

S18A FACT SHEET FOR FILING SEASON 20/21

Things to know about Section 18A donations

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| 1 | Who is eligible to claim a S18A deduction | Taxpayers: Natural persons, trusts, companies or close corporations can claim as a deduction from their taxable income, amounts donated to any S18A approved organisation up to a value of 10% of their taxable income. |
| 2 | What donations qualify for S18A deductions | Donations in cash or in kind actually paid or transferred to a S18A approved organisation during the year of assessment, provided that the donation does not exceed 10% of the donor's taxable income. |
| 3 | Types of donations | Donations can be made in cash or property in kind and must qualify for S18A donation. The determination deemed donation amount in relation to property in kind will depend on whether the donations is in the form of trading stock, trading assets, or other assets. |
| 4 | S18A Documentary Proof | <p>A section 18A receipt / certificate issued by the section 18A-approved organisation to whom the donation was made by the donor in a personal capacity. The receipt must contain all of the following requirements:</p> <ul style="list-style-type: none"> - The reference number issued to the section 18A-approved organisation by the Commissioner for purposes of section 18A (commonly referred to as a "PBO" number) - The date the donation is received. - The name and address of the section 18A-approved organisation issuing the section 18A receipt 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 to the effect that the receipt is issued for purposes of section 18A and that the donation has or will be used exclusively for PBAs in Part II. <p>An employees' tax certificate (IRP5) issued by an employer if the donation was made by the employer on behalf of the employee via payroll giving.</p> |
| 5 | Published list of S18A-approved organisation | SARS publishes a list of all S18A-approved organisations on its website, which is updated on a weekly basis. Donors wishing to confirm the tax deductibility of their donations may |

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| | | conduct a name search on SARS' website to verify that the organisation is on the list. |
| 6 | S18A and PAYE Liability | A donation to a S18A-approved organisation can reduce PAYE liability, if the employer agrees to process the donation through its payroll, but only up to a maximum of 5% of your remuneration. |
| 7 | S18A Roll-over Provision | Any donation made in excess of the 10% limit in any year of assessment, will be carried forward and deemed a donation in the following year of assessment. The deemed donation, together with other donations actually made in that following year, will again be limited to 10% of the donor's taxable income. This process will be repeated until the donation amount has been allowed in full. |

Things to know if you are an Employer and if Employees donated via payroll giving

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| 8 | Employers reconciliation for S18A payroll giving | Employers that have been entrusted to deduct money from their employees to pay over to a S18A-approved tax exempt institution, must obtain S18A receipts from that institution as confirmation of payments made. These receipts may be required for reconciliation purposes and related audits. |
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How to Claim a S18A receipt in the 20/21 Filing Season

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| 9 | Claiming S18A donations on the income tax return | <p>To claim donations made by the donor in a personal capacity, the following questions must be answered on the return wizard:</p> <ol style="list-style-type: none"> 1. Do you want to claim donations made to an approved organization(s) in terms of s18A? 2. How many organizations did you donate to? <p>Donation containers for both source codes 4055 & 4011 will open on the return. Select source code 4011 (4055 only relates to donations made to the Solidarity Fund during the period April 2020 and September 2020). Any other donations must be claimed through source code 4011.</p> <p>Please ensure that you have a valid section 18A certificate provided by a S18A-approved organization and complete the amount next to the relevant source code.</p> <p>To qualify as a valid donation, taxpayers must be in possession of a valid S18A certificate issued by a S18A-approved organisation to whom they made a donation. Claims that are not supported by valid S18A certificates will be disallowed.</p> <p>The amount donated through your employer will be reflected on your IRP5 and will therefore be pre-populated under "Employee Tax Certificate Information [IRP5/IT3 (a)]" on your return.</p> |
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| 10 | Should I declare donations made through payroll giving on submission of my income tax return? | No. The amount donated through your employer will be reflected on your IRP5 and will therefore be pre-populated under “Employee Tax Certificate Information [IRP5/IT3 (a)]” on your return. |
| 11 | Limitation of containers to declare donations to more than ten S18A-approved entities – how to treat Solidarity Fund contributions. | If donations were made to more than ten S18A-approved institutions, then only the details of the top ten institutions must be completed on the return. Please ensure to complete the details of the Solidarity Fund donations claimed under code 4011 |

How to claim a S18A donation made to the Solidarity Fund during the period 01 April – 30 September 2020

