

## Tax & Legislative Information Series...

### ... about Donations



Last updated – September 2025  
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### • Donations (introduction)

- A donation, **to be deemed as a “bona fide donation” for tax purposes**, must be seen as a “gratuitous” disposal of property – in other words:
  - must be given for **free** or at **no charge**
  - the donee (i.e. the person receiving the donation) **must not be expected to give anything in return**
  - **it must not** be confused with a “**gift**” – this could become relevant if the donor is in debt with SARS for example which could then give rise to an investigation
  - A donation can be in the form of cash, an asset (e.g. a car, a piece of furniture, a painting), immovable property (e.g. land, house, etc)
- Includes a “**gratuitous waiver**” or “**renunciation of a right**”
- Requires an element of *sheer* “**liberality**” by the donor – this highlights that the “**transaction**” is gratuitous in nature
- Where there is **an expectation of something to be given in return** – it’s not seen as a donation (i.e. it’s a payment or a bribe !)
- Once it’s determined that a **bona fide donation** has been made – the **tax implications** have to be considered – they are:
  - is donations **tax payable** ?
  - is the donation **tax deductible** ?

- **Donations (introduction)**

- Donations tax **applies to:**

- Individuals
- Companies
- Trusts

.... who are **residents** in terms of the Income Tax Act

- Donations tax **does not apply to:**

- **Non-residents** – i.e. a donation from a long-lost relative living overseas is exempt from donations tax
- **Residents** – there are certain donations which are “**exempt**” from donations tax i.e.:
  - donations between **spouses**
  - donations to **any sphere of government**
  - donations to **any political party** (i.e. duly recognized/constituted)
  - donations to **approved Public Benefit Organisations** (i.e. PBO’s)

***A donation takes effect when the legal formalities have been complied with  
– i.e. section 55(3) of the Act***

- **Donations (introduction)**

- Further “**exemptions**” from donations tax include:
  - where the value of the donation in a tax year does not exceed:
    - **R 100 000** of property donated by a natural person
    - **R 10 000** of casual gifts (in the case where the taxpayer is not a natural person – e.g. a company or a trust)
  - Contributions made towards the **maintenance of any person**:
    - not linked to any **specific amount**
    - must be seen by the Commissioner as “**reasonable**”
    - intended **to cover supporting a child** for example

***It is good practice to get an agreement put in place that deals with these types of transactions - and SARS will want to see this for it to be deemed as a donation !***

### • Donations vs Gifts

- In South African law, a gift is not explicitly defined but is generally understood as a voluntary transfer of cash or assets between two parties without expectation of return.
- Gifts are distinct from donations, though often confused.
- Recipients must declare gifts, which are funded from after-tax income.
- If a gift is claimed as a donation for tax purposes, the recipient may be liable for tax.
- SARS evaluates gifts based on three principles:
  - Intention: Was the transfer genuinely gratuitous, without expected benefits or quid pro quo?
  - Substance: How was the gift used? Was there control, obligations, or any connection to the donor?
  - Timing: How frequently were gifts given?
  - Case Law: Commissioner for the South African Revenue Service v Candice-Jean van der Merwe (211/2021) [2022] ZASCA 106

- **Donations (calculating the tax due)**

- Donations tax calculation:

