

**INTERPRETATION NOTE 22 (Issue 6)**

DATE: 30 December 2025

**ACT : TRANSFER DUTY ACT 40 OF 1949**  
**SECTION : SECTIONS 9(1)(c) AND 9(1A)**  
**SUBJECT : TRANSFER DUTY EXEMPTION: PUBLIC BENEFIT ORGANISATIONS AND INSTITUTIONS, BOARDS, OR BODIES**

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## **Preamble**

In this Note unless the context indicates otherwise –

- “**Companies Act**” means the Companies Act 71 of 2008;
- “**declaration**” means a Transfer Duty (TDC01) Declaration submitted via SARS eFiling;
- “**Income Tax Act**” means the Income Tax Act 58 of 1962;
- “**institution, board, or body**” means an institution, board, or body approved by the Commissioner under section 10(1)(cA)(i) of the Income Tax Act having as its sole or principal object the carrying on of one or more PBAs;<sup>1</sup>
- “**Part I**” means Part I of the Ninth Schedule to the Income Tax Act;
- “**PBA**” means any “public benefit activity” as defined in section 30(1) of the Income Tax Act listed in Part I and any other activity determined by the Minister to be of a benevolent nature, having regard to the needs, interest and well-being of the general public;
- “**PBO**” means a public benefit organisation as defined in paragraph (a) of the definition of “public benefit organisation” in section 30(1) of the Income Tax Act and approved by the Commissioner under section 30(3) of that Act;<sup>2</sup>
- “**section**” means a section of the Transfer Duty Act;
- “**Transfer Duty Act**” means the Transfer Duty Act 40 of 1949; and
- any other word or expression bears the meaning ascribed to it in the Income Tax Act or the Transfer Duty Act.

All binding general rulings, declarations, forms, guides and interpretation notes referred to in this Note are available on the SARS website at [www.sars.gov.za](http://www.sars.gov.za). Unless indicated otherwise the latest issue of these documents should be consulted.

### **1. Purpose**

This Note provides guidance on the interpretation and application on –

- section 9(1)(c), which exempts from the payment of transfer duty a PBO or any institution, board, or body provided the whole or substantially the whole of the property acquired is used for carrying on one or more PBAs; and
- section 9(1A), which exempts from the payment of transfer duty the transfer of property<sup>3</sup> by a PBO to any other entity controlled by that PBO.

For purposes of this Note, the transactions do not constitute taxable supplies of fixed property.<sup>4</sup>

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<sup>1</sup> For commentary, see the *Tax Exemption Guide for Institutions, Boards or Bodies*.

<sup>2</sup> For commentary, see the *Tax Exemption Guide for Public Benefit Organisations in South Africa*.

<sup>3</sup> The term “property” is defined in section 1(1).

<sup>4</sup> Section 7(1)(a) of the Value-Added Tax Act 89 of 1991.

## 2. Background

Transfer duty is levied under the Transfer Duty Act on a sliding scale<sup>5</sup> having regard to the value of any property<sup>6</sup> acquired by any person<sup>7</sup> under a transaction<sup>8</sup> or in any other manner.<sup>9</sup> The person acquiring the property (the transferee) is normally the person who is liable for the payment of transfer duty.<sup>10</sup>

All the exemptions from transfer duty in respect of the acquisition of property are contained in section 9. The exemptions in section 9(1)(c) and section 9(1A) apply only to PBOs, and institutions, boards, or bodies meeting the requirements considered in **4.1, 4.2, 4.3 and 4.5**.

## 3. The law

### Section 9(1)(c)

**9. Exemptions from duty.**—(1) No duty shall be payable in respect of the acquisition of property by—

- (c) (i) a public benefit organisation contemplated in paragraph (a) of the definition of “public benefit organisation” in section 30(1) of the Income Tax Act, 1962 (Act No. 58 of 1962), that has been approved by the Commissioner in terms of section 30(3) of that Act; or
- (ii) any institution, board or body, which is exempt from tax in terms of section 10(1)(cA)(i) of that Act, which has as its sole or principal object the carrying on of any public benefit activity contemplated in section 30 of that Act,

in respect of property acquired by such public benefit organisation, institution, board or body, the whole, or substantially the whole, of which will be used for the purposes of one or more public benefit activity carried on by such public benefit organisation, institution, board or body, as the case may be: Provided that if at any time subsequent to the acquisition thereof it is used otherwise than in the manner contemplated in this paragraph, duty shall become payable in respect of the acquisition of that property and the date upon which that property was first so otherwise used shall for the purposes of section 3(1) and section 4 be deemed to be the date of acquisition thereof;

### Section 9(1A)

(1A) No duty shall be payable in respect of the registration of any property transferred by any public benefit organisation contemplated in paragraph (a) of the definition of “public benefit organisation” in section 30(1) of the Income Tax Act, 1962 (Act No. 58 of 1962), that has been approved by the Commissioner in terms of section 30(3) of that Act to any other entity which is controlled by that public benefit organisation;

<sup>5</sup> Section 2(1).

<sup>6</sup> The term “property” as defined in section 1(1) means land in South Africa and any fixtures thereon and further includes specific listed rights and shares.

<sup>7</sup> The term “person” as defined in section 1(1) includes the estate of a deceased or insolvent person and any trust.

<sup>8</sup> The term “transaction” is defined in section 1(1).

<sup>9</sup> For commentary, see the *Transfer Duty Guide*, the *External Guide: Guide for Transfer Duty via eFiling*, the *VAT 409 – Guide for Fixed Property and Construction* and the *VAT 414 – Guide for Associations not for Gain and Welfare Organisations*.

