings from assets supporting a TRIS that is not in the retirement phase will be taxed at 15%.

Payments from an Account Based Pension are taxed:

 \_ 60+ years old; tax free

\_ Preservation Age to 59 years old; marginal tax rate less 15%

\_ Under Preservation Age; marginal tax rate

Payments from a Transition to Retirement Income Stream are taxed:

\_ 60+ years old; tax free

\_ Preservation Age to 59 years; marginal tax rate less 15%

An individual is able to access their Preserved capital as a lump sum (commutation) once they reach 65 years of age or meet another condition of release. Unrestricted non-preserved benefits can be accessed at any time.

Lump sum withdrawals from an Account Based Pension or Transition to Retirement Income Stream cannot be classed as a ‘payment’ satisfying the minimum pension standards.

The minimum pension standards applying to the 20-21 financial year:

|  |  |  |
| --- | --- | --- |
| **Age** | **Minimum Pension Payment [1]****(% of Account Balance)** | **Maximum Pension Payment****(% of Account Balance)** |
| Under 65 | 2% | Account-Based Pensions: No Maximum Pension PaymentTransition to Retirement Income Streams: 10% Maximum Pension PaymentRetirement Phase TRIS: No Maximum Pension Payment |
| 65 - 74 | 2.5% |
| 75 - 79 | 3% |
| 80 -84 | 3.5% |
| 85 – 89 | 4.5% |
| 90 -94 | 5.5% |
| 95+ | 7% |

Notes:

|  |
| --- |
| [1] Minimum pension payments are calculated annually at 1 July. |

## Term Allocated Pension (TAP) – new minimum payments

The minimum drawdown requirements for a term allocated pension (TAP) have been reduced by 50 per cent.

**These reductions will apply for the 2020/21 financial year:**

|  |  |  |
| --- | --- | --- |
|  | **Standard Rules** | **Reduced minimum rules** |
| Minimum Payment | 90% of standard payment | 45% of standard payment |
| Maximum Payment | 110% of standard payment | 110% of standard payment |

## Deeming rates – reduction in rates

On 12 March 2020, the Government announced a 0.5 percentage point reduction in both the upper and lower social security deeming rates. The Government will now reduce these rates by another 0.25 percentage points.

**As of 1 May 2020, these deeming rates now apply:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Deeming Rate**  | **Single** | **Pension couple (combined)\*** | **Non-Pensioner couple (each)^** |
| 0.25% | First $51,800 | First $86,200 | First $43,100 |
| 2.25% | Above $51,800 | Above $86,200 | Above $43,100 |

\*At least one member receives a pension.

^Neither receives a pension.

## Early access to Superannuation

The Government has amended superannuation laws to allow members who cannot meet their living expenses, and who satisfy certain eligibility requirements, to access up to $10,000 of their (preserved and restricted non-preserved) superannuation benefits before 1 July 2020, plus a further $10,000 in the period between 1 July and 24 September 2020.

Eligibility criteria includes:

* Citizens and permanent residents of Australia and New Zealand where they are unemployed
* Or are eligible to receive JobSeeker Payment, Youth Allowance, Parenting Payment, Special Benefit or Farm Household Allowance
* Or from 1 January 2020
* became redundant,
* suffered a 20% or more reduction in their working hours
* if a sole trader – their business was suspended or incurred a reduction of 20% or more in their turnover.
* Temporary residents \_ holding a student visa for longer than 12 months, holding a skilled work visa or holding another temporary resident visa.

Members will be required to self-assess and certify their eligibility as part of the application. While the ATO has confirmed evidence is not required as part of the application process, people should retain evidence to support their application.

## JobKeeper Payment

The JobKeeper Payment scheme is a temporary subsidy for businesses significantly affected by coronavirus. Eligible employers, sole traders and other entities can apply to receive $1,500 per eligible employee per fortnight.

