

MEMORANDUM FOR THE CABINET BY THE  
HON. MINISTER OF FINANCE, CUSTOMS  
AND PORT ON THE AMENDMENTS OF THE  
INCOME TAX ACT, 1948, CONCERNING  
MEDICAL EXPENSES

L-Arkiw Nazzjonali ta' Malta

1. Legislation is about to be presented to Parliament for the purpose of the fulfilment of the pledge given in the Budget-Speech for the Financial Year 1968-69 to increase personal deductions, (which will incorporate the present £20 per head for medical expenses), allowable under the provisions of the Income Tax Act, 1948, and to introduce the granting of deductions with a view to affording relief in cases of specified illnesses of a serious nature and in cases of illnesses involving extraordinary medical expenses.
2. The legislation implementing the latter part of the Budget-Speech (regarding expenditure for illnesses) will have necessarily to provide for a system of control and particularly for the production of receipts in evidence of the amounts paid, if it is to be ensured that the deduction under reference is only granted in respect of really deserving cases. But the majority of taxpayers claiming such deduction will be in the position of not being able to produce the receipt in respect of expenses incurred in the current year, particularly so if the expenses have been paid abroad. The Chief Government Medical Officer will also not be in a position to certify certain facts which will be required to be ascertained before the expenditure is incurred.
3. There are two alternatives for the solution of the difficulty above referred to, namely:-
  - a) either the amending Act - in so far only as the amendments in respect of expenditure for illnesses is concerned - is made to operate from the basis year 1969 and not from the basis year 1968; or

/b).....

b) a transitory provision is introduced in the amending Act whereby the production of receipts and the system of control to prove expenditure in respect of illness will be dispensed with in the first basis year (namely basis year 1968, Year of Assessment 1969) and the granting of deductions in respect of such expenditure will be remitted entirely to the decision of the Commissioner of Inland Revenue who will exercise his own discretion according as to whether he will be satisfied, or not, that the expenditure was actually incurred and was necessary. The Commissioner of Inland Revenue, however, is strongly against this alternative giving him such wide discretion.

Hon. Ministers are requested to state which of the above alternatives is to be adopted.

13th November, 1968.