



Tax & Legal - News Alert

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Section 18A Donations: Further information required on section 18A donation receipts

Background

The South African Revenue Service (**SARS**) previously issued notice 3082 (published in the Government Gazette on 24 February 2023), which provides details regarding what further information is required in terms of section 18A(2)(a)(vii) of the Income Tax Act No. 58 of 1962 (**the IT Act**) for purposes of a receipt issued under section 18A(2)(a) of the Act.

What's new?

Requirements prior to 1 March 2023

- Name of the organisation;
- Reference number of the organisation (as issued by the Commissioner);
- Address of the organisation;
- Date of receipt of the donation;
- Name and address of the donor;
- Amount of the donation or nature thereof (if not made in cash); **and**
- Certification that the receipt is issued for the purposes of section 18A and that the donation has been/will be used exclusively for the section 18A objects of the organisation.

Additional requirements on and after 1 March 2023

- **Donor nature of person** (natural person, company, trust, etc.);
- **Donor identification type and country of issue** (in case of a natural person);
- **Identification or registration number of the donor**;
- **Income tax reference number of the donor** (if available);
- **Contact number of the donor**;
- **Electronic mail address of the donor**;
- **A unique receipt number**; and
- **Trading name of the donor** (if different from the registered name).

The notice came into effect on 1 March 2023 and will apply to all receipts issued on or after that date.

Why is this important?

Any taxpayer that wishes to claim a tax deduction in terms of section 18A of the IT Act, in respect of any bona fide donation, made in cash or property in kind, which is actually paid or transferred during a year of assessment, would need to ensure that the receipt issued by the organisation concerned complies with the requirements of section 18A. With effect from 1 March 2023, section 18A receipts will need to include the additional requirements, as detailed above, in order to enable the taxpayer to claim the donation in their annual tax return.

Third-party reporting by section 18A approved organisations

In addition, additional filing requirements for section 18A approved organisations have now been adopted. SARS has issued notice 3631 (Returns of information to be submitted by third parties in terms of section 26 of the Tax Administration Act), published in the Government Gazette on 30 June 2023, which clarifies the requirement for section 18A approved organisations to submit third-party returns. For periods commencing on or after 1 March 2023, this notice replaces Notice 241, which was issued by SARS on 23 March 2018. Notice 3631 also confirms that PBO's will not be required to file a return for the period March to August of 2023.

In anticipation of this notice, SARS had already issued an updated Business Requirement Specification (BRS): IT3 Data Submission document, which includes the addition of the BRS requirements for the submission of information relating to section 18A receipts issued (the IT3(d) project). This document sets out the manner in which section 18A third party information should be submitted to SARS and was issued in preparation of the early adopter's phase. Initially, an early adopter's phase for IT3(d) data was envisaged for April 2023, however this has been postponed by SARS, and early adopters may now submit data to SARS from 18 September 2023.

The aim of the IT3(d) project is the automation of the submission of section 18A donation information to SARS. The process requires the organisation (ie the donee) to submit an IT3(d) file to SARS that discloses all the required information pertaining to the donation receipts issued by the organisation. SARS will then utilise this information to pre-populate the donation information in the income tax return of the relevant taxpayers (ie the donors).

It is envisaged that, once this process is fully adopted, a donor may then only be able to claim a section 18A deduction if the donation receipt details appear on the pre-populated tax return in SARS eFiling. Failure, by the organisation, to correctly submit the applicable information to SARS may then result in the donor not being granted the section 18A donation deduction upon assessment.

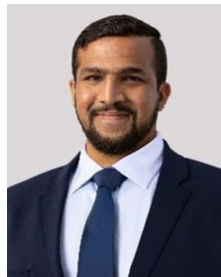
The way forward

In order to claim a section 18A donation, taxpayers (donors) need to ensure that any section 18A receipt issued to them, after 1 March 2023, complies with the additional requirements, as noted above. In addition, section 18A organisations should ready themselves and ensure that they have the necessary donor information and reporting ability in place, to be able to comply with the third-party reporting requirements.

For more information and assistance, please contact:



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