**Employers** – If a business is affected by the coronavirus, they may be eligible to if:

* On 1 March 2020, the employer:
	+ carried on a business in Australia
	+ was a not-for-profit organisation acting principally in Australia; excluding universities & schools
* Employed at least one eligible employee on 1 March 2020.

These eligible employees were employed the fortnights claimed for (including those stood down or re-hired).

* Business turnover fell
	+ 30% (for an aggregated turnover of $1 billion or less)
	+ 50% fall in turnover (for an aggregated turnover of more than $1 billion)
	+ 15% fall in turnover (for registered charities).

**Sole traders** – are eligible for the $1,500 Job Keeper payment:

* they act in the business
* actual/projected turnover declines; as determined by comparison with their GST returns from a previous period

## Planned Changes to JobKeeper Payment

JobKeeper will be extended until 28 March 2021. From 28 September 2020, a two-tiered level of support will be provided with lower payment rates than the current rate of $1,500 per fortnight.

**Phase 1: 28 September 2020 to 3 January 2021**

***Eligible employees***

The payment rates for phase 1 of the JobKeeper Payment extension are proposed to be:

• $1,200 per fortnight per eligible employee - employed 20 or more hours per week on average in the 4 weeks prior to 1 March 20201

• $750 per fortnight for other eligible employees

***Eligible business participant***

Where an eligible business receives JobKeeper Payment for an eligible business participant during phase 1 of the extension, the payment rate will be:

• $1,200 per fortnight where the eligible business participant was actively engaged in the business for 20 or more hours per week on average in the month of February 20202; and

• $750 per fortnight for other eligible business participants

**Phase 2: 4 January 2021 to 28 March 2021**

***Eligible employees***

The payment rates for phase 2 of the JobKeeper Payment extension are proposed to be:

• $1,000 per fortnight per eligible employee - employed for 20 or more hours per week on average in in the 4 weeks prior to 1 March 20203)

• $650 per fortnight for other eligible employees

***Eligible business participant***

Where an eligible business receives JobKeeper Payment for an eligible business participant during phase 2 of the extension, the payment rate will be:

• $1,000 per fortnight where the eligible business participant was actively engaged in the business for 20 or more hours per week on average in the month of February 20204

• $650 per fortnight for other eligible business participants

## Job Seeker Payment (replaces NewStart Allowance)

*Newstart Allowance stopped in March 2020; existing and new Allowees moved to JobSeeker Payment.*

*In some cases, incurring Mutual Obligation requirements \_Job Plan.*

*A personal & partner Income Test applies plus the Income Maintenance period. Ordinary Waiting period & Liquid assets waiting period (LAWP) don’t apply.*

The JobSeeker Payment is a government support benefit which is paid to a person who is over 22 years of age but not yet Age Pension age.

The recipient may be unemployed, work reduced hours or, in the case of a sole trader, suffer significantly reduced business turnover.

To qualify for the JobSeeker Payment a person must be actively seeking work and willing to participate in activities (for example voluntary work) designed to increase a person’s prospects of finding work.

Centrelink generally requires a Job Seeker to diarise their employment search efforts. An employment diary can be found when registering with Centrelink online or the Express Plus Centrelink App can be used.

*https://www.humanservices.gov.au/customer/enablers/income-reporting*

**Rates of Payment**

**The basic rates of payment for the JobSeeker Payment are:**

|  |
| --- |
| **Basic Rates of Payment** |
| Status | **Full Allowance Rate** |
| Single, no dependent children | $1,115.70 per fortnight includes:* $565.70 JobSeeker Payment
* $550 Coronavirus Supplement
 |
| Single, with dependent children | $1,162.00 per fortnight includes:* $612 JobSeeker Payment
* $550 Coronavirus Supplement
 |
| Single, aged 60 or over, after nine continuous months on payment | $1,162 per fortnight includes:* $612 JobSeeker Payment
* $550 Coronavirus Supplement
 |
| Single, Principal carer of a dependent child granted an exemption from mutual obligation requirements for foster caring/non-parent relative caring under a court order/home schooling/distance education/large family [1] | $1,340.10 per fortnight includes:* $6790.10 JobSeeker Payment
* $550 Coronavirus Supplement
 |
| Member of a couple | $1,060.80 per fortnight includes:* $510.80 JobSeeker Payment

