



How to Claim the Donations Made to the Solidarity Fund: Individual, Companies and Trusts

The COVID-19 pandemic has led to the establishment of the Solidarity Fund which has a mandate to support the national health response, contribute to humanitarian relief efforts and mobilise South Africans in the fight against the pandemic. The Solidarity Fund is an approved Public Benefit Organisation that has also been approved under section 18A of the Income Tax Act. Special provisions were contained in the Disaster Management Tax Relief Administration Act and Disaster Management Tax Relief Act that created a special dispensation for a specific period of time for tax deductible donations made to the Fund by taxpayers.

Donations made to the Solidarity Fund during the 2020/2021 tax year of assessment could have been made through two different channels-

- direct payment to the Solidarity Fund or
- through “payroll giving” by employers on behalf of employees.

The method of claiming a section 18A deduction for these donations depends on the channel used by the donor, as well as the time period during which this donation was made.

Direct Contributions:

The donations made directly to the Solidarity Fund are tax-deductible and the limit for donations, was increased to 20 percent. The 20% limit will apply to donations in the form of cash or property in kind and should have been transferred or paid to the Solidarity Fund between 01 April 2020 to September 2020. There will, thus, be a limit of 10% for any qualifying donations and an additional 10% for donations to the Solidarity Fund made between April 2020 and September 2020. The deduction for these donations is determined as follows

- **1 April 2020 to 30 September 2020:** limited to 20% of the taxable income before the section 18A deduction (special tax treatment); and
- **1 October 2020 to 28 February 2021:** limited to 10% of the taxable income before the section 18A deduction (normal tax treatment).

Any donations made to the Solidarity Fund and which are over the limit during the 2020/2021 tax year will be carried forward and deemed to be a donation made in the succeeding years of assessment (e.g. 2021/2022) and will be subject to the 10% limitation in each year, until the rollover has been exhausted.

Taxpayers wishing to claim deductions for donations made to the Solidarity Fund and **are in possession of a valid section 18A certificate** [click here](#) for the Solidarity Fund process on how to obtain your

Section 18A receipt) are advised to use the following containers on their tax returns to claim the deduction:

- Code 4055 (special container): donations made **from 1 April 2020 to 30 September 2020 and subject to the special relief measures**
- Code 4011 (general container): donations made from 1 October to 28 February 2021

Taxpayers must ensure that the correct container is used on the tax return as indicated above and, to always indicate the Solidarity Fund's exemption reference number (commonly referred to as the "PBO number") and the value of donations on the returns.

Payroll Giving:

Where donations were made through payroll giving to the Solidarity Fund (this is where an employee authorised / requested their employer to deduct an amount as a donation and pay it over on their behalf to the Solidarity Fund), taxpayers (employees) would have already enjoyed the tax benefit (deduction) calculated on a monthly basis as per the applicable rules. Therefore, taxpayers who donated to the Solidarity Fund through payroll giving should not attempt to claim a deduction upon submission of their annual returns, as this has already been factored in through an automated reconciliation process. This is to ensure that a full benefit is enjoyed subject to the applicable limitations. The total of all payroll donations made during the 2020 / 2021 year of assessment will be prepopulated and the deductions granted indicated under code 4055 or 4030 on the IRP5 certificates, depending on when the donations were made. No further actions will be required by taxpayers when completing their returns

A third party data verification has been established to ensure ease [of compliance for taxpayers claiming their contributions and to validate the claims made](#). In the instance of payroll giving, the S18A receipt is issued by the Solidarity Fund to the employer upon request – this will be utilised by the employer for payroll reconciliations and verification processes and act as proof that an employer has paid over the contributions its employees made to the Fund.