<sup>10</sup> Section 3(1).

## 4. Application of the law

### 4.1 Exemption from transfer duty for public benefit organisations under section 9(1)(c)(i)

To qualify for the exemption from transfer duty for the acquisition of property, the organisation applying for the exemption must be a PBO (see 4.1.1) and must use the whole or substantially the whole (see 4.3) of the property acquired for the carrying on of one or more PBAs (see 4.1.2).<sup>11</sup>

#### 4.1.1 Public benefit organisation

A PBO referred to in paragraph (a) of the definition of “public benefit organisation” in section 30(1) of the Income Tax Act means –

- a non-profit company,<sup>12</sup> a trust,<sup>13</sup> or an association of persons<sup>14</sup> incorporated, formed or established in South Africa;<sup>15</sup> or
- any branch within South Africa of any company, association or trust incorporated, formed or established in a country outside South Africa and that is itself exempt from income tax in that other country.<sup>16</sup>

A PBO must have as its sole or principal object<sup>17</sup> the carrying on of one or more PBAs.<sup>18</sup>

#### 4.1.2 Public benefit activities

The PBAs in the Ninth Schedule to the Income Tax Act that a PBO must carry on are divided into the following categories:

- Welfare and Humanitarian (paragraph 1)
- Health Care (paragraph 2)
- Land and Housing (paragraph 3)

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<sup>11</sup> Section 9(1)(c)(i).

<sup>12</sup> The term “non-profit company” as defined in section 1 of the Companies Act means a company (a) incorporated for a public benefit or other object as required by item 1(1) of Schedule 1 and (b) the income and property of which are not distributable to its incorporators, members, directors, officers or persons related to any of them except to the extent permitted by item 1(3) of Schedule 1 of that Act.

<sup>13</sup> The term “trust” as defined in section 1(1) of the Income Tax Act means any trust fund consisting of cash or other assets, which are administered and controlled by a person acting in a fiduciary capacity, where such person is appointed under a deed of trust or by agreement or under the will of a deceased person.

<sup>14</sup> An association of persons is established or formed by adopting a legal founding document. See Pienaar, G. J. (28 February 2015). Formation. In *Law of South Africa (LAWSA) 2* (Third Edition Volume) in paragraph 155. My LexisNexis [online].

<sup>15</sup> Paragraph (a)(i) of the definition of “public benefit organisation” in section 30(1) of the Income Tax Act.

<sup>16</sup> Paragraph (a)(ii) of the definition of “public benefit organisation” in section 30(1) of the Income Tax Act.

<sup>17</sup> The word “principal” is used in conjunction with “sole” and this concept implies that the PBO must have as the only, or predominant, or foremost aim to carry on one or more PBAs. For the meaning of “sole” or “principal”, respectively, see Wait, M., Hawker, S., and Soanes, C. (2001). *Oxford Dictionary, Thesaurus, and Wordpower Guide*. Oxford University Press.

<sup>18</sup> Paragraph (b) of the definition of “public benefit organisation” in section 30(1) of the Income Tax Act.

- Education and Development (paragraph 4)
- Religion, Belief or Philosophy (paragraph 5)
- Cultural (paragraph 6)
- Conservation, Environment and Animal Welfare (paragraph 7)
- Research and Consumer Rights (paragraph 8)
- Sport (paragraph 9)
- Providing of Funds, Assets or Other Resources (paragraph 10)
- General (paragraph 11)

Specific activities qualifying as PBAs are listed under each of the above categories (see **Annexure A**). A PBO carrying on one or more PBAs may qualify for exemption from transfer duty provided the requirements of section 9(1)(c) are met.

#### **Example 1 – PBO providing assets to another PBO**

*Facts:*

Kings Trust (the trust), a PBO, has been established to hold immovable property for the benefit of Stuart High School, an independent school carrying on PBA 4(a).<sup>19</sup> The trust has acquired immovable property to be developed as follows:

- Five residential units for occupation by senior educators of the school.
- Swimming pool and tennis courts for use by the learners of the school.
- Athletics track for use by the school.

A declaration has been submitted by the trust for the acquisition of the property (see **5**).

*Result:*

The acquisition of the immovable property by the trust will qualify for the exemption from the payment of transfer duty under section 9(1)(c)(i) because –

- the trust is a PBO;
- the trust is carrying on PBA 10,<sup>20</sup> namely, the provision of assets to the school, which is also a PBO to be used in carrying on its educational PBA; and
- the whole of the property will be used to carry on the PBA.

#### **4.2 Exemption from transfer duty for institutions, boards, or bodies under section 9(1)(c)(ii)**

To qualify for the exemption from transfer duty for the acquisition of property, the organisation applying for the exemption must be an institution, board, or body (see **4.2.1**) and must use the whole or substantially the whole (see **4.3**) of the property acquired for the carrying on of one or more PBAs (see **4.1.2**).<sup>21</sup>

<sup>19</sup> This PBA is described as the provision of education by a “school” as defined in the South African Schools Act 84 of 1996.

<sup>20</sup> This PBA is described as the provision of, amongst other things, funds, assets, services, or other resources by way of donation to, amongst other things, any PBO.

<sup>21</sup> Section 9(1)(c)(ii).