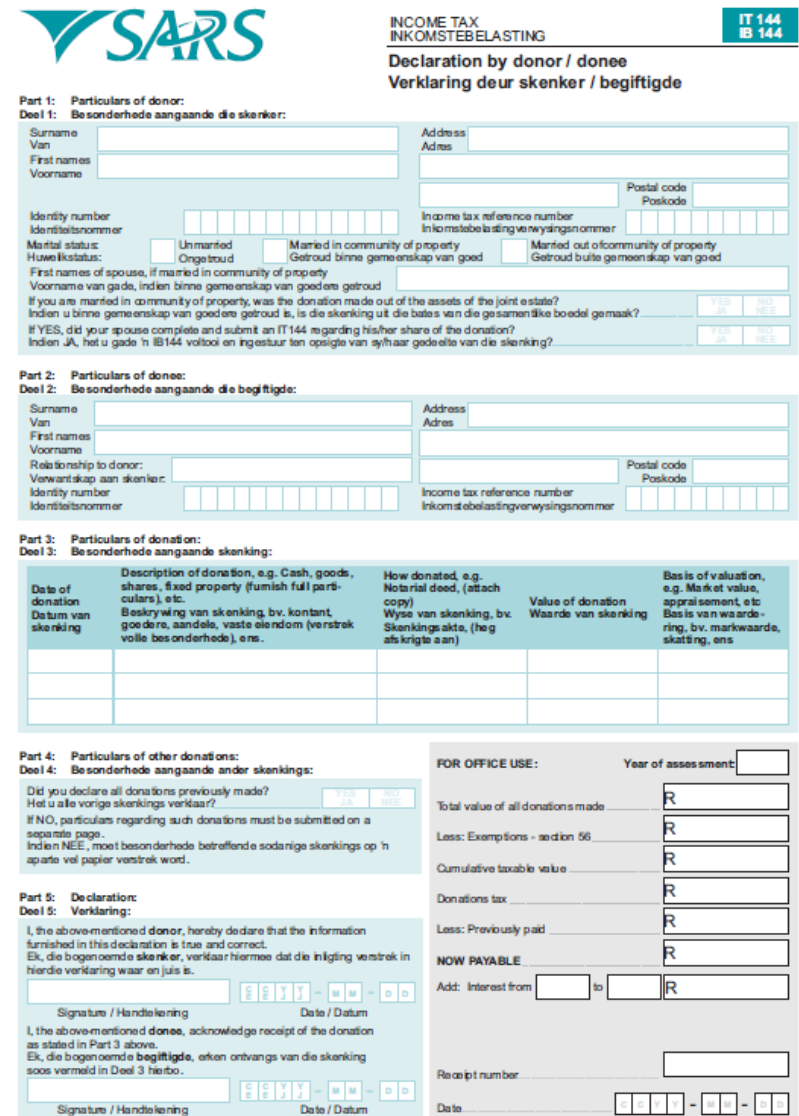
- **at February 2018** (and months prior) – there is a **flat rate of 20%**
- **after February 2018:**
  - there is a **flat rate of 20%** but up to a cumulative value of **R 30 million** in a tax year
  - a **rate of 25%** is levied on the portion of the donation **that is above R 30 million**
  - **Determining the R 30 million threshold:**
    - the **aggregate value** of property donated commences for example **from 1 March 2018** to the date within 2018 when the donation/s ceased
    - any donation/s made prior to March 2018 must not be taken into account
    - the aggregate value to get to the R 30 million **must include deducting the various exemptions as per (s56)** e.g.:
      - donations from a foreign trust
      - residency status at time of receipt of donation
      - NB - get some advice on this – it does get complicated !

***Also see section 64 (1) and Binding Private Ruling 197 released on July 2015 (which is valid until Feb 2025)***

- **Donations (calculating the tax due)**
  - Donations tax calculation:
    - The Act allows for **any taxpayer to deduct from taxable income:**
      - up to **10% of taxable income**
      - any amount above this is **deemed to be a donation to be made the following year of assessment** (i.e. it's carried over)
      - The donation must have been made to an entity, organization, agency, institution or department of government **listed in section 18(A) of the Act**

***Tax changes regarding donations to the Solidarity Fund during 2020 were made to facilitate those taxpayers who wanted to contribute towards this initiative during the COVID-19 period. More about this in the section that deals with COVID-19 tax and legislative implications !***

- Donations (declaring and paying)
  - Declaring and paying the tax due:
    - Once the donation is made the **Form IT114** (Declaration by donor / donee) must be completed and submitted to SARS
    - The tax must be **paid to SARS by the end of the month** following the month in which the donation was made
    - The person receiving the donation (i.e. the donee) is **not liable for any tax**, but is **obliged to declare** the donation on their tax return as an “Amount Considered Non-Taxable”
    - The **person making the donation** (i.e. the donor) is **liable for the tax**
    - NB - if the tax is not paid in the prescribed time period (six months) **then the donor and the donee become jointly and severally liable** for the tax
    - One can submit the Form and **proof of payment** to a SARS branch or via e-Filing



**SARS** INCOME TAX INKOMSTEBELASTING **IT 144 B 144**

**Declaration by donor / donee**  
Verklaring deur skenker / begiftigde

**Part 1: Particulars of donor:**  
Deel 1: Besonderhede aangaande die skenker:

Surname / Van: \_\_\_\_\_ Address / Adres: \_\_\_\_\_  
First names / Voornames: \_\_\_\_\_ Postal code / Poskode: \_\_\_\_\_  
Identity number / Identiteitsnommer: \_\_\_\_\_ Income tax reference number / Inkomstebelastingverwysingsnommer: \_\_\_\_\_

Marital status / Huwelikstatus:  Unmarried / Ongetroud  Married in community of property / Getroud binne gemeenskap van goed  Married out of community of property / Getroud buite gemeenskap van goed

