THE NEW MEDICAL EXPENSE DEDUCTIONS EFFECTIVE 1 MARCH 2014

From the beginning of next month, taxpayers who used to qualify for a medical claim deduction against taxable income will no longer get this deduction. Instead, a fraction of allowable claims for out-of-pocket medical expenses and a fraction of allowable claims for contributions will all be converted to form additional tax credits This will apply to ALL taxpayers no matter what their age and no matter if the taxpayer, or family member, has a disability/handicap claim or not. The "excess of 7.5% of taxable income" rule is still there in certain circumstances but, now, only a fraction of the "excess" will be converted to tax credits and nothing will be allowed as a deduction against taxable income. These extra tax credits will also affect salary deductions at source!

From 1 March 2014, section 18 of the Income Tax Act which deals with the medical deductions is deleted and replaced with a “tax credit” (section 6B). This applies to *all* taxpayers irrespective of age or disability.

Fortunately, any assessed loss which may have built up in the past due to a person’s medical expenses, is still retained and may be off set against future taxable income.

In my opinion...(Tony de Wijn - Softbyte Computers cc (Durban SA) Est. 1983)writes;
SARS's new laws fall short in their objectives of helping lower income groups. Only taxpayers with low incomes, high medical expenses and/or high medical aid contributions could possibly score with these new laws. How many taxpayers out there with low incomes can afford high contributions and high out-of-pocket expenses? The only one who scores here is SARS. To me it seems a bit like SARS giving a generous rebate to people over 120 years old. These new tax-credit changes effectively mean that taxpayers who have worked hard to enjoy decent income levels to be able to afford good private medical care are being punished when it comes to these new medical tax credit laws. This is now especially true for taxpayers 65 and older as medical aid contributions paid by their employer i.r.o. the employee are now fully taxable in the hands of the employee. Instead of getting these contributions tax free, older taxpayers now get tax credits which, if they earn a decent income, will mean they pay even more tax. An additional "hidden" tax here is that SARS will now also collect more SDL from employers who pay contributions i.r.o. older taxpayers.

Tax Credit – Section 6A

Section 6A provides that a rebate may be claimed by a natural person, who is under the age of 65 years and who has made contributions of any amount to a South African or foreign medical aid scheme.

The credit deductible from the person’s normal tax is as follows:

R242 per month for tax payer only

R484 per month for taxpayer and one dependant

R484 per month for taxpayer and one dependant, plus R162 per month in respect of benefits for each additional dependant.

Additional medical expenses – Section 6B

Section 6B is a rebate claimable in *addition* to Section 6A rebate and primarily deals with a person's age and whether or not they have a qualifying disability. It is deductible from the normal tax payable by a natural person.

It is a relatively complicated calculation and varies depending on each individual's circumstances.

For professional advice and assistance please contact TFA Global (Pty) Ltd

tax@tfaglobal.co.za or call 021-9481584.

Ref: Notes on South African Income Tax: Phillip Haupt 2014

Ref: Tony de Wijn - Softbyte Computers cc (Durban SA) Est. 1983