

SARS RULES ON INTEREST IN MEDICAL SAVINGS ACCOUNTS

The Council for Medical Schemes has called on trustees of medical schemes and scheme members to be aware of the legislation relating to interest accumulated in personal medical savings accounts and to comply with the law at all times.

This follows a ruling by the South African Revenue Service (SARS) to members of medical schemes that all interest accumulating their personal medical savings accounts is taxable in their hands and should be declared to SARS by the trustees of medical schemes.

Failure to comply with this legislation will result in a fine or imprisonment or both, SARS has warned.

According to SARS, personal medical savings accounts are generally owned by the members of schemes, and not by the schemes. It follows that any interest paid by the fund to a personal medical savings account accrues to the holder or owner of the account, being the member. The exemption of investment income from tax provided to medical schemes by virtue of the provisions of section 10(1)(d) of the Income Tax Act does, therefore, not apply.

Esann de Kock, Communications Manager at the Council for Medical Schemes, says members of schemes should also be mindful of the following regulations relating to personal medical savings accounts:

- ?? No scheme may pay into a member's savings account an amount of more than three months' contributions of the total contribution made by a member during a financial year;
- ?? Funds deposited in a member's personal medical savings account may not be used to offset contributions;
- ?? Credit balances in a member's personal medical savings account should be transferred to another medical scheme with personal medical savings account options when the member changes schemes;
- ?? Credit balances in such a savings account must be taken as a cash benefit, subject to applicable laws, when the member terminates his or her membership of a medical scheme or benefit option without enrolling in another medical scheme or enrolls in another medical scheme without a personal medical savings account provision.

ENDS

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