First names of spouse, if married in community of property / Voornames van gade, indien binne gemeenskap van goeders getroud: \_\_\_\_\_  
If you are married in community of property, was the donation made out of the assets of the joint estate? / Indien u binne gemeenskap van goeders getroud is, is die skenking uit die bates van die gesamenlike boedel gemaak?  YES / JA  NO / NEE  
If YES, did your spouse complete and submit an IT144 regarding his/her share of the donation? / Indien JA, het u gade 'n IB144 voltooi en ingestuur ten opsigte van sy/haar gedeelte van die skenking?  YES / JA  NO / NEE

**Part 2: Particulars of donee:**  
Deel 2: Besonderhede aangaande die begiftigde:

Surname / Van: \_\_\_\_\_ Address / Adres: \_\_\_\_\_  
First names / Voornames: \_\_\_\_\_ Postal code / Poskode: \_\_\_\_\_  
Relationship to donor: \_\_\_\_\_  
Vewantskap aan skenker: \_\_\_\_\_  
Identity number / Identiteitsnommer: \_\_\_\_\_ Income tax reference number / Inkomstebelastingverwysingsnommer: \_\_\_\_\_

**Part 3: Particulars of donation:**  
Deel 3: Besonderhede aangaande skenking:

Date of donation / Datum van skenking	Description of donation, e.g. Cash, goods, shares, fixed property (furnish full particulars), etc. / Beskrywing van skenking, bv. kontant goedere, aandele, vaste eiendom (verstrekk volle besonderhede), ens.	How donated, e.g. Notarial deed, (attach copy) / Wyse van skenking, bv. Skenkingsakte, (heg afskrifte aan)	Value of donation / Waarde van skenking	Basis of valuation, e.g. Market value, appraisal, etc. / Bas is van waardeering, bv. markwaarde, skatting, ens.

**Part 4: Particulars of other donations:**  
Deel 4: Besonderhede aangaande ander skenkings:

Did you declare all donations previously made? / Het u alle vorige skenkings verklaar?  YES / JA  NO / NEE  
If NO, particulars regarding such donations must be submitted on a separate page. / Indien NEE, moet besonderhede betreffende sodanige skenkings op 'n aparte vel papier verstrekk word.

**Part 5: Declaration:**  
Deel 5: Verklaring:

I, the abovementioned donor, hereby declare that the information furnished in this declaration is true and correct. / Ek, die bogenoemde skenker, verklaar hiermee dat die inligting verstrekk in hierdie verklaring waar en juist is.

Signature / Handtekening: \_\_\_\_\_ Date / Datum: \_\_\_\_\_

I, the abovementioned donee, acknowledge receipt of the donation as stated in Part 3 above. / Ek, die bogenoemde begiftigde, erken ontvang van die skenking soos vermeld in Deel 3 hierbo.

Signature / Handtekening: \_\_\_\_\_ Date / Datum: \_\_\_\_\_

**FOR OFFICE USE:** Year of assessment: \_\_\_\_\_

Total value of all donations made: R \_\_\_\_\_  
Less: Exemptions - section 56: R \_\_\_\_\_  
Cumulative taxable value: R \_\_\_\_\_  
Donations tax: R \_\_\_\_\_  
Less: Previously paid: R \_\_\_\_\_  
**NOW PAYABLE**: R \_\_\_\_\_

Add: Interest from \_\_\_\_\_ to \_\_\_\_\_ R \_\_\_\_\_

Receipt number: \_\_\_\_\_  
Date: \_\_\_\_\_

- **Donations (exclusions)**

- Donations tax calculation:

- Examples of donations that are **not seen as “gratuitous” in nature:**

- payment of **school fees** – even if the school is registered as a section 18(A) entity
- **tithes and offerings** to churches
- a once-off payment **to secure a contract:**
  - this payment is **not seen** as a donation - therefore **donations tax does not feature in this type of transaction**
  - it is therefore **seen as taxable income** and therefore **must be declared** as taxable income

- Note that section 23(o) of the Act:

- **Prohibits the deductibility** of expenditure from (which includes donations):
  - corrupt activities
  - illegal activities
  - bribes
  - fines & penalties



- **Donations (practical examples)**

- **Example 1**

- A parent **provides his / her child with R 150 000** to assist with a deposit on that child's first property purchase. The implications are:
  - **R 100 000 is free** from donations tax
  - **R 50 000 is taxed at 20%** (i.e. R 10 000 tax is due by the parent)
- Alternatively, the parent **provides a loan of R 1 500 000** for the purchase of the property. Assuming that **there was an agreed repayment plan in place** but there was **no interest (or very little) interest charged** - the implications could be:
  - there would be a **deemed benefit** accruing to the child
  - the deemed benefit being **the difference between the interest that should have been paid and the actual interest paid**
  - depending on the circumstances **this difference could be seen as a donation** by the parent
  - as such, the tax implications being that **the deemed benefit, less the R 100 000 exemption, equals the amount subject to 20% donations tax (i.e. the balance)**

- **Donations (practical examples)**

- **Example 2**

- A businessman has a great year and decides to spread some goodwill:

• he gives his friend - <b>cash</b>	R 25 000
• he gives his son an <b>old car</b> worth	R 50 000
• he gives his daughter <b>support</b> for a holiday	<u>R 30 000</u>
total donation is	<b>R 105 000</b>
threshold is	<u>R 100 000</u>
donations excess	R 5 000

20% tax due on excess **R 1 000**

- In cases where the **donation is less than R 100 000 the IT114 Form is generally not required** – however it is good practice to complete / submit the Form in all cases – just in case SARS does decide to do an audit !!

