Social security insurances for expatriates in Australia

Fact Sheet, August 2026

How are expatriates working in Australia covered for expenses relating to ill health, accidents and unemployment, and are any of these insurances tax deductible? Below is a summary of the types of insurance and their tax status.

Overseas business sending staff and employees relocating to Australia must consider their obligations in respect of various social security contributions and insurance requirements.

In Australia, the following types of social security benefits / insurances are available for expat employees through the payment of various contributions, levies and insurances to the government and/or private insurers.

- Health and illness – for medical costs
- Old age – retirement income, known as 'Pensions' in many countries and 'Superannuation' in Australia
- Disability – for long-term care if you become disabled
- Unemployment – to replace income lost if you are not able to work.

1. Health Insurance – public and private

Australia has a Medicare system which covers many health care costs for eligible persons. An employee can choose whether to have Medicare cover only, or a combination of Medicare and private health insurance. Citizens and most permanent Australian residents are eligible for Medicare coverage, which is paid as an income tax via the 'Medicare Levy'.

Medicare may reimburse part or all of eligible medical expenses, depending on the service provided. Additionally, if you hold a private health insurance policy, you may be partially reimbursed for extras such as dental, physio, optical and private hospital expenses.

The **Medicare Levy Surcharge (MLS)** is an additional levy paid by Australian taxpayers who do not have a sufficient level of private health insurance and who earn over a certain income level. It incentivises high income earners to take out private health insurance, and reduce the strain on the public health system. The surcharge is 1% - 1.5% of an employee's income, which is in addition to the Medicare Levy of 2% of an employee's taxable income paid by most Australian employees.

Employees on temporary Australian visas can be exempt from paying the Medicare Levy and Surcharge if they obtain a 'Medicare Entitlement Statement' which states they are not entitled to Medicare benefits while in Australia.

TAX: The Medicare Levy Surcharge and Medicare Levy are private employee expenses and are generally **not tax deductible** by either the employer or employee.

Note that employers are separately required to obtain worker's insurance on to cover claims from their staff for work-related injuries or illnesses. This is registered separately in the Australian state where staff are employed and performing their duties.

2. Contributions to fund old age retirement income

In Australia, retirement income can be funded through a mix of personal savings, a government pension and superannuation.

The superannuation component is made up of employer contributions and an employee's own personal contributions. Money deposited into superannuation is invested by the fund's trustee (an external fund manager), who aims to grow an individual's account balance while an employee is still working. When an employee stops working, their superannuation balance is usually converted into a pension to provide income to fund their retirement.

+ During Employment

While an employee is working, the employer must put an amount equal to 12% of the employee's 'qualifying earnings', into the employee's super fund. This is an extra payment on top of an employee's wages or salary, known as the Super Guarantee Contribution (SGC). An employee can also top up their super balance by making personal contributions to their super fund.

+ Before Retirement

An employee who has turned 60 years old can access their super balance when they leave a job (known as a retirement event). This does not prevent the employee from becoming gainfully employed again in the future.

+ **At Retirement**

When an employee turns 60 they can withdraw their entire super benefit as a lump sum, roll it over into an income stream, or undertake a combination of both. Most people choose to have their income from super paid to them in some form of income stream to provide a regular income once they stop working. Upon commencing an income stream, an employee can currently move up to $2.1 million of their super balance into a tax-free income stream (known as a 'pension account' - which comes with minimum drawdown requirements in each future year).

+ **Upon permanently leaving the country**

An employee on a temporary visa that permanently leaves Australia can ask to draw out their superannuation payment. Tax will be withheld on the payment by the fund before release. This is called a Departing Australia Superannuation Payment (DASP).

DASPs cannot be made to Australian Citizens or Permanent Residents.

TAX: Superannuation contributions form part of an employee's remuneration package and are generally **tax deductible** to the employer.

3. Disability insurance

Individuals can take out Total & Permanent Disability (TPD) Insurance to provide cover if they are totally and permanently disabled. TPD insurance helps cover the costs of rehabilitation, debt repayments and the future cost of living. There are many issues to consider to ensure the right cover is selected for the employee's needs.

TAX: The costs associated with Total & Permanent Disability (TPD) Insurance are private employee expenses and generally **not tax deductible** because the insurance proceeds are generally not taxable. However, there are benefits of holding this cover through your superannuation, in which case the premiums are tax deductible.

4. Income protection insurance

Individuals can also purchase Income Protection Insurance in Australia to replace the income lost if they are unable to work for a long period due to injury or sickness.

TAX: The costs associated with Income Protection Insurance premiums are generally tax deductible for the employee because the income from these type of insurance proceeds is generally taxable.

Professional assistance for expatriate insurances and salary-packaging

The choice of insurances for expat employees in Australia can be complex and there are several factors to consider to ensure policies are tax-effective and not invalidated when you need it. Accru's wealth management division specialises in this area and can assist you to make the best choices for specific needs.

Accru Felsers assists many international businesses to establish in Australia, including tax-effective salary packaging for key expatriate personnel. If you would like to know more about how we can help, please contact us or your local Accru advisor.

Disclaimer: This fact sheet is of a general nature only and is not intended to be relied upon as, nor to be a substitute for, specific professional advice. No responsibility for loss occasioned to any person acting or refraining from action as a result of this information can be accepted.

Author: Accru Felsers