

# Medical tax rebates stable after budget speech

Issued by [Bonitas](#)

2 Jan 2019

Private medical aid members can breathe a sigh of relief after the budget speech. Treasury has been hinting for a while that they were considering reducing of the medical tax credit to fund the National Health Insurance (NHI), fortunately it remains unchanged for the year ahead.



Gerhard van Ermenis, Principal Officer of Bonitas Medical-Fund

Although it was a relief to members it was also a surprise tax sacrifice, considering the need to fund NHI. This equates to over R30 billion this year and around R35/36 billion for the coming year - a large sum indeed.

It is believed the removal of tax credits would have upset too many people who are dependent on it to access private health care and are essentially being rewarded for not burdening the government health care.

Before 2012, SARS deducted your medical aid contributions against your taxable income. 'Originally,' says Gerhard Van Ermenis, Principal Officer of Bonitas Medical Fund, 'your medical aid contributions would be a deduction against your taxable income. However, from 2012, SARS introduced a medical credit, a 'tax credit' which is deducted from your overall tax liability.' The medical tax credit consists of the following two amounts:

## 1. *The medical scheme fees tax credit*

This applies to the premiums paid by you to a registered medical scheme on behalf of yourself and your dependants.

- The main member, as well as the first dependant on the medical scheme, receives a monthly tax credit of R310 (for the 2018-2019 year).
- All additional dependants receive a monthly tax credit of R209 (for the 2018-2019 tax year).

There are three categories:

1. *Under 65 (without disability)*

25% of total contributions paid to the medical scheme

Less (4X medical scheme fees credit)

Plus qualifying medical expenses paid less 7.5% of taxable income

2. *Under 65 (with disability)*

33.3% of total contributions paid to the medical scheme

Less (3X medical scheme fees credit)

Plus qualifying medical expenses paid

3. *65 or over (with or without disability)*

33.3% of total contributions paid to the medical scheme

Less (3X medical scheme fees credit)

Plus qualifying medical expenses

It is important to note that if your premium is a deduction from your salary or wages, your employer is obliged to use the credit system to adjust your monthly PAYE tax accordingly. If you contribute to a medical scheme independently from your employer, you will receive the tax credit on assessment when you complete your tax return.

2. *The additional medical expenses tax credit*

This means that the overall amount of tax you need to pay at the end of the tax year is reduced. The amount of your tax rebate is made up of a percentage all out-of-pocket expenses you have spent on qualifying medical expenses that weren't covered by your medical scheme. This amount accumulates throughout the tax year. You will need to keep the slips for these expenses. To calculate the additional medical expenses tax credit, special formulas are used. The specific formula to use depends on your age and whether you or one or more of your dependants has a disability.

*The following out-of-pocket expenses qualify:*

- Consultations, services or medications from a registered medical practitioner, arthropod, physiotherapist, dentist, chiropractor, herbalist, homeopath, optometrist, osteopath or naturopath
- Admission to a registered hospital, including nursing homes
- Care at patient's home by a registered nurse, nursing assistant, nursing agency or midwife
- Medicines prescribed by a duly registered physician (as listed above) and acquired from a duly registered pharmacist
- Medical expenses on services rendered or medicines supplied outside of South Africa and which are substantially similar to the services and medicines listed above
- Money paid towards treatment of a physical impairment or disability (as long as it is a qualifying expense prescribed by the Commissioner).

*What about over-the-counter expenses*

It is important to note that unless these are prescribed by a registered medical practitioner and acquired by a pharmacist they don't enjoy a tax rebate. Examples include medicines, such as cough syrups, headache tablets or vitamins.

'Whether NHI is going to materialise or not', says Van Emmenis, 'The Government's coffers need filling and the approximately 17% of the South African population on private medical should expect their medical aid tax relief to get less and less in the future.'

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