$550 Coronavirus Supplement |

**Notes**

|  |  |
| --- | --- |
| [1] | Not paid to Sickness Allowance or Widow Allowance recipients. |

In addition, Pharmaceutical Allowance may be paid where a person is temporarily incapacitated or is over 60 years of age and has been in receipt of income support continuously for at least nine months.

**Personal Income Test**

The JobSeeker Payment is subject to the income and assets tests. These tests are used to determine the amount of payment to which a person is entitled. The test that results in the lowest rate of payment is the test which applies.

**Effective 23 March 2020, the Income test thresholds are:**

|  |
| --- |
| **Income Test** |
| **Family Situation** | **For Full Allowance****(Per Fortnight) [1]** | **For Part Allowance****(Per Fortnight) [1]** |
| Single, no children | up to $104 | less than $1,088.50 |
| Single, with dependent children | up to $104 | less than $1,166.84 |
| Single, principal carer, with dependent children [2] | up to $104 | less than $1,675.25 |
| Single, principal carer of a dependent child (exempt for foster caring/home schooling/distance education/large family) [2] | up to $104 | less than $2,126.75 |
| Single, aged 60 or over, after 9 months | up to $104 | less than $1,177.17 |
| Member of a couple | up to $104 | less than $995.50 |

**Notes**

|  |  |
| --- | --- |
| [1] | Income between $104.00 and $254.00 per fortnight reduces your allowance entitlement by 50¢ in the dollar. Income above $254.00 per fortnight reduces your allowance entitlement by 60¢ in the dollar. Partner income which exceeds cut-out point reduces fortnightly allowance by 60¢ in the dollar. |
| [2] | For maximum payment, the recipient's income must be no more than $104 per fortnight. Income over this amount reduces the rate of payment by 40 cents in the dollar. |

The entitlement ceases when the person’s income reaches the relevant cut out threshold.

**Assets Test**

Waived.

The Department of Human Services advises that when the Assets Test is eventually reinstated, Jobseeker Payments will be cancelled when personal assets exceed:

**Effective date has not been advised; the Cancellation Asset test thresholds are anticipated:**

|  |
| --- |
| **Assets Test [1]**  |
| **Family Situation** | **For Full Allowance****Homeowners** | **For Full Allowance****Non-Homeowners** |
| Single | up to $268,000 | less than $482,500 |
| Couple combined | up to $401,500 | less than $616,000 |
| One partner eligible, combined assets | up to $401,500 | less than $616,000 |

**Notes**

|  |  |
| --- | --- |
| [1] | Principal home is excluded from the assets test. |

## Planned Changes to JobSeeker Payment

JobSeeker Payment - a number of measures including the Coronavirus Supplement will be extended until 31 December.

The following applies from 25 September to 31 December 2020:

* Coronavirus Supplement will continue; however, it is reduced from $550 per fortnight to $250 per fortnight
* Ordinary Waiting Period, Newly Arrived Residents Waiting Period and Seasonal Work Preclusion Period will continue to be waived
* Expanded access to JobSeeker Payment and Youth Allowance (other) will continue
* Personal income test - Income free area for JobSeeker Payment and Youth Allowance (other) will increase to $300 per fortnight and a single taper rate of 60 cents will apply
* Partner income test - partner income test cut-off will increase to $3,086.11 per fortnight, or $80,238.89 per annum, for individuals with no personal income

However not all JobSeeker Payment measures were extended.  Importantly, the assets test and the Liquid Assets Waiting Period will be reinstated from 25 September 2020.

