

TAX IMPLICATIONS OF HIV-CARE COSTS

While the 2001 budget speech did not address the HIV/AIDS crisis in South Africa, some South Africans are really doing their homework. For example, R A Parkes and Associates have established how HIV-positive patients can obtain tax relief from the South African Revenue Services (SARS). This tax relief could make HIV-care costs more affordable.

Many HIV-positive patients and other individuals with chronic illnesses are unaware that they have a right to claim medical expenses against their net remuneration. Patients earning less than R60 000 per annum are not registered as taxpayers and are therefore not required to submit annual income tax returns. What they may not know is that despite not being registered as taxpayers, a claim can still be lodged with the SARS by completing and lodging what is referred to as an IT11 form.

To lodge a claim the patient needs to submit the following information:

- a copy of his/her identification document
- the employer's IRP 5 form
- all medical expense claims
- a fully completed IT11 form.

Medical expense claims should include the following:

- details of medical scheme contributions (subscriptions)
- excess health care costs not covered by the medical aid
- all incidentals, i.e. pharmacy bills not submitted to the medical scheme
- travelling costs related to obtaining treatment
- other medical professionals' costs, e.g. nursing and dietician.

RETROSPECTIVE TAX RELIEF

Patients who have not claimed these expenses for a period of 5 years may still lodge a claim as long as they are in possession of their original relevant IRP 5 form and all medical expense vouchers.

Where a patient's net remuneration exceeds R60 000 per year, he/she should register as a taxpayer with SARS and lodge an IT12 form.

The same documentation is required to lodge the IT12 form (as outlined for the IT11 form).

FIXED PERCENTAGE TAX DIRECTIVE

While the above method is one way to receive tax relief retrospectively, there is another method of tax relief that could enhance patients' cash flow on a monthly basis.

People on chronic medication usually take fixed doses of regular medication, and therefore the cost of treatment can be calculated for a full financial year.

In this case, people on chronic medication (including treatment for HIV/AIDS) may apply for a fixed percentage tax directive.

To obtain a fixed percentage tax directive an IRP 3 should be obtained, completed, and submitted to SARS.

The following documentation should be submitted simultaneously with the completed IRP 3 form:

- a copy of the patient's identification document
- a completed application form for a tax reference number
- a completed IRP 3 form
- a doctor's letter confirming that the patient suffers from a chronic disease
- a projection of all medical expenses for the full financial year including medication, consultations and investigations.

IMPORTANT INFORMATION

Patients need to obtain this document at the beginning of the tax year, although SARS is lenient with applications lodged after the first 3 months of the fiscal year.

A PATIENT REMINDER

It is essential that patients retain all health care expense vouchers/receipts as all claims have to be substantiated at the financial year-end by submitting an income tax return.

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