#### 4.2.1 An institution, board, or body

To qualify for income tax exemption under section 10(1)(cA)(i), an organisation must be established by or under any law and in the furtherance of its sole or principal object, engage in certain prescribed activities (see **4.2.2**). An institution, board, or body must be approved by the Commissioner before the income tax exemption will apply.<sup>22</sup>

The following entities are specifically excluded from qualifying for income tax exemption under section 10(1)(cA)(i) of the Income Tax Act:

- A company registered under the Companies Act.
- A co-operative.<sup>23</sup>
- A close corporation.<sup>24</sup>
- A trust.
- A water services provider.<sup>25</sup>

The exemption from transfer duty does not apply to a company wholly owned by an institution, board, or body exempt from income tax under section 10(1)(cA)(ii) of the Income Tax Act.<sup>26</sup>

#### 4.2.2 Sole or principal object of an institution, board, or body

An institution, board, or body must for purposes of the income tax exemption in the furtherance of its sole or principal object –

- conduct scientific, technical or industrial research;<sup>27</sup>
- provide necessary or useful commodities, amenities or services to the State including any provincial administration or members of the general public;<sup>28</sup> or
- carry on activities (including the rendering of financial assistance by way of loans or otherwise) designed to promote commerce, industry or agriculture or any branch thereof.<sup>29</sup>

To qualify for the exemption from transfer duty an institution, board, or body must have as its sole or principal object the carrying on of any PBA (see **4.1.2**). The only, main or predominate object of the institution, board, or body must therefore be the carrying on of one or more of the activities required in section 10(1)(cA)(i) of the Income Tax Act and those activities must also qualify as a PBA.

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<sup>22</sup> Paragraph (a) of the first proviso to section 10(1)(cA) of the Income Tax Act.

<sup>23</sup> The term “co-operative” as defined in section 1(1) of the Income Tax Act means any association of persons registered in terms of section 27 of the Co-operatives Act 91 of 1981 or section 7 of the Co-operatives Act 14 of 2005.

<sup>24</sup> The term “close corporation” as defined in section 1(1) of the Income Tax Act means a close corporation within the meaning of the Close Corporations Act 69 of 1984.

<sup>25</sup> The term “water services provider” is defined in section 1(1) of the Income Tax Act. For commentary, see Interpretation Note 133 “Income Tax Exemption: Water Services Provider”. A qualifying water services provider is exempt from the payment of transfer duty under section 9(1)(bB).

<sup>26</sup> For commentary, see the *Tax Exemption Guide for Companies Wholly Owned by Institutions, Boards, or Bodies*.

<sup>27</sup> Section 10(1)(cA)(i)(aa) of the Income Tax Act.

<sup>28</sup> Section 10(1)(cA)(i)(bb) of the Income Tax Act.

<sup>29</sup> Section 10(1)(cA)(i)(cc) of the Income Tax Act.

This may be illustrated as follows:

<b>Qualifying activities under section 10(1)(cA)(i) of the Income Tax Act</b>	<b>Examples of qualifying activities conducted by institutions, boards, or bodies</b>	<b>Equivalent PBAs (see Annexure A)</b>
Scientific, technical or industrial research.	Medical, water, animal or agricultural research.	PBA 8(a) <sup>30</sup>
The provision of necessary or useful commodities, amenities or services to the State or members of the general public.	Promoting, establishing, protecting, preserving or maintaining areas, collections or buildings of historical or cultural interest, national monuments, national heritage sites, museums including art galleries, archives and libraries.	PBA 6(a) <sup>31</sup> or (b) <sup>32</sup>
	The conservation, rehabilitation or protection of the natural environment, including flora and fauna.	PBA 7(a) <sup>33</sup>
	Education by a public school.	PBA 4(a) <sup>34</sup>
	Higher education by a public higher education institution.	PBA 4(b) <sup>35</sup>
The promotion of commerce, industry or agriculture.	The management of natural forests, woodlands and plantations.	PBA 7(a)
	The development of national standards to promote conformity in the quality relating to commodities, products and services.	PBA 8(b) <sup>36</sup>

<sup>30</sup> This PBA is described as research including agricultural, economic, educational, industrial, medical, political, social, scientific, and technological research.

<sup>31</sup> This PBA is described as the advancement, promotion, or preservation of the arts, culture, or customs.

<sup>32</sup> This PBA is described as the promotion, establishment, protection, preservation, or maintenance of areas, collections, or buildings of historical, or cultural interest, national monuments, national heritage sites, museums, including art galleries, archives, and libraries.

<sup>33</sup> This PBA is described as engaging in the conservation, rehabilitation, or protection of the natural environment, including flora, fauna, or the biosphere.

<sup>34</sup> This PBA is described as the provision of education by a "school" as defined in the South African Schools Act 84 of 1996.

<sup>35</sup> This PBA is described as the provision of "higher education" by a "higher education institution" as defined under the Higher Education Act 101 of 1997.

<sup>36</sup> This PBA is described as the protection and promotion of consumer rights and the improvement of control and quality with regard to products or services.

**Example 2 – An institution, board, or body, which has as its sole or principal object the carrying on of a PBA**

*Facts:*

An institution, board, or body is established by law with the object of conducting research, development and technology transfer to promote agriculture and industry and therefore contributes to the improvement of the quality of life in South Africa.

The institution, board, or body complies with all the requirements of section 10(1)(cA)(i) of the Income Tax Act, and the Commissioner has confirmed that its receipts and accruals are exempt from income tax under that section.

The institution, board, or body has acquired immovable property for purposes of erecting a laboratory to engage in research into the quality of the various cultivars of potatoes and their suitability for agricultural, commercial and consumption purposes. Research is to be conducted into the most suitable type of cultivar for the manufacture of crisps with the least impact on the health of the consumer.

A declaration has been submitted by the institution, board, or body for the acquisition of the property (see 5).

