

benefit extended

South African Institute for Professional Accountants says the wider definition of a dependant for tax purposes will benefit individual taxpayers assisting family members who are unable to pay their own medical aid contributions

THE wider definition of a dependant for tax purposes will benefit individual taxpayers assisting family members who are unable to pay their own medical aid contributions, the South African Institute for Professional Accountants (SAIPA) said recently.

Faith Ngwenya, technical director at SAIPA, said by broadening the definition of a dependant a taxpayer will be able to claim medical aid contributions paid on behalf of the extended family beyond just the husband and wife and their children.

She said the South African Revenue Service (SARS) seemed to have shown a willingness to accommodate the economic reality faced by many families.

Mark Kingon, head of operations at SARS, said the reference to immediate family members in the definition had been broadened to include extended family.

A dependant now includes a husband or wife, their children and "any other person who is recognised as a dependant of the person in terms of the rules of a medical scheme or a fund".

Any other dependant who is recognised as a dependant can include nephews, nieces, parents and grandparents.

Mr Kingon said the change was introduced in the latest Taxation Laws Amendment Bill, but that the internal guides on how the provisions would be applied had not been finalised. He said a means test would still be used to determine whether someone was truly dependent on the taxpayer who paid the contributions.

The definition provided in the Medical Schemes Act includes other members of the member's immediate family "in respect of whom the member is liable for family care and support".

A deduction would not be allowed if the contribution was paid simply because the taxpayer wanted to pay it, Mr Kingon said. The taxpayer paying the contribution would have to show he was liable for the member of the medical aid's care and support.

Ms Ngwenya gave the example of a married woman who was a member of her husband's medical aid, but was paying for the medical aid contributions of her parents, who belonged to another medical aid scheme. She said before the change, SARS would have refused to accept the payment as a legitimate deduction.