



About tax offsets

Tax offsets (sometimes also referred to as rebates) directly reduce the amount of tax you must pay. They are not the same as deductions, which are taken off your income before your tax is worked out.

With a tax offset, we work out the tax due on your taxable income then reduce it by the total amount of your tax offsets.

Tax offsets can only reduce the amount of tax you pay to zero, that is, if your tax offsets are greater than your tax due, you do not get a refund of the excess amount – with three exceptions. The three refundable tax offsets are:

- the [private health insurance rebate](#)
- the [franking tax offset](#)
- the [baby bonus](#).

Tax offsets, in general, do not reduce your Medicare levy; however, where you have excess refundable tax offsets, you can use them to reduce your tax, including your Medicare levy.

Generally, there are three types of tax offsets. They:

- provide tax relief for personal circumstances (for example, tax offsets for senior Australians and people living in remote areas)
- give you a credit for an amount of tax that has effectively already been paid (for example, credits for franked dividends and foreign tax)
- provide an incentive (for example, the tax offset for mature age workers and the private health insurance rebate).

What to read/do next

- [Dependent spouse tax offset](#)
- [Beneficiary tax offset](#)
- [Private health insurance rebate](#)
- [Net medical expense tax offset](#)
- [What is the zone tax offset?](#)
- [Low income tax offset calculator](#)

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