*Result:*

The acquisition of the property will qualify for the exemption from the payment of transfer duty under section 9(1)(c)(ii) because the –

- institution, board, or body is exempt under section 10(1)(cA)(i)(aa) of the Income Tax Act;
- sole or principal object of the institution, board, or body is to conduct scientific, technical or industrial research, which activity qualifies under PBA 8(a); and
- whole of the property will be used to carry on the PBA.

**Example 3 – A public school qualifying as an institution, board, or body, which has as its sole or principal object the carrying on of a PBA**

*Facts:*

A public school as defined in the South African Schools Act 84 of 1996, and registered as such by the Provincial Education Department (PED),<sup>37</sup> acquired a vacant stand to be developed into a sports field. This facility will be used exclusively to support the school's sports programme, which is an integral part of the provision of education to its learners.

<sup>37</sup> The term “educational department” is defined in section 1(1) of the South African Schools Act 84 of 1996 and means the department established by section 7(2) of the Public Service Act 103 of 1994, which is responsible for education in a province. See Schedule 2 of the Public Service Act, 1994.

The school does not have a formal letter from the Commissioner confirming exemption under section 10(1)(cA)(i) of the Income Tax Act, since the PED applied for a group registration for purposes of section 18A of the Income Tax Act<sup>38</sup> on behalf of all public schools registered under its jurisdiction.<sup>39</sup> The Commissioner has issued a letter to the PED confirming section 18A approval.<sup>40</sup>

A declaration has been submitted by the school for the acquisition of the property (see 5).

*Result:*

The vacant stand acquired, will qualify for exemption from the payment of transfer duty under section 9(1)(c)(ii) since the following requirements are met:

- The school is an institution providing necessary and useful services to members of the general public (see 4.2.2). It may, therefore, be accepted that the school qualifies for exemption under section 10(1)(cA)(i)(bb) of the Income Tax Act.
- The sole or principal object of the school is to carry on of PBA 4(a).<sup>41</sup>
- The whole of the vacant stand will be used to conduct the PBA.

#### 4.3 Meaning of “substantially the whole”

To qualify for exemption from the payment of transfer duty under section 9(1)(c), the whole<sup>42</sup> property, or substantially the whole of the property acquired by a PBO (see 4.1.1), or an institution, board, or body (see 4.2.1) must be used for purposes of carrying on a PBA (see 4.1.2 and 4.2.2).

The concept “substantially the whole” was introduced into the Income Tax Act to ensure that the sole or principal object of a PBO remains the carrying on of PBAs, while at the same time allowing certain parameters within which the PBO can carry on its business undertakings or trading activities.<sup>43</sup> Since PBOs effectively use assets to carry on PBAs as well as business undertakings or trading activities, the Transfer Duty Act was also amended to give effect to the concept of “substantially the whole”.

<sup>38</sup> Section 18A(6) of the Income Tax Act.

<sup>39</sup> For commentary, see the *Tax Exemption Guide for Institutions, Boards, or Bodies* (Issue 2) in paragraph 10.12.

<sup>40</sup> The Commissioner issued letters to the relevant PEDs who applied for such a group registration confirming approval of the group registration for section 18A approval purposes. A public school forming part of a group registration will therefore not have a letter issued by the Commissioner confirming approval as an institution, board, or body under section 10(1)(cA)(i) of the Income Tax Act. A copy of the letter issued by the Commissioner to the relevant PED, however, may be regarded as sufficient evidence of such approval. If any doubt exists, the Commissioner should be contacted for confirmation. Public schools who applied individually for exemption under section 10(1)(cA)(i) and section 18A of the Income Tax Act, however, will be in possession of a letter issued by the Commissioner confirming such approval.

<sup>41</sup> This PBA is described as the provision of education by a “school” as defined in the South African Schools Act 84 of 1996.

<sup>42</sup> The word “whole” is described in the *Dictionary.com* available at [www.dictionary.com/browse/whole](http://www.dictionary.com/browse/whole) as “comprising the full quantity, amount, extent, number, etc. without diminution or exception; entire; full, or total” [Accessed 30 December 2025].

<sup>43</sup> Section 10(1)(cN). For commentary, see Interpretation Note 24 “Income Tax: Public Benefit Organisations: Partial Taxation”.

Although the expression “substantially the whole” is used in various sections in the Income Tax Act it is not defined in that Act. The expression “substantially the whole” is regarded by SARS to mean 90% or more. PBOs, however, operate in an uncertain environment, which makes proper planning difficult therefore in these circumstances SARS accepts a percentage of not less than 85%.<sup>44</sup> If this percentage at any time in the future becomes less than 85%, transfer duty will become payable (see **4.4**).

The percentage must be determined using a method appropriate to the circumstances. It may therefore be calculated on the use of the property based on time (see **Example 4**) or surface area (see **Example 5**).<sup>45</sup> Any portion of the property not specifically used for PBAs or other purposes, must be excluded from the calculation.

#### **Example 4 – Determination of “substantially the whole” based on time usage**

##### *Facts:*

Sunrise Church (the church) is a PBO, which conducts PBA 5(a).<sup>46</sup> On 1 March 2025 the church acquired a second property to be used for church services and bible studies to be offered to the youth. Each year during the period of 1 December to 31 December, no youth activities take place on the property and is available to the general public to hire as a function venue, for example, concerts, and weddings.

##### *Result:*

The church will be using the property for carrying on PBA 5(a) for 92% of the time (334 days / 365 days). The church therefore meets the 85% minimum percentage of the substantially the whole requirement, and no transfer duty is payable on the acquisition of the second property.

