

MES AND 18A TAX BENEFIT

INTRODUCTION

The South African Government has recognised that certain organisations are dependent upon the generosity of the public and to encourage that generosity has provided a tax deduction for certain donations made by taxpayers.

MES AS A PBO WITH 18A STATUS

MES is a registered Public Benefit Organisation (PBO) with SARS and thus has tax exemption status with SARS. MES is thus exempt from paying certain kinds of taxes like income tax, transfer duties and skills development levies.

In addition, MES has 18A status which will provide its donors with this tax deductibility benefit themselves. A donor making a bona fide donation in cash or in kind to MES, is thus entitled to a deduction from his/her taxable income if the donation meets the requirements of the income tax act.

The amount of the donation which may qualify for a tax deduction is limited to 10% of the donor's taxable income per annum.

PUBLIC BENEFIT ACTIVITIES

The eligibility to issue section 18A receipts is restricted to specific Public Benefit Activities (PBA) as defined by the relevant tax law schedule. Most of MES's activities do comply, except for the spiritual enrichment activities, thus donations toward this activity will not qualify for the 18A tax deductibility.

REQUIREMENTS OF A VALID 18A RECEIPT OR CERTIFICATE

MES will issue either an 18A receipt or an 18A certificate on request, which the donor may be requested to submit to SARS as part of the donor's income tax return. For this 18A receipt to be accepted by SARS it must include the following details:

- The 18A reference number of MES as issued by the South African Revenue Services
- The date of the receipt of the donation
- The name and address of MES to which enquiries may be directed
- The name and address of the donor
- The amount of the donation or the nature of the donation if not in cash
- Certification that the receipt is issued for the purpose of section 18A and that the donation will be used exclusively for the activities which are approved for section 18A purposes

The section 18A receipt will be issued only on receipt and the donor must ensure it claims the 18A tax benefit in the tax year corresponding with that of the donor.

NON QUALIFYING DONATIONS

Unfortunately, the following donations do not qualify for an 18A tax deduction and subsequently MES cannot issue an 18A receipt for:

- Donation of services rendered such as a professional person renders a skill free of charge

- An amount paid to attend a fundraising event such as a dinner or charity golf day
- Memorabilia and other assets donated to be auctioned to raise funds
- The amount paid for the successful bid of goods auctioned to raise funds
- Amounts paid for raffle or lottery tickets
- Amounts paid for school fees, school entrance fees or compulsory school levies
- The value of free rent, water and electricity provided by a lessor to the lessee
- Payments of debt owed by an organisation approved under section 18A. An example would be the cost of repairs to a vehicle which is paid to the service station on behalf of the PBO and is not paid directly to the PBO
- Prizes and sponsorships donated for a fundraising event such as a charity golf day
- Tithes and offerings to churches or other religious organisations for religious activities
- Membership fees

We urge especially our corporate donors to confirm with their auditors/accountants as it may be possible to get a normal expense deduction on some of these non-qualifying donations. For instance, entry into the MES golf day can potentially be claimed as a marketing expense giving the donor the same tax benefit as the 18A would have.

GOODS IN KIND DONATIONS

As mentioned above, any tangible goods such as food items, clothing, equipment or blankets qualify in terms of 18A if made in a bona fide fashion and towards Public Benefit Activities.

The responsibility, however, lies with the donor to substantiate the value of the goods donated. For this reason, the 18A certificate issued by MES stipulates an estimated value and SARS may require the donor to provide additional documentation like a sales invoice or valuation certificate when making the 18A claim in his/her tax return.

Again, please confirm with your accountant as goods bought by the company and delivered to MES should either be allocated to the normal company expenses or to donations. Companies cannot claim the expense twice.

VAT ON DONATIONS

If the donor is a VAT vendor, it should be noted that per definition donations are deemed to be VAT exempt and thus if the donor wants to issue a pro forma invoice to substantiate the value in its books, it should not include any VAT on the invoice.

CLOSING

We trust this information is helpful. If you require any additional information, please contact the finance department at MES.