## Economic Support Payments

The Government is providing two separate $750 economic support payments to social security, veteran and other income support recipients and eligible concession card holders.

* The first payment was paid automatically from 31 March 2020.
* The second payment will be paid automatically from 13 July 2020.

To qualify for the first payment, an individual:

 • must have been resident in Australia

• must have been a Centrelink or DVA pensioner or allowee or held a Commonwealth concession card.

To qualify for the second payment, an individual must have been receiving from 10 July 2020:

* Age Pension
* Bereavement Allowance
* Carer Allowance
* Carer Payment
* Commonwealth Seniors Health Card
* Disability Support Pension
* Double Orphan Pension
* Family Tax Benefit A
* Family Tax Benefit B
* Pensioner Concession Card.

## Coronavirus Supplement

Between 27 April 2020 and 24 September 2020, a Coronavirus supplement of $550 per fortnight applied to increase the rate of certain social security payments. This supplement will be paid to both existing and new recipients.

This supplement will be paid to both existing and new recipients of the following eligible payment categories:

• Jobseeker Payment (see rates of payment)

• Youth Allowance

• Parenting Payment

• Austudy

• ABSTUDY Living Allowance

• Farm Household Allowance

• Special Benefit recipients

Anyone who is eligible for the Coronavirus supplement will receive the full rate of the supplement of $550 per fortnight. For example, a person who qualifies for only $10 per fortnight of Jobseeker Payment will have their rate of payment increased by $550 per fortnight during the period from 27 April to 24 September. Note - people that qualify for the Coronavirus supplement will not be eligible for the second $750 stimulus payment. The Coronavirus supplement is assessable income for tax purposes; however, the recipient may be entitled to the beneficiary tax offset to reduce the amount of tax payable.

## Electronic Identification and Witnessing of documents

AUSTRAC has made amendments to AML/CTF requirements as a result of the COVID-19 pandemic and the challenges associated in complying with customer verification obligations. Rules vary state to state however most legislation allows for:

Electronic signing of documents. Documents that can be electronically signed include:

* Deeds;
* Wills;
* Powers of Attorney;
* Affidavits

Most product providers will also have their own requirements.

This will overcome the problems that physical distancing poses for witnessing and attestation. These provisions lapse after 6 months though they can be extended by regulation for up to 12 months in total.

* Witnessing documents by audio-visual link:
* Witnessing and attestation of a document can now be undertaken through an audio-visual link where the document is required to be witnessed. If using audio visual technology to witness a document, the following steps must be implemented:
1. Observe the signature sign the document in real time;
2. Attest or otherwise confirm the signature was witnessed by signing the document or a copy;
3. Be reasonably satisfied the document the witness signs is the same document, or a copy of the document;
4. Endorse the document, or the copy of the document, with a statement specifying the method used to witness the signature of the signatory and that the document was witnessed in accordance to that states COVID regulations.

Rules vary state to state and should be considered on a case by case basis.

## Limited Recourse Borrowing Arrangement (LRBA) relief

The ATO has confirmed that a related party lender can provide repayment relief to an SMSF that has borrowed under a complying LRBA, without being in breach of the non-arm’s length income (NALI) provisions where the fund has been adversely impacted by the economic impacts of coronavirus.

Due to the financial impacts of the coronavirus, some related party lenders are offering SMSFs loan repayment relief on limited recourse borrowing arrangements (LRBA) as long as it is benchmarked to what a commercial situation is.

Where a related party lender provides any type of rent relief this could result in contraventions of the non-arm’s length rules as well as cause any income derived from the asset acquired under the LRBA to be treated as Non-Arm’s Length Income (NALI).

However, it will be accepted that the parties are dealing at arm’s length where a related party lender provides repayment relief on terms similar to what commercial banks are offering real estate investment loans. As a result of this acceptance by the ATO, there will be no breach of the non-arm’s length rules and the NALI provisions will not apply.