#### **Example 5 – Determination of “substantially the whole” based on area usage**

##### *Facts:*

Caring Baby Centre (the centre), a PBO carrying on PBA 1(a),<sup>47</sup> acquired a residence for the purposes of caring for abandoned babies. The centre confirmed that it will use only a portion of the residence for its PBA and will let the remaining rooms to a third party at a market-related rental. The area of the residence is 420 m<sup>2</sup> of which 360 m<sup>2</sup> will be used for its PBA.

Confirmation is submitted that the area of the residence to be let is 60 m<sup>2</sup> and that this area will not be increased in the future.

<sup>44</sup> For commentary, see Binding General Ruling (Income Tax): 20 “Interpretation of the Expression ‘Substantially the Whole’ ”

<sup>45</sup> A taxpayer under section 102(1)(a) of the Tax Administration Act 28 of 2011 bears the burden of proving that an amount, transaction, event or item is exempt or otherwise not taxable. The taxpayer must therefore be able to demonstrate the merits for using a specific calculation method.

<sup>46</sup> This PBA is described as the promotion or practice of religion which encompasses acts of worship, witness, teaching, and community service based on a belief in a deity.

<sup>47</sup> This PBA is described as the care or counseling of, or the provision of education programmes relating to, abandoned, abused, neglected, orphaned or homeless children.

**Result:**

The area that the centre will use for its PBA in relation to the whole residence is taken into account to determine whether substantially the whole of the residence will be used for purposes of carrying on a PBA. The area to be used for the PBA in relation to the whole residence is  $360 \text{ m}^2 / 420 \text{ m}^2 \times 100 = 85,7\%$ . This percentage exceeds the minimum acceptable percentage of 85%.

The centre will qualify for the exemption from transfer duty for the acquisition of the residence under section 9(1)(c)(i) since substantially the whole of the residence is used to carry on a PBA.

#### 4.4 Non-compliance

If at any time subsequent to the acquisition of property that has qualified for the transfer duty exemption under section 9(1)(c), the whole or substantially the whole (see 4.3) of the property is used for a purpose other than for carrying on any PBA (see 4.1.2), transfer duty becomes payable.

The date the property is commenced to be used for a purpose other than for the carrying on of the PBA is deemed under the proviso to section 9(1)(c) to be the date of acquisition for the purposes of section 3(1)<sup>48</sup> and section 4.<sup>49</sup> The value on which transfer duty is payable is determined under section 2 and is not affected by the proviso. It follows that transfer duty will be determined on the original value of the property on the actual date of acquisition, payable at the rate applicable at the deemed date of acquisition.

Should the duty not be paid within six months from the deemed date of acquisition, a penalty, which is applicable to any transaction entered into before 1 March 2005,<sup>50</sup> or interest, which is applicable to any transaction entered into on or after 1 March 2005,<sup>51</sup> of 10% a year for each completed month is payable, calculated from the deemed date of acquisition up to the date that the tax is paid.<sup>52</sup>

#### Example 6 – Transfer duty consequences because of subsequent non-compliance with the conditions for the exemption from transfer duty

**Facts:**

Animal Safe Haven (the haven), a PBO, acquired residential property (first property) for R750 000 on 18 December 2020 for the purpose of providing a shelter for abandoned and ill-treated animals. It submitted confirmation to SARS of its status as an approved PBO together with a declaration (see 5) that the whole of the property would be used for the carrying on of PBA 7(b).<sup>53</sup>

<sup>48</sup> The section deals with by whom, when and to whom transfer duty is payable.

<sup>49</sup> The section deals with the penalty and interest on late payment of transfer duty.

<sup>50</sup> Section 4(1).

<sup>51</sup> Section 4(1A).

<sup>52</sup> For further commentary, see the *Transfer Duty Guide*.

<sup>53</sup> This PBA is described as the care of animals, including the rehabilitation, or prevention of the ill-treatment of animals.

On 27 May 2025 the haven acquired a second property, which provided larger accommodation facilities to enable it to better carry on its PBA. As with the first property it submitted confirmation of its PBO status together with a declaration that the whole of the second property would be used for the carrying on of PBA 7(b).

As from 1 June 2025, the first property was let for commercial purposes and was therefore no longer used in carrying on its PBA.

*Result:*

#### **Acquisition of first property**

The first property qualified for the exemption from the payment of transfer duty under section 9(1)(c)(i) because at the time of acquisition the haven –

- submitted confirmation that it is a PBO; and
- confirmed that the whole of the property will be used to carry on PBA 7(b).

#### **Subsequent change in use**

On 1 June 2025 the whole of the first property was used for the purpose other than the carrying on of a PBA. Transfer duty is therefore payable on the original value of the property as at the original date of acquisition, which is R750 000, at the rate applicable on 1 June 2025.

Unless the PBO pays the transfer duty within six months from the date the property is first used for such other purposes, namely, 1 June 2025, interest will become payable. Interest is calculated at the rate of 10% a year for each completed month that the transfer duty remains unpaid, calculated from the date of acquisition up to the date that the tax is paid.

#### **Acquisition of second property**

No transfer duty was payable under section 9(1)(c)(i) at the time of the acquisition of the second property because the required confirmation of PBO status and intended usage was submitted to SARS.

#### **4.5 Exemption from transfer duty on the transfer of property from a public benefit organisation to any other entity controlled by that organisation under section 9(1A)**

To qualify for the exemption from transfer duty under section 9(1A), the organisation transferring the property must –

- be a PBO (see **4.1.1**); and
- transfer the property to any other entity controlled by that PBO.

