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Enquiries: E Bezuidenhout

Circular: 0012/2020

Expiry date: None

To: Deputy Directors-General, Chief Directors, Directors, Deputy Directors at district offices, Circuit Managers, Principals and Chairpersons of governing bodies of public schools

Short summary: *Income tax exemption for public schools and income tax rebates for donors who make donations to schools in terms of section 18A of the Income Tax Act.*

Subject: Income tax exemption for public schools and income tax rebate for donors

1. In terms of section 10(1)(A)(i) of the Income Tax Act, 2000 (Act 30 of 2000) all schools are exempted from the payment of income tax. Please note, however, that this exemption may be withdrawn in respect of any public school that engages in trading activities that do not focus wholly or mainly on the promotion of its principle object as an educational institution.
2. In terms of section 18A of the above-mentioned act, as amended by the ninth schedule of the Income Tax Act, (Act 30 of 2002), the South African Revenue Services (SARS) has granted approval for the group registration of all public schools to issue receipts to donors in terms of the above-mentioned section 18A. The reference number issued to all public schools in the Western Cape for this purpose is 930000372. At the request of SARS, the practice of applying for registration individually in terms of section 18A must be discontinued.
3. Registration in terms of section 18A allows for tax rebates in respect of donations for specific educational projects, excluding school fees. The tax rebate is subject to the limitations contained in section 18A and will only be considered if the receipt and tax certificate, as issued by the educational institution concerned, are submitted with the annual tax return.
4. No tax rebate will be granted if the Tax Commissioner has any reason to believe that an educational institution has issued a section 18A certificate to a donor for school fees or non-educational purposes. Abuse of donations in terms of section 18A could result in the withdrawal of the registration of Western Cape Education Department

(WCED) schools as Public Benefit Organisations and will consequently deprive schools of the opportunity to raise additional funds for educational purposes.

5. Institutions requiring section 18A receipt books must apply in writing to the Deputy Director at their district offices. Institutions must have the necessary internal controls in place to be able to adhere to the procedures and satisfy the requirements of the WCED and SARS, before the district office will issue such a receipt book.
6. Schools must account for and issue a section 18A receipt for all donations received from donors in the issued donation book. The original must be given to the donor, the first copy sent to the district office and a copy kept for audit purposes.
7. Principals and school governing bodies may request support from their district offices regarding procedures and requirements, for instance the annual reporting concerning the issuing of section 18A receipts for the tax year 01 March to 28 February.
8. Schools are requested to provide the district offices with the following documentation by 15 March annually.
 - (i) The attached Tax Certificate Annexure A (In triplicate: the original is handed to the donor, the first copy sent to the district offices and the last copy filed at the school); a certificate must be issued to each donor at the end of the tax year, 28 February, for all donations received for a specific tax year and
 - (ii) The attached Annual Return Annexure B which contains the details of the section 18A receipts issued. The Annual Return as well as a copy of the receipts issued must be sent to the Education District Office.
9. The district office must check the completeness and accuracy of the Annual Returns submitted. All Annual Returns per district office must be collated and submitted electronically to the Directorate Management Accounting, Head Office, by 30 April.
10. Attached are the relevant Tax Certificate Annexure A and Annual Return forms Annexure B.
11. Please bring the contents of this circular to the attention of all concerned, including parents.
12. Kindly note that this circular repeals and replaces Circular 0051/2014, dated 24 October 2014.

SIGNED: BK SCHREUDER

HEAD: EDUCATION

DATE: 2020-03-10

