



TAX BENEFITS FOR MEDICAL PROFESSIONALS NEEDED IN THE BUDGET

Innovative changes in South Africa's current tax structures must be announced in the National Budget in order to encourage a greater number of graduates to pursue scarce skilled professions such as medicine and dentistry.

This is according to Mike Jackson, CEO at PPS, the specialist South African financial services provider to graduate professionals, who says that the National Budget speech on 22 February 2011, should address this problem by introducing tax breaks to recently qualified practitioners.

“South Africa is losing thousands of qualified medical professionals each year because the state cannot match the lucrative salaries available offshore. We need to see a new initiative such as a 5-year ‘establishment tax rebate’ for medical and related professionals, which would help to keep these scarce skills within our borders.

Jackson says that while such a proposal would add a level of complexity to existing revenue collection processes, the long-term benefit to the country's 50 million citizens far outweighs any administrative cost. “Tax payers invest large amounts of money in the training and education of medical professionals and to see so many of these working in London is a tragedy.”

According to a report compiled by the Colleges of Medicine of South Africa (CMSA) there are an estimated 27 641 doctors practicing in South Africa, with approximately 23 407 South African-born doctors believed to be practicing in overseas countries. There is also a major shortage of dentists with only 4 153 registered dentists in South Africa. Compared with developed economies, South Africa's ratio of medical professionals per 1 000 people is unfavourable: the UK has 120 000 doctors for a population of 60 million, while South Africa has only 27 000 doctors for a population of 48 million.

Jackson says a significant issue that also needs to be addressed in the Budget is Government's planned implementation of the National Health Insurance (NHI) system. “Many parties have provided comment on the proposed initiative and we are still awaiting feedback. However, a common consensus among stakeholders is that further engagement is required in order to be able to implement a system that is not only sustainable but is also able to meet the actual needs of citizens.”

“Key to the success of the NHI will be a constant supply of newly qualified medical practitioners. Without this, the NHI will simply not be workable. As a result it is crucial that government addresses this issue through

providing tax breaks and other incentives to these professionals. These people have loans to repay and it is essential we don't allow them to be lured away to other countries, just when they become productive," concludes Jackson.

He also notes that the Budget needs to address the lack of savings in South Africa. "The current cap on retirement annuity (RA) contributions at R200 000 is far too low. The result of this will be that those who can afford to save for retirement will continue to save anyway, even if they cannot use an RA. However, most individuals will spend this additional money with the only outcome being a lower savings rate for South Africa."

Jackson says an innovative idea that would assist South Africans in saving for their retirement would be to enable individuals to buy back RA contributions they didn't make use of in previous years. "In people's younger years, when they should be saving for retirement, few people do. However, in their later years when they can afford to save for retirement - and trying get their retirement plans back on track - they are capped in their contributions."