The transfer and registration of property from a PBO to a separate entity that is liable for income tax may qualify for the exemption from the payment of transfer duty provided the transferee is controlled by the PBO.

The phrase “controlled by” is not defined in the Transfer Duty Act and should therefore be interpreted according to its ordinary meaning as applied to the subject matter with regard to which it is used.<sup>54</sup> The *Cambridge Dictionary* describes the words separately as –

- “controlled” is “involving careful, intentional actions that limit risk or danger”;<sup>55</sup> and
- “by” is “used to show the person or thing that does something”.<sup>56</sup>

This “controlled by” requirement will be met if the transferee is –

- a company, the shares of which are held by a PBO;
- a trust, the sole beneficiary of which is a PBO; or
- an association of persons, or a non-profit company, the sole member of which is a PBO.

There is no restriction or requirement relating to the purpose for which the immovable property is to be used. The property may therefore be used either to carry on PBAs or to carry on business undertakings or trading activities.

The transfer duty exemption contemplated in section 9(1A) does not apply to any property transferred by an institution, board, or body exempt under section 10(1)(cA)(i) of the Income Tax Act (see 4.2.1), even if it has as its sole or principal object the carrying on of any PBA.

**Example 7 – Transfer of property from a PBO to any other entity controlled by that PBO**

*Facts:*

Care Bears Community Centre (the centre), a PBO, owns the following properties under separate title deeds:

- Improved property in the central business area from where it conducts its activities of caring for homeless and destitute children contemplated in PBA 1(a).<sup>57</sup>
- Improved property used to care for terminally ill persons as contemplated in PBA 2(b).<sup>58</sup> Part of the property is let for commercial use.
- A property bequeathed to the centre comprising ten flats from which rental income is derived.

<sup>54</sup> Kellaway, E. A. (1995). *Principles of Legal Interpretation of Statutes, Contracts and Wills*. Butterworths. Also, see Steyn, L. C. (1981). *Die Uitleg van Wette* 5th ed (paragraph 4 to 7). Juta and Company (Pty) Ltd.

<sup>55</sup> <https://dictionary.cambridge.org/dictionary/english/controlled> [Accessed 30 December 2025].

<sup>56</sup> <https://dictionary.cambridge.org/dictionary/english/by> [Accessed 30 December 2025].

<sup>57</sup> This PBA is described as the care or counselling of, or the provision of education programmes relating to, abandoned, abused, neglected, orphaned or homeless children.

<sup>58</sup> This PBA is described as the care or counselling of terminally ill persons or persons with a severe physical or mental disability, and the counselling of their families in this regard.

- A vacant stand that the centre intends to develop as an orphanage as contemplated in PBA 1(a), which is currently being used as a parking facility.

For certain practical and administrative reasons, the centre has decided to transfer all the immovable properties into a separate legal entity. For this purpose, a company with a share capital of 100 shares was registered as the property-owning company.

The company is wholly owned by the centre.

*Result:*

The transfer of all the above properties from the PBO to the company will qualify for the exemption from the payment of transfer duty under section 9(1A) because the –

- centre is a PBO; and
- properties are transferred to another entity, which is controlled by the PBO, being the sole shareholder.

## 5. Application procedure for transfer duty exemption

An exemption from the payment of transfer duty under the Transfer Duty Act is not a blanket exemption but an exemption for a specific transaction. Each transaction is considered on its own merits. A declaration must be completed on SARS **eFiling** for every transaction for which transfer duty exemption is required. If requested, supporting documents must be submitted with the declaration. The requested supporting documents must be uploaded on the transaction link provided on SARS **eFiling**.

Supporting documents may include –

- the letter issued by the Commissioner granting approval to the PBO (see **4.1.1**) or exemption to an institution, board, or body (see **4.2.1**);
- an affidavit setting out the activities to be carried out on the property;
- confirmation that the whole or substantially the whole (see **4.3**) of the property will be used to carry on one or more PBAs; and
- a copy of the sale agreement.

## 6. Application procedure for approval as a public benefit organisation or exemption of an institution, board, or body for income tax purposes

A newly established organisation or an organisation that has previously not applied for approval as a PBO, or as an institution, board, or body requiring exemption from transfer duty for the acquisition of property must complete the prescribed application form EI 1 for purposes of an income tax exemption. The application form and required supporting documentation and supplementary information must be submitted to the Commissioner.

A letter will be issued by the Commissioner to inform the organisation whether its application for approval as a PBO, or the exemption as an institution, board, or body has been approved for income tax purposes. It is not a requirement that a PBO, or an institution, board, or body renew its approval or exemption annually. The approval and

exemption will be sustained if the PBO, or institution, board, or body continues to comply with all the income tax requirements relevant to that approval or exemption.

The approval by the Commissioner of an organisation as a PBO, or as an institution, board, or body<sup>59</sup> for income tax purposes is generally effective from the date of the notice of approval or exemption, that is, it is prospective. The relevant income tax legislation provides retrospective approval only for a PBO and therefore a PBO may apply for the PBO approval to be applied to years of assessment before the approval date subject to prescribed conditions and requirements being met.<sup>60</sup> Retrospective approval as a PBO will be granted only if the Commissioner is satisfied that the organisation complied with the requirements of section 30 during the period before it lodged its application for approval as a PBO. The organisation will be responsible to prove to the Commissioner that it complied with the requirements relative to the approval during the period before it lodged its application for approval as a PBO. To prevent any potential abuse, each request for retrospective approval will be considered on its own merits and specific facts.

