

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER 1852 [NW2089E]
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Mrs P C Duncan (DA) to ask the Minister of Finance:

- (1) What is the relationship between the tax subsidy for people who have private medical aids and the means test used at public hospitals;
- (2) what is the cost of the tax subsidy to the State
- (3) whether any studies have been conducted with regard to what it would cost the State if all beneficiaries who are currently on private medical aids were to start using public health facilities; if not, when will such a study be conducted; if so, what were the findings?

NW2089E

REPLY:

- (1) There is no explicit relationship currently between any tax subsidy for people who have private medical aids and the means test used at public hospitals. However, forthcoming reforms proposed by the National Treasury in the 2011 Budget propose limited tax relief for contributions to medical schemes and out-of-pocket medical expenses, which if enacted, will provide a subsidy to individuals making use of private health care facilities that are in line with government's health expenditure per person in the public health sector. More information is available in a recent paper published by the National Treasury titled "*Conversion of Medical Deductions to Medical Tax Credits – Tax Policy Discussion Document for Public Comment*" published on 17 June 2011 and available on the National Treasury website (www.treasury.gov.za.) The Honourable Member should, however, note that these proposals are also subject to change, as discussions on the National Health Insurance are finalized over the next few years. The draft policy paper

related to the proposed National Health Insurance has just been published for comment in the Government Gazette by the National Department of Health.

- (2) Estimates of the tax benefit of medical deductions and exempt contributions by employers are provided in the 2010 Tax Statistics published by SARS and National Treasury. For 2008/09, the estimated tax benefit of medical deductions and exempt contributions by employers is R15.0 billion. Note that this is an estimate because the data only reflects those returns that have been assessed at the time (mid 2010) when the 2010 Tax Statistics was compiled.
- (3) No such study has been conducted by the National Treasury in this regard. It may be that exploratory work in this regard is being undertaken as part of the research into the proposed National Health Insurance.