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| 12 | The Solidarity Fund | 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 |
| 13 | What is the difference between a Section 18A claim made in respect of the Solidarity Fund against another approved organisation. | The tax-deductible limit for donations currently is 10 % of taxable income but for the Solidarity Fund the contribution was increased to 20 % in respect of donations in cash or of property in kind donated and actually paid or transferred to the Solidarity Fund during the period 1 April 2020 to 30 September 2020. |
| 14 | Claiming a deduction under S18A using a receipt from the Solidarity Fund | If you have made a donation in your personal capacity and wish to claim it in your tax return, ensure that you have applied for a valid S18A receipt from the Solidarity Fund. Your claim may be disallowed if not supported by a valid receipt. If your employer has made the donation on your behalf through a salary deduction, the donation will be reflected on your IRP5 and you don’t require a separate receipt as your employer will apply for it. This will also act as proof that the money deducted has indeed been paid over on your behalf. |
| 15 | How contributions to the Solidarity Fund will reflect on the IRP5 Certificate | The 2020/21 IRP5 certificate will reflect the code 4055 to reflect the contribution made to the Solidarity Fund between 01 April 2020 and 30 September 2020. |
| 16 | How to claim donations to the Solidarity Fund between April 2020 and September 2020. | You must answer the following questions on the return wizard: <ol style="list-style-type: none"> 1. Do you want to claim donations made to approved organization(s) in terms of s18A? 2. How many organizations did you donate to? |

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| | | <p>Donation containers for both source codes 4055 & 4011 will open on the return. Please ensure that you have an approved donation certificate provided by Solidarity fund and complete the amount next to source code 4055.</p> |
| 17 | <p>Where to claim donations to the Solidarity Fund between October 2020 and February 2021.</p> | <p>You must answer the following questions on the return wizard:</p> <ol style="list-style-type: none"> 1. Do you want to claim donations made to approved organization(s) in terms of s18A? 2. How many organizations did you donate to? <p>Donation containers for both source codes 4055 & 4011 will open on the return. Please ensure that you have an approved donation certificate provided by Solidarity fund and complete the amount next to source code 4011</p> |
| 18 | <p>Donations made to the Solidarity Fund through payroll giving</p> | <p>The amount donated through your employer will be reflected on your IRP5 and will therefore be pre-populated under “Employee Tax Certificate Information [IRP5/IT3 (a)]” on your return.</p> |
| 19 | <p>Donating to the Solidarity fund in person and through payroll giving in the same year.</p> | <p>The amount donated through your employer will be reflected on your IRP5 and will therefore be pre-populated under “Employee Tax Certificate Information [IRP5/IT3 (a)]” on your return.</p> <p>You must answer the following questions on the ITR12 wizard:</p> <ol style="list-style-type: none"> 1. Do you want to claim donations made to approve organisation(s) in terms of s18A? 2. How many organisations did you donate to? <p>The donation container on the return will open both source codes 4055 and 4011, where the donation to the Solidarity Fund was made in a personal capacity between 1 April 2020 and 30 September 2020, such amount will be declared separately under the donation container 4055. Where the donation was made to the Solidarity Fund after 30 September 2020, such amount must be declared under separately under the donation container 4011.</p> <p>Please ensure that you have an approved donation certificate provided by Solidarity fund and complete the PBO number and donated amount as per certificate.</p> |
| | <p>Limits applicable to donations made to the Solidarity Fund through payroll giving</p> | <p>If the deduction was made during the three month period of 1 April 2020 to 30 June 2020, a maximum deduction limited to 33,3% of the remuneration per month (after deducting employee contribution to a pension funds, provident funds,</p> |

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| | | <p>retirement annuity, employer contributions to any retirement annuity fund) would have been allowed on payroll.</p> <p>If the deduction was made over a six month period which commenced of 1 April 2020 to 30 September 2020, a maximum deduction limited to 16,66% of the remuneration per month (after deducting employee contribution to a pension funds, provident funds, retirement annuity, employer contributions to any retirement annuity fund) would have been allowed on payroll.</p> |
| 20 | <p>Donations made to the Solidarity fund <i>in excess of the allowable deduction</i></p> | <p>Any donations made to the Solidarity fund, over the limit made during the 2020/2021 tax year will be carried forward and deemed to be a donation made in the succeeding year of assessment (2021/2022) and be subject to the 10 percent (%) limitation in that year.</p> |
| 21 | <p>How do I obtain a Tax deductible receipt issued by the Solidarity Fund</p> | <p>The responsibility lies with the taxpayer to contact the Solidarity Fund to obtain a S18A receipts for any valid donations made directly to the Fund (this excludes donations made via payroll giving)</p> <p>Please do not submit a claim if you are not in possession of a valid receipt issued by the Solidarity Fund as this will constitute an invalid claim.</p> <p>If you have made a donation to the SF and you have not yet requested your receipt, you can follow the link below: https://solidarityfund.co.za/section-18a/</p> |