For example, this could allow a related party to provide repayment relief, such as a temporary deferral of loan repayments, to an SMSF that borrowed via an LRBA to acquire a commercial property but the fund has since had to provide rent relief to the tenant and is unable to meet its loan repayments.

It must also be evidenced that interest on the outstanding loan amount continues to accrue and that the SMSF trustee will make up any outstanding principal and interest repayments as soon as possible. The parties to the arrangement should document any change in terms to the loan agreement and the reasons why those terms have changed.

Note:

Before trustees enter into any repayment relief arrangement, they should benchmark the terms of the arrangement against what commercial lenders are offering impacted borrowers.

For example, at the time of writing the Australian Banking Association (ABA) stated that commercial lenders are providing loan repayment relief on the following basis:

- interest and principal repayments on the loan can be suspended for up to six months

- interest will continue to accrue on the loan during the deferral period

- accrued interest is to be capitalised and form part of the amount to be repaid over the term of the loan

- the borrower must have been financially impacted by COVID-19

- the borrower must not terminate a lease or evict a tenant for rent arrears during the loan deferral period.

Trustees should also ensure documentary evidence is maintained that supports the need for repayment relief. For example, this could include details of any rent relief provided to a tenant that is leasing the premises acquired with the loan.

Rent relief

Some SMSF trustees who own and lease commercial properties to tenants may be providing rent relief in the form of a rent reduction, waiver or deferral because of the financial effects of the coronavirus.

Where a trustee provides this relief to a related party tenant, it is possible that relief could cause contraventions of the following rules:

- Arm’s length rules – if the rental relief has not been offered on arm’s length terms

- Or the Sole purpose test – if the SMSF trustee is offering rental relief that is not on arm’s length terms to assist a related party

- Or the In-house asset rules – rental deferrals offered to a related party can amount to a loan by the SMSF to a related party that could exceed the 5% in-house asset limit

- Or prohibition on financial assistance – rent relief provided to a member or relative of the member either directly or indirectly could be deemed to be providing financial assistance.

However, no compliance action against an SMSF trustee for providing rent relief to a tenant has been confirmed by the ATO, including a related party tenant, during 2019-20 or 2020-21 where the rent relief satisfies the following 3 criteria:

1. The relief is provided on commercial terms that is proportionate with rental relief being offered by other landlords to unrelated tenants in similar circumstances

2. The rent relief is provided as a result of the economic impacts of the coronavirus and not for any other purpose or reason

3. Appropriate documentation has been put in place reflecting the rental relief arrangement

In addition, the ATO has confirmed that where an SMSF holds an interest in an interposed entity, such as a non-geared company or unit trust, and that entity leases a property to a tenant, it will not treat the SMSF’s investment in the company or trust as an in-house asset for the current and future financial years as a result of a deferral of rent being provided to the tenant due to the financial effects of the coronavirus.

# Other July 2020 New Texts

## Work Test Exemption

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| * Title
 | Work Test Exemption  |
| * Explanation
 | * [Client], we recommend that you make a contribution of $[\_\_\_,\_\_\_] this financial year to the [fund name].
 |
| * In your Best Interest
 |  |
| * Further Detail
 | A person who has not reached his/her 75th birthday may make voluntary superannuation contributions to superannuation without meeting the Work TestThe work test typically requires gainful employment of 40 hours in 30 continuous days in the year that a contribution will be made and this still applies to those aged 67 and olderTo qualify for an Exemption from that work test:* The work test must have been satisfied in the previous financial year
* Total Superannuation balance was less than $300,000 at the end of the previous financial year.
* Nil previous contribution under this exemption has been made

Voluntary non-concessional contributions are subject to the non-concessional contributions cap but can validly trigger bring-forward caps given the usual bring-forward rules.Voluntary concessional contributions are subject to the concessional contribution cap but are eligible as catch-up concessional contributions given the usual catch-up rules. |

