

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2966 [NW3279E]
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2966. Dr S S Thembekwayo (EFF) to ask the Minister of Finance:

What is the total value of tax breaks received by medical aid schemes in 2017?

NW3279E

REPLY:

Medical schemes are exempt from tax in terms of section 10(1)(d) of the Income Tax Act, 1962. Being exempt affords medical schemes exemption from any growth in the funds invested by the schemes, which would include interest income on investments. Medical schemes are created for the benefit of members to cover members' medical expenses. Members of the medical schemes benefit from the income tax exemption indirectly to the extent that the tax free growth on investments is utilized to fund the medical expenses of members. Although precise data on the magnitude of the indirect benefit to members is not available, the tax expenditure in this regard will be a fraction of the tax expenditure on medical tax credits, as set out in Annexure B of the 2018 Budget Review, given the reserve requirements for medical schemes and likely growth. It should also be noted that medical scheme administrators are not exempt from Income Tax.