

MEDIA RELEASE                      PSA concerned about tax hikes to fund National Health Insurance (NHI)

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The Public Servants Association (PSA) is extremely concerned about the implications of proposed tax hikes to fund the National Health Insurance (NHI) scheme as South Africans are not able to bear such a financial burden, particularly during the current economic climate.

The funding model presented by the Department of Health lacks sustainability. It disproportionately burdens the poor who is already struggling to make ends meet amidst the high cost of living, constant increases in petrol prices, and soaring interest rates. In addition, salary increases have consistently lagged behind inflation rates, exacerbating the financial strain on households.

Government's plan to increase value-added tax and income tax to offset the NHI deficit is alarming. Not only are these tax hikes likely to be insufficient to cover the costs of the NHI, but will also place additional strain on consumers, further diminishing their purchasing power and exacerbating financial hardships. Previous estimates suggest that government would need nearly R200 billion annually to sustain the NHI. However, with the proposed tax increases falling short and economic challenges persisting, citizens will undoubtedly bear the brunt of the financial burden. This will perpetuate financial constraints on households and deepen socio-economic inequalities.

Current economic challenges, including load shedding and rising food costs, compound the difficulty in revenue collection, especially with a significant portion of the population being unemployed. It is imperative that government prioritises job creation to bolster revenue streams and alleviate pressure on taxpayers. The PSA urges government to address fiscal inefficiencies, including fruitless expenditure and corruption. Funds acquired through corrupt means must be recovered and redirected towards supporting the NHI. The PSA further urges government to streamline the cabinet, reducing unnecessary expenditure associated with an oversized government structure.

Given the uncertainty surrounding the political landscape after 29 May 2024, the PSA advises the President to delay the signing of the *NHI Bill*. Alternative means of funding the NHI must be explored, rather than solely relying on tax increases that disproportionately affect the most vulnerable segments of society. The PSA stands committed to advocating for the welfare of public servants and all citizens and urges government to heed these concerns and pursue equitable and sustainable solutions for financing the NHI.

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