## Maintaining a Cash Reserve

|  |  |
| --- | --- |
| **Recommendation # <Number>** |  |
| **Title** | Maintain a cash reserve |
| **Explanation** | [Client] and [Partner], we recommend you maintain a cash reserve of $[\_,\_] in your [cash account / bank account] in order to fund [three, six or twelve-months living expenses / emergency funding, buying a car / caravan / other reason]. The current rate of your [cash account / bank account] is [\_]%. |
| **In your Best Interest** |  |
| **Further Detail** | We believe that maintaining a cash reserve meets your objectives for the following reasons:Maintaining a cash reserve will ensure you have funds available on hand for urgent and unexpected costs.It provides a financial safety net so you don’t have to borrow money if something happens to you or your family.Using a secure and stable savings account rather than investing as per your risk profile will ensure your money will not drop in value when you require it.Before proceeding, you should consider the following:* Any interest you earn will be taxed at your personal marginal rates.
* A low cash rate may not keep pace with inflation.
* If eligible, maintaining cash in your bank account may impact certain government benefits and concession payments.
* If maintained in an Approved Deposit Institution (ADI) you will benefit from a bank guarantee for any amounts under $250,000.
 |

## Implementing a Reversionary Beneficiary

|  |  |
| --- | --- |
| **Recommendation # <Number>** |  |
| **Title** | Implementing a Reversionary Beneficiary |
| **Explanation** | [Client] and [Partner], we recommend you nominate a reversionary beneficiary to receive your pension payments from [fund name] after your death.  |
| **In your Best Interest** |  |
| Further Detail | We believe that nominating [beneficiary name] as your reversionary beneficiary meets your objectives for the following reasons:* This will ensure with greater certainty (provided they are an eligible dependant at death) the proceeds are paid to your preferred beneficiary as an ongoing pension / income stream upon your death.
* This will allow the funds to remain in the tax-effective superannuation environment.
* Generally, the pension is tax-free, or at least concessionally taxed, depending on the age of the deceased person and their beneficiaries at date of death
* Earnings and capital gains on pension assets are tax-free (in the fund) up to transfer balance cap ($1.6m).

Before proceeding, you should consider the following:* You can only nominate a reversionary beneficiary at the time of application (new account opening). Once implemented, it can only be rescinded; you cannot re-nominate a new beneficiary.
* By receiving a death benefit as a lump sum some beneficiaries may not be able to contribute that money back into a superannuation fund due to certain restrictions imposed by law.
* Because of the restrictions on pension payments to child beneficiaries, such as the requirement that it must be commuted and paid out when the child turns 25, many superannuation funds only permit a reversionary option to a spouse.
* The pension may be commuted to a lump sum if necessary.
* The value of a reversionary pension will count towards a beneficiary’s transfer balance cap - the limit which restricts how much money a person can have in tax-free pensions - based on the value of the pension at date of death. However, there is a 12-month window from death before this amount is included against the beneficiary's cap.
 |

## Private Health Insurance

|  |  |
| --- | --- |
|  | In Australia, private health insurance allows you to be treated in hospital as a private patient. It can also help pay for health care costs that Medicare doesn't cover. How much and what it covers depends on your policy. Private health insurance works with our public health care system to offer you more choice and quicker access to some health services.Depending on your policy, private health insurance pays some or all of the costs of:* treatment in public or private hospitals as a private patient with the doctor of your choice
* health services that are not covered under [Medicare](https://www.humanservices.gov.au/individuals/subjects/whats-covered-medicare) such as physiotherapy, dental and optical

**Benefits of private health insurance*** More health cover and choice
* Pay less tax
* You can still choose to be a public patient in a hospital if you have private health insurance.

Depending on your policy, private health insurance pays some or all of the costs of:* treatment in public or private hospitals as a private patient with the doctor of your choice
* health services that are not covered under [Medicare](https://www.humanservices.gov.au/individuals/subjects/whats-covered-medicare) such as physiotherapy, dental and optical
* Private health insurance might also help you access some hospital services more quickly.

