

Disabled to benefit from new tax

A new medical tax credit will come into force in March 2012, replacing the existing medical aid cap amount. This will give employees more deductions and provide extra benefits for the disabled, who currently qualify for the same cap amount as everyone else for PAYE purposes.

The current cap amount allows tax payers to qualify for a deduction from their taxable income of R720 a month for each of the first two individuals that are covered by their medical aid contribution and R440 for each additional medical aid dependant when PAYE is calculated.

"With the new medical tax credit, employees paying medical aid contributions will qualify for a deduction of R216 a month from their net tax for themselves, plus an additional R216 for the first medical aid dependant and R144 for each additional dependant," says Roy Warren, executive chairman of NuQ.

He says that if the employee or any of the dependants are disabled or over 65 the employee will be entitled to a further deduction from net tax of R216 a month. "The draft Act is ambiguously worded in respect of the additional tax credit, and it is possible that an additional R216 a month is to be allowed for each person over 65 or disabled," he adds.

Employers must keep track

Disabled employees currently qualify for the same cap amount deduction as anyone else and the fact that they are disabled is not taken into consideration when calculating PAYE.

"Of course, when their annual tax return is submitted to SARS, they will be allowed their full medical aid contribution as a deduction from income, but from March next year employers will need to keep track of all disabled employees and the dependants who are covered by their medical aid contributions," says Warren.

This could pose a challenge as there is no guidance in the draft Act as to how employers are expected to ensure that the claimed disability is genuine. Employers will also need to keep track of the ages of employees' dependants to determine whether they are under or over 65.