

Keep donors happy by ensuring section 18A receipts are compliant

By [Graeme Palmer](#)

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Public benefit organisations (PBOs) that carry out certain qualifying public benefit activities may register with the South African Revenue Service (Sars) under section 18A of the Income Tax Act, 1962. A PBO registered under section 18A must issue a receipt to any person making a donation in cash or property in kind.



Image source: Nataliya Vaitkevich from [Pexels](#)

The advantage of issuing a section 18A receipt is that it will entitle the taxpayer making the donation to a deduction when determining its taxable income; provided the donation is actually paid or transferred to the PBO. There will also be no donations tax payable. The section 18A receipt must be issued in the year of assessment in which the donation is received. The allowable deduction cannot exceed 10% of the donor's taxable income, but disallowed amounts can be carried forward to the succeeding year.

Sars does not make section 18A receipts available to approved PBOs; it is up to the organisation to create its own receipt. A donor's claim for a deduction will not be allowed if the receipt does not contain certain information. Currently a receipt must contain the PBO's name and reference number, the date the donation is received, the name and address of the donor, the amount of the donation or the nature of the donation (if not made in cash). There must also be a certification that the receipt is issued for the purposes of section 18A and that the donation has been or will be used exclusively for the object of the PBO.



Donating should be a financial decision, not a knee-jerk reaction

Duncan Luke 6 May 2020



The Sars commissioner is entitled, by public notice, to prescribe further information to be included in the receipt. On 1

March 2023, the commissioner issued a notice prescribing the following additional information:

- 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;
- Email address of the donor;
- A unique receipt number; and
- Trading name of the donor (if different from the registered name).

All section 18A receipts issued after 1 March 2023 must contain this additional information. Failure to comply with the commissioner's notice places the donor at risk of having the deduction disallowed. It is also likely to result in an unhappy donor who makes no further donations to the PBO.

ABOUT GRAEME PALMER

Graeme Palmer is a director in the commercial department of Garlick & Bousfield.
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