

# Unlocking your benefits - Medical aid tax credits and subsidies, by Medshield

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Paying monthly contributions to a registered medical aid scheme ensures your healthcare cover and offers financial benefits facilitated by the government through tax relief. This tax relief, known as "tax credits", is a percentage deducted from your tax liability and subsequently refunded to you. You save money by adhering to proper tax filing procedures, making healthcare provisions more economically viable.



Access to affordable healthcare is essential for every individual in South Africa. Medical aid tax credits and subsidies are designed to alleviate financial burdens, making quality healthcare more affordable. In this article, we will unravel the world of medical aid tax credits and subsidies in South Africa, empowering you to understand and potentially benefit from these essential programmes.

The South African Revenue Service ([SARS](#)) has two categories for claiming tax back on medical aid. The first category is the Medical Scheme Fees Tax Credit (MTC) system, which provides tax credits to taxpayers contributing to a registered medical scheme. This tax benefit is calculated based on the number of dependents covered.

The second method, called the Additional Medical Tax Credit (AMTC), enables taxpayers to claim tax returns for out-of-pocket medical expenses not covered by their medical aid.

To qualify for medical aid tax credits in South Africa, you must meet specific criteria:

- **Membership of a Registered Medical Scheme:** You must be a member of a registered medical scheme in South Africa recognised by SARS.
- **Age Requirement:** There are three age requirement options.
  - **Option 1** - If you are under the age of 65 and do not have a disability, you will fall into the most common category. To calculate your medical tax credit, you must add up your total contributions to your medical aid, which should exceed four times your medical scheme fees credit plus qualifying medical expenses. Once done, you must subtract 7.5% of your taxable income and multiply the result by 25%. This result will give you your medical tax credit for the year.
  - **Option 2** – If you are under 65 and have a disability, you may qualify for this option. This option calculates your medical scheme credits as 33.3% of all your qualifying medical expenses paid by yourself, plus the amount by which the total medical scheme contributions should exceed three times the medical scheme fee credits.

- Option 3 – Applies if you are over 65, with or without a disability. This category calculates your credits as 33.3% of your qualifying medical expenses plus the amount by which your medical scheme contributions should exceed three times the medical scheme fee credits.
- Financial Thresholds: Household income and the number of dependents determine eligibility. The government determines income thresholds, which may change annually. This tax credit then decreases as income increases.

Taxpayers can claim medical scheme credits by completing the relevant sections of their annual income tax return. The tax credit amount depends on the number of beneficiaries covered by the medical scheme and is subject to yearly adjustments by SARS.

### **Understanding medical aid subsidies**

Medical aid subsidies are financial assistance the government provides to reduce the cost of premiums for low-income individuals and families. The Medical Scheme Premium Tax Credit (MSPC) system offers these subsidies, which aim to make quality healthcare more affordable by reducing the financial strain of medical scheme contributions for eligible individuals.

To apply for medical aid tax credits and subsidies, follow these steps:

1. Complete the Appropriate Forms: Obtain the relevant forms from the SARS website or visit a SARS branch to collect them.
2. Gather Required Documentation: Collect necessary documents, such as proof of income, medical scheme membership, and identification documents for all applicable dependents.
3. Submit Application: Submit the completed application forms and supporting documentation to SARS per their guidelines.

Taxpayers must keep accurate records of their medical scheme contributions and any other qualifying medical expenses to support their tax claims. Failure to comply with SARS requirements or providing incorrect information may result in penalties or additional taxes.

Medical aid tax credits and subsidies in South Africa are vital in making quality healthcare more accessible and affordable for individuals and families. You can take advantage of their financial support, by understanding these programmes' eligibility criteria, application processes, and benefits.

In addition to saving when you receive your tax returns, Medshield offers affordable benefits where you can also save. We continuously review and improve the range of benefits in each option to bring you what you need – quality healthcare at affordable prices and a range of plans that suit your specific needs.

Medshield also received, for the 16th consecutive year, the acclaimed AA- with a stable outlook, Global Credit Rating for our ability to pay our members' claims. You never know when you or your family member/s may require medical care or treatment, and most importantly, whether you will have funds available to cover the costs. Medshield is a healthcare fund where all members contribute to the fund every month to cater for medical cover should the need arise.

Remember to consult the South African Revenue Service (SARS) website or seek assistance from a professional tax advisor for accurate and up-to-date information. By harnessing medical aid tax credits and subsidies, you can ensure that you and your loved ones receive the healthcare you need while lessening the financial burden associated with medical expenses.

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