

### **Medical aid allowances are fully taxable.**

Generally, some employers provide their workers with medical allowances to help with their medical expenditures. The allowance is usually part of the employees' compensation package, and, in most cases, the employer's objective would be to cushion the employees or subsidise employees on medical expenses to ensure and secure the wellbeing of the employees. However, in as much as the allowance is to ensure that employees health is safe guarded, it is crucial that both employees and employers understand that such allowances are fully taxable in the hands of the employees. This is the complete opposite of medical aid contributions which are paid by employers to medical aid funds, which are tax-free. In this article, words importing the masculine shall be deemed to include the feminine.

### **Enter medical allowances!**

As alluded to above, a medical allowance is basically any form of monetary reward in addition to an employees' basic salary and other benefits. Primarily, the allowance is granted to employees to cushion or cater for employees' medical expenses. To this respect, the key issue to note is that a medical allowance is a monetary reward whilst contributions to a medical aid is non-monetary. Let us now have a look at the tax treatment of the medical aid allowance and why it is taxable.

### **Enter tax!**

The income tax laws regard any monetary compensations or rewards granted to employees as part of taxable remuneration, unless specifically excluded or exempted by the Income Tax Act. Looking at it from a different perspective, the tax laws bring to tax any monetary allowances granted to employees as a direct consequence of being employed, to the extent such allowance is expended on the personal or private benefit of the employee. In verbatim the Income Tax Act provides that, 'The employment income of any person for any tax year shall include any travelling, entertainment or other allowance to the extent to which it does not represent moneys wholly, exclusively and necessarily expended for the purposes of the employment.'

As you can see, the tax laws regard any other allowances, by whatever name called, as part of employment remuneration that is subject to tax. However, on the other hand, the same Act, further states that, 'the employment income of any person for any tax year shall not include the value of any free medical attention provided or medical attention paid for by the employer.' In other words, if an employer pays for medical bills directly to the medical service provider on behalf of an employee, such an amount paid is construed to be a medical benefit and not allowance, making it tax-free. However, a medical aid allowance paid directly to an employee is fully subject to tax.

We will all agree to the fact that, if an employer pays a medical allowance directly to the employee, the discretion to utilise the allowance paid for medical purposes or for other private endeavours solely lies with the employee. For that very reason alone, the tax laws regard that such an allowance should be subject to tax as it is open to any private use the employee chooses.

### **Conclusion**

To sum it up, a medical allowance paid to an employee constitutes taxable remuneration. However, if an employer pays or settles medical expenses on behalf of employees, such benefit is tax-free.

Well folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay to Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send a text to +267 7181 5836 or email us on [jhore@aupracontax.co.bw](mailto:jhore@aupracontax.co.bw). You can read more tax articles on our website, [www.aupracontax.co.bw](http://www.aupracontax.co.bw) under the 'Tax articles' tab.