Buying private hospital cover might mean you don’t have to pay the Medicare levy surcharge. The Medicare levy surcharge is a levy of up to 1.5% of taxable income on people who:* don’t have private hospital cover
* earn income over a certain level

You’re entitled to a private health insurance rebate from the Australian Government if:* you have private health insurance that provides hospital cover, general treatment (‘extras’) cover, or both
* your income is below a certain limit

You get the rebate as:* lower insurance premiums through your health insurer, or
* an offset in your annual tax return — this reduces the tax you have to pay

Avoid paying more for cover when you’re older* Lifetime Health Cover is an Australian Government initiative that lets you avoid paying higher premiums for private hospital cover. To be eligible for this you need to take out hospital cover before you turn 31 years old.
* If you’re over 31 and take out hospital cover for the first time, you may pay higher premiums for the next 10 years. You won’t pay more for extras cover.
 |

**Who can get private health insurance?**

You don’t have to take out private health insurance, but you can choose to if you want cover for more health services and choice.

Most insurance is risk rated – for example, car or house insurance. Private health insurance is community rated. This means:

* everyone pays the same price for a particular policy
* a health insurer can’t refuse to insure you or sell you the policy you want to buy
* you are guaranteed the right to renew your policy
* If you’re in Australia on a temporary visa, you should consider buying insurance to cover the costs of medical treatment.

**Who provides private health insurance?**

By law, only [registered health insurers](https://www.apra.gov.au/register-private-health-insurers) can provide private health insurance.

Some health insurers can only offer policies to people in certain industries, companies or groups. These are called [restricted insurers](https://privatehealth.gov.au/dynamic/insurer/restricted)

**How private health insurance works with public health care**

This table compares public and private health care services.

| This table shows a list of health services, provides information on how those services might be provided in the public health care system and what private health insurance might offer in addition. |
| --- |
| **Health service** | **Public health care** | **Private health insurance** |
| **In-hospital services** | You may be treated as a public patient in a public or private hospital.The public health care system will cover the cost of your treatment.As a public patient, you cannot choose your hospital, doctor or specialist. | When you choose to be treated as a private patient in hospital:your health insurer covers some or all of the hospital costs (such as accommodation)Medicare covers some of the doctors’ costsyour health insurer covers some or all of the remaining doctors’ costsAs a private patient, you can choose your hospital, doctor and specialist. |
| **Doctor and specialist services outside of hospital** | Medicare covers some or all of the costs of services such as:visits to a GPvisits to specialists in their roomsdiagnostic imagingdiagnostic tests  | Not covered.By law, health insurers can’t offer cover for most of these services. |
| **Other services outside of hospital** | Medicare covers some or all of the costs for other services outside of hospital including:dental care for some childreneye checks by optometristsallied health services, such as psychology, in some circumstances  | You can choose policies that cover some or all of the costs for many services outside of hospital. |
| **Prescription medicines** | Prescription medicines are covered by the [Pharmaceutical Benefits Scheme (PBS)](http://www.pbs.gov.au/pbs/home). | You can choose policies that cover some prescription medicines not covered by the PBS.  |
| **Prostheses** | The costs of implanted prostheses are covered if you’re a public patient. | If your policy covers the procedure to implant a prosthesis, it will also cover some or all of the cost for the prosthesis itself. Find out more about [private health insurance cover for prostheses](https://www.health.gov.au/health-topics/private-health-insurance/what-private-health-insurance-covers/prostheses-cover-under-private-health-insurance). |
| **Ambulance** | Some state and territory governments provide [ambulance cover](https://privatehealth.gov.au/health_insurance/what_is_covered/ambulance.htm).  | You can choose policies that cover ambulance costs when they are not covered by your state or territory government. |