

MEDIA RELEASE

Proposed scrapping of tax credits on medical-aid contributions: PSA concerned about impact on workers

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EMBARGO

None

ENQUIRIES

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The Public Servants Association (PSA), representing more than 240 000 public-sector employees, noted with concern tax-policy proposals under consideration by the National Treasury, particularly the potential removal of medical-aid tax credits.

These proposals, if implemented, could place an additional financial burden on workers who are already struggling with the inflated cost of living. The PSA strongly opposes the removal of medical-aid tax credits. Such a measure will significantly impact middle-class workers who rely on these credits to make healthcare more affordable. Government has long indicated that the removal of medical-aid tax credits is aimed at funding the National Health Insurance (NHI) scheme. The PSA, however, remains deeply concerned about the lack of a clear and sustainable funding model for the NHI and potential consequences for workers and the healthcare system. The removal of these credits could result in many workers being unable to afford private medical aid, further straining an already overburdened public healthcare system.

The PSA acknowledges the need for a fair and effective tax system but cautions against measures that disproportionately affect the working class. The proposed increases in personal income tax for high-income earners, inheritance taxes, and financial transaction taxes must be carefully assessed to ensure that these do not discourage economic growth and job creation. Whilst the review of tax incentives is necessary to eliminate inefficiencies, the PSA urges the National Treasury to consider the broader economic impact of these removals, especially concerning employment and investment.

The PSA also noted the National Treasury's scepticism regarding the Employment Tax Incentive (ETI) and its effectiveness in creating jobs. Given South Africa's high unemployment rate, any adjustments to the ETI must be based on unmistakable evidence and aim to foster job creation rather than reducing employer incentives. As the National Treasury continues to evaluate tax proposals in preparation for the 2025 Budget, the PSA calls for meaningful engagement with labour representatives and other stakeholders to ensure that any changes are implemented in a manner that protects workers and promotes economic stability. The PSA will closely monitor developments and advocate for policies that uphold the rights and financial well-being of workers.

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