A PBO approved with retrospective effect for income tax purposes may request a refund<sup>61</sup> of transfer duty if it is proved to the satisfaction of the Commissioner that transfer duty has been paid for an acquisition of property by a person who is or has retrospectively become entitled to an income tax exemption. Application for a transfer duty refund must be made within five years from the date of payments. Information relating to the application for a transfer duty refund and the relevant information required to process a refund application can be obtained from the **SARS website**.

## 7. Conclusion

This Note provides general guidelines and considers the broad principles of the Transfer Duty Act. The circumstances of each case must be considered before an exemption from transfer duty can be approved.

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<sup>59</sup> Section 10(1)(cA) of the Income Tax Act does not make provision for the income tax exemption to be granted with retrospective effect.

<sup>60</sup> Section 30(3B)(a) of the Income Tax Act.

<sup>61</sup> Refunds are dealt with in Chapter 13 of the Tax Administration Act 28 of 2011.

**Annexure A – Public benefit activities in Part I of the Ninth Schedule to the Income Tax Act**

**NINTH SCHEDULE**  
**PUBLIC BENEFIT ACTIVITIES**  
(Section 30)

**PART I**

**WELFARE AND HUMANITARIAN**

1. (a) The care or counseling of, or the provision of education programmes relating to, abandoned, abused, neglected, orphaned or homeless children.
- (b) The care or counseling of poor and needy persons where more than 90 per cent of those persons to whom the care or counseling are provided are over the age of 60.
- (c) The care or counseling of, or the provision of education programmes relating to, physically or mentally abused and traumatized persons.
- (d) The provision of disaster relief.
- (e) The rescue or care of persons in distress.
- (f) The provision of poverty relief.
- (g) Rehabilitative care or counseling or education of prisoners, former prisoners and convicted offenders and persons awaiting trial.
- (h) The rehabilitation, care or counseling of persons addicted to a dependence-forming substance or the provision of preventative and education programmes regarding addiction to dependence-forming substances.
- (i) Conflict resolution, the promotion of reconciliation, mutual respect and tolerance between the various peoples of South Africa.
- (j) The promotion or advocacy of human rights and democracy.
- (k) The protection of the safety of the general public.
- (l) The promotion or protection of family stability.
- (m) The provision of legal services for poor and needy persons.
- (n) The provision of facilities for the protection and care of children under school-going age of poor and needy parents.
- (o) The promotion or protection of the rights and interests of, and the care of, asylum seekers and refugees.
- (p) Community development for poor and needy persons and anti-poverty initiatives, including—
  - (i) the promotion of community-based projects relating to self-help, empowerment, capacity building, skills development or anti-poverty;
  - (ii) the provision of training, support or assistance to community-based projects contemplated in item (i); or
  - (iii) the provision of training, support or assistance to emerging micro enterprises to improve capacity to start and manage businesses, which may include the granting of loans on such conditions as may be prescribed by the Minister by way of regulation.
- (q) The promotion of access to media and a free press.

### HEALTH CARE

2. (a) The provision of health care services to poor and needy persons.
- (b) The care or counseling of terminally ill persons or persons with a severe physical or mental disability, and the counseling of their families in this regard.
- (c) The prevention of HIV infection, the provision of preventative and education programmes relating to HIV/AIDS.
- (d) The care, counseling or treatment of persons afflicted with HIV/AIDS, including the care or counseling of their families and dependants in this regard.
- (e) The provision of blood transfusion, organ donor or similar services.
- (f) The provision of primary health care education, sex education or family planning.

### LAND AND HOUSING

3. (a) The development, construction, upgrading, conversion or procurement of housing units for the benefit of persons whose monthly household income is equal to or less than R15 000 or any greater amount determined by the Minister of Finance by notice in the *Gazette* after consultation with the Minister of Housing.
- (b) The development, servicing, upgrading or procurement of stands, or the provision of building materials, for purposes of the activities contemplated in subparagraph (a).
- (c) The provision of residential care for retired persons, where—
  - (i) more than 90 per cent of the persons to whom the residential care is provided are over the age of 60 and nursing services are provided by the organisation carrying on such activity; and
  - (ii) residential care for retired persons who are poor and needy is actively provided by that organisation without full recovery of cost.
- (d) Building and equipping of—
  - (i) clinics or crèches; or
  - (ii) community centres, sport facilities or other facilities of a similar nature, for the benefit of the poor and needy.
- (e) The promotion, facilitation and support of access to land and use of land, housing and infrastructural development for promoting official land reform programmes.
- (f) Granting of loans for purposes of subparagraph (a) or (b), and the provision of security or guarantees in respect of such loans, subject to such conditions as may be prescribed by the Minister by way of regulation.
- (g) The protection, enforcement or improvement of the rights of poor and needy tenants, labour tenants or occupiers, to use or occupy land or housing.
- (h) The provision of training, support or assistance to emerging farmers in order to improve capacity to start and manage agricultural operations.

### EDUCATION AND DEVELOPMENT

4. (a) The provision of education by a “school” as defined in the South African Schools Act, 1996, (Act No. 84 of 1996).
- (b) The provision of “higher education” by a “higher education institution” as defined in terms of the Higher Education Act, 1997, (Act No. 101 of 1997).
- (c) “Adult basic education”, as envisaged in section 29 (1)(a) of the Constitution, including literacy and numeracy education.
- (d) “Continuing education and training” provided by a “private college” as defined in the Continuing Education and Training Colleges Act, 2006 (Act No. 16 of 2006), which is registered in terms of that Act.

