



**TO: BOARDS OF TRUSTEES
PRINCIPAL OFFICERS
ADMINISTRATORS**

Telephone: 011 – 537 0237
Fax: 011 - 880 8798
Enquiries: HEIDI KRUGER
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CIRCULAR NO 50 OF 2004

INCOME TAX CERTIFICATES ISSUED BY MEDICAL SCHEMES

The Council for Medical Schemes has been approached by the South African Revenue Services (SARS) who have indicated that they are experiencing problems with income tax certificates issued by medical schemes to members.

These problems revolve around the following reflected on the said income tax certificates issued by medical schemes:

1. Amounts not refunded/paid by medical schemes -
 - 1.1 Does it always refer to medical expenditure only?
 - 1.2 Could these amounts include non-medical related expenditure e.g. expenditure at a pharmacy that does not refer to prescribed medicines?
 - 1.3 Do these amounts always refer to expenditure incurred in respect of the applicable year of assessment in terms of the Income Tax Act?
 - 1.4 Could part of the amount refer to an amount that could possibly be considered a "loan" from the scheme to be paid back by the member in instalments and therefore not necessarily be incurred by the member in the relevant year of assessment?
 - 1.5 If the savings account amount is included as part of the members contributions, how would these amounts that are utilised for the payment of expenditure be reflected on the statements.
2. Contributions
 - 2.1 The amount or percentage of savings included in contributions.

SARS are seeking to standardise the information reflected on income tax certificates issued by medical schemes. To this end they have approached the Council to facilitate a meeting between SARS and schemes (including administrators) via the Board of Healthcare Funders (BHF).

Accordingly, Boards of Trustees, Principal Officers and Administrators are invited to provide comments and suggestions on the above to Heidi Kruger by fax on (011) 880 8798 or alternatively e-mail it to HeidiK@bhfglobal.com urgently.

Your assistance in this regard will be highly appreciated.

Kind regards

A handwritten signature in black ink, appearing to read 'T Patrick Masobe', with a stylized, cursive script.

T PATRICK MASOBE
REGISTRAR OF MEDICAL SCHEMES