



Tax Alert

1 March 2023

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Donations receipts to claim income tax deductions — additional information requirements

In brief

The South African Revenue Service's notice (published in the Government Gazette on 24 February 2023) provides that additional information will have to be included on receipts, issued on or after 1 March 2023, to donors in terms of section 18A(2)(a)(vii) of the Income Tax Act 58 of 1962 ('section 18A').

Taxpayers making donations on or after this date should note these changes and ensure that donations receipts include the required additional information.

In detail

Section 18A income tax deduction

Background

Subject to certain limitations, a taxpayer may claim a deduction in terms of section 18A in respect of any bona fide donation of money or property in kind to certain organisations (including a public benefit organisation ['PBO']) during a year of assessment, provided that the donor received a valid receipt from the recipient of the donation.

The prescribed contents of a valid section 18A receipt are set out in section 18A(2)(a) of the Income Tax Act.

Receipt requirements

Prior to 1 March 2023, a section 18A receipt was required to reflect the following information:

- name of the organisation;
- the reference number of the organisation (as issued by the Commissioner);
- the address of the donee;
- the date of receipt of the donation;
- the name and address of the donor;
- the 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

Effective **1 March 2023**, SARS requires that the additional information listed below must be included on a section 18A receipt:

- 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;
- 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).

SARS' electronic disclosure process

SARS has issued the Business Requirement Specification (BRS) document for the IT3(d) pilot project.

- The aim is to automate the submission of the section 18A receipts and information to SARS as part of SARS' third-party data reporting requirements.
- The electronic disclosure process requires donees to submit an IT3(d) document to SARS that discloses all the required information pertaining to donations received. SARS will use this information to pre-populate the donation information on the income tax returns of taxpayers (i.e. the donors).

Accordingly, once this process has been finally implemented, donors will only be eligible for the section 18A deduction if the donation was disclosed to SARS by the donee via the new electronic disclosure process.

Failure by the donee to do so will result in the donor not being granted the section 18A donations deduction upon assessment of the income tax return.

Although the IT3(d) project is still in its pilot phase and at this stage the date of implementation is not known with certainty, donors should take care to provide the donee with all required information as prescribed by SARS relating to the donation made.

Where a donation of property in kind was made, the donor may be requested to provide the issuer with the value of the donation, calculated with reference to section 18A(3).

The above is necessary to ensure that a valid section 18A receipt is issued by the donee and the donation information is correctly and accurately reported to SARS for income tax return processing purposes.

Note of caution

Whilst it is imperative that a valid receipt is received by the taxpayer in order to support any section 18A deduction, the matters set out below relating to tax deductible donations to a PBO should also be borne in mind.

- The claim for a deduction in terms of section 18A is only permitted if the donation was made to an organisation, institution, agency or department approved by SARS for the purposes of section 18A(1)(a), 18A(1)(b) or 18A(1)(c).
- The fact that the donee is a non-profit organisation ('NPO') conducting a qualifying project does not mean that it has been approved by SARS as a section 18A approved organisation.
- The donor is advised to confirm the recipient's section 18A status by requesting a copy of the organisation's SARS approval letter or by accessing the list of 18A approved organisations on [SARS' website](#).

Takeaway

In order to be eligible for the section 18A income deduction for donations made, a taxpayer should ensure that it receives valid receipts from the recipient of the donation.

Failure to do so could result in the deduction being disallowed with the risk of possible understatement penalties being levied by SARS upon assessment of the taxpayer's annual income tax return.

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