- (e) Training for unemployed persons with the purpose of enabling them to obtain employment.
- (f) The training or education of persons with a severe physical or mental disability.
- (g) The provision of bridging courses to enable educationally disadvantaged persons to enter a higher education institution as envisaged in subparagraph (b).
- (h) The provision of educare or early childhood development services for pre-school children.
- (i) Training of persons employed in the national, provincial and local spheres of government, for purposes of capacity building in those spheres of government.
- (j) The provision of school buildings or equipment for public schools and educational institutions engaged in public benefit activities contemplated in subparagraphs (a) to (h).
- (k) Career guidance and counseling services provided to persons attending any school or higher education institution as envisaged in subparagraphs (a) and (b).
- (l) The provision of hostel accommodation to students of a public benefit organisation contemplated in section 30 or an institution, board or body contemplated in section 10 (1)(cA)(i), carrying on activities envisaged in subparagraphs (a) to (g).
- (m) Programmes addressing needs in education provision, learning, teaching, training, curriculum support, governance, whole school development, safety and security at schools, pre-schools or educational institutions as envisaged in subparagraphs (a) to (h).
- (n) Educational enrichment, academic support, supplementary tuition or outreach programmes for the poor and needy.
- (o) The provision of scholarships, bursaries, awards and loans for study, research and teaching on such conditions as may be prescribed by the Minister by way of regulation in the *Gazette*.
- (p) The provision or promotion of educational programmes with respect to financial services and products, carried on under the auspices of a public entity listed under Schedule 3A of the Public Finance Management Act.
- (q) The provision, to the general public, of education and training programmes and courses that are administered and accredited by entities contemplated in paragraph (r).
- (r) The administration, provision and publication of qualification and certification services by industry organisations recognised by an industry specific organisation and its qualifications accredited by the Quality Council for Trades and Occupations established in 2010 in terms of the Skills Development Act, 1998 (Act No. 97 of 1998).

#### RELIGION, BELIEF OR PHILOSOPHY

- 5. (a) The promotion or practice of religion which encompasses acts of worship, witness, teaching and community service based on a belief in a deity.
- (b) The promotion and/or practice of a belief.
- (c) The promotion of, or engaging in, philosophical activities.

#### CULTURAL

- 6. (a) The advancement, promotion or preservation of the arts, culture or customs.
- (b) The promotion, establishment, protection, preservation or maintenance of areas, collections or buildings of historical or cultural interest, national monuments, national heritage sites, museums, including art galleries, archives and libraries.
- (c) The provision of youth leadership or development programmes.

### CONSERVATION, ENVIRONMENT AND ANIMAL WELFARE

7. (a) Engaging in the conservation, rehabilitation or protection of the natural environment, including flora, fauna or the biosphere.

(b) The care of animals, including the rehabilitation, or prevention of the ill-treatment of animals.

(c) The promotion of, and education and training programmes relating to, environmental awareness, greening, clean-up or sustainable development projects.

(d) The establishment and management of a transfrontier area, involving two or more countries, which—

- (i) is or will fall under a unified or coordinated system of management without compromising national sovereignty; and
- (ii) has been established with the explicit purpose of supporting the conservation of biological diversity, job creation, free movement of animals and tourists across the international boundaries within the peace park, and the building of peace and understanding between the nations concerned.

### RESEARCH AND CONSUMER RIGHTS

8. (a) Research including agricultural, economic, educational, industrial, medical, political, social, scientific and technological research.

(b) The protection and promotion of consumer rights and the improvement of control and quality with regard to products or services.

### SPORT

9. The administration, development, co-ordination or promotion of sport or recreation in which the participants take part on a non-professional basis as a pastime.

### PROVIDING OF FUNDS, ASSETS OR OTHER RESOURCES

10. The provision of—

- (a) funds, assets, services or other resources by way of donation;
- (b) assets or other resources by way of sale for a consideration not exceeding the direct cost to the organisation providing the assets or resources;
- (c) funds by way of loan at no charge; or
- (d) assets by way of lease for an annual consideration not exceeding the direct cost to the organisation providing the asset divided by the total useful life of the asset,

to any—

- (i) public benefit organisation which has been approved in terms of section 30;
- (ii) institution, board or body contemplated in section 10(1)(cA)(i), which conducts one or more public benefit activities in this part (other than this paragraph);
- (iii) association of persons carrying on one or more public benefit activity contemplated in this part (other than this paragraph), in the Republic; or
- (iv) department of state or administration in the national or provincial or local sphere of government of the Republic, contemplated in section 10(1)(a).

## GENERAL

11. (a) The provision of support services to, or promotion of the common interests of public benefit organisations contemplated in section 30 or institutions, boards or bodies contemplated in section 10(1)(cA)(i), which conduct one or more public benefit activities contemplated in this part.

(b) The bid to host or hosting of any international event approved by the Minister for purposes of this paragraph, having regard to—

- (i) the foreign participation in that event; and
- (ii) the economic impact that event may have on the country as a whole.

(c) The promotion, monitoring or reporting of development assistance for the poor and needy.

(d) The provision of funds to an organisation—

- (i) which is incorporated, formed or established in any country other than the Republic;
- (ii) which is exempt from tax on income in that other country;
- (iii) the sole or principal object of which is the carrying on of one or more activities that would qualify as public benefit activities listed in Part I of this Schedule if carried on in the Republic; and
- (iv) that carries on each of its activities—
  - (aa) in a non-profit manner;
  - (bb) with altruistic or philanthropic intent;
  - (cc) in a manner which does not directly or indirectly promote the economic self-interest of any fiduciary or employee of the organisation other than by way of reasonable remuneration; and
  - (dd) for the benefit of, or is widely accessible to the general public of that country including any sector thereof (other than small and exclusive groups).