

# PBO Fact Sheet

A Public Benefit Organisation (PBO) is any non-profit organisation (NPO), trust, or association incorporated in the Republic of South Africa or any branch within the Republic of a foreign organisation exempt from tax on income.

All NPOs must register for Income Tax and apply for Income Tax exemption (Part I of the Ninth Schedule — Public Benefit Activities (PBAs)).

A PBO's sole or principal objective must be to carry out public benefit activities in a non-profit manner, without promoting economic self-interest.

PBOs benefit the general public and operate within prescribed limits to maintain their tax-exempt status.

Once Income Tax exemption has been approved, based on the NPOs Public Benefit Activities (PBAs), the NPO becomes an Income Tax Exempt Institution (EI/PBO).

PBOs that perform PBAs in Part II of the Ninth Schedule can apply for Section 18A status.

Donations given to approved Section 18A organisations can be in the form of cash or property in kind to help the PBO in performing their public benefit activities. Service to an approved organisation is not considered a donation made in kind.

All Income Tax exempt organisations must submit annual Income Tax returns, even if they are approved as tax exempt organisations.

An NPO does not automatically qualify for preferential tax treatment and must apply for exemption with SARS.

A NPO can only issue section 18A certificates (also known as Section 18A tax deductible receipts) once it has been approved as a PBO and has a section 18A approval.

Section 18A allows individuals and companies to claim tax deductions for donations made to approved section 18A organisations.

PBOs must register for other applicable taxes, such as PAYE, UIF, SDL, and VAT.

Trading/business activities and partial taxation:

- A PBO can carry on business or trading if the sole or principal objective remains pursuing PBAs.
- PBOs can be partially taxed on their trading activities.
- A PBO that has been approved under section 30 of the Act and that becomes liable to be taxed on its trading income will be taxed at a flat rate of 27%, irrespective of whether the PBO is established as a trust, NPC, or as an association of persons.