- **Donations (Payroll implications)**

- **Monthly donations** made by employee/s – via a Payroll Deduction:
  - the employer must be satisfied that **the contribution / donation is being made to a bona fide section 18(A) registered entity – proof of this would be required**
  - The amount deducted from the employee/s would be **paid over to the entity in the same manner as any other third party payment** made by the employer on a monthly basis.
  - Employers **would not ordinarily do this** (it can be a admin headache !) unless there are sufficient employees participating in the scheme to warrant the effort – these schemes are commonly known as “Payroll Giving” schemes
  - The amount deducted from the employee is a **pre-tax deduction** - but only **up to a maximum of 5%** of the employees’ remuneration (**code 4030 on the IRP5 is used to store the total donation** – not just the 5%)
  - In this case the **amount deducted is not seen as part of the R 100 000 p/a maximum** that one can donate
  - It is therefore **seen as part of the maximum of the 10% p/a of taxable earnings** that one can contribute to such an entity
  - Note - The **IRP5 code 4055** was created to store any donation to the **Solidarity Fund** specifically

- **Donations (a word on PBOs' and NGO's)**

- PBO's and NGO's **have been, and continue, to scramble for funds** to keep afloat in order to **assist with the alleviation of poverty**, and of course, **assist during a time of crisis and disasters**
- There has been ongoing “pleading” for help – on **the promise of large tax deductions and benefits** when donating to one of these entities – sometimes this can be misleading so it's prudent to do some homework / background checks where necessary (and before committing to a donation !)
- **Before selecting a donee** it's important to take into consideration their:
  - Historical accountability
  - Transparency
  - Track record
  - Compliance level
  - Board / Exec make up
- Bear in mind that there are some **significant differences** between PBO's and NGO's

***Always do some homework on who you donate to and what the tax implications / benefits are ...***

***... that's if “knowing” is important to you !!***

- **Donations (a word on PBOs' and NGO's)**

- **PBO:** is **defined** as a Non Profit Organisation, Trust or Association of Persons which:
  - carries out **activities solely for the benefit of the public**
  - does not promote **economic self interest**
  - must be **registered with SARS**, and must be involved with the provision of specific public benefit activities (as defined in the in the Income Tax Act)
  - **must be approved as a section 18(A) organization** – otherwise the **donor cannot get a deduction against income** for their donation/s
  - before applying for section 18(A) approval must **have their financial systems in order**
- **NGO:** is **defined** as a Non Profit, voluntary citizens group organized on a local, national or international level which:
  - **must be registered** otherwise the **donation will not be tax deductible:**
    - the risk is that **the donation may attract donations tax** if the allowable thresholds are exceeded !
    - often there is **no account of where the money goes** / exactly what it's used for – so be careful !

- **Donations (the “claiming back from the tax man” misnomer)**
  - Often individuals get **caught up in the hype of being able to “claim a donation back from tax”**. This is a bit of a **misconception** in that:
    - the **donation is actually made** – i.e. the cash is spent !
    - one **reduces taxable income** – by the amount “spent” on the donation
    - what the **individual gets back is the tax on the expense** – i.e. not the actual donation itself !
    - here’s a very **simple example to illustrate this:**

- <b>taxable income</b> for the year	<b>R 1 000</b>
- <b>less</b> donations made for the year	<b><u>R 100</u></b> (i.e. 10% max)
- equals <b>net taxable income</b> for year	<b>R 900</b>
- therefore <b>assuming a tax rate of 18%:</b>	
- on R 1 000 the tax would have been	<b>R 180</b>
- on R 900 the tax would be	<b>R 162</b>
- the cost of the donation	<b>R 100</b>
- saving in tax	<b>R 18</b>
- <b>actual cost</b>	<b><u>R 82</u></b>

***Note – the tax saving was R 18 (not R 100) - so the actual cost of the donation was R 82 !!***

### • Donations to Political Parties - Overview

- **Legal Framework** – The following legislation applies to donations to political parties:
  - Political Party Funding Act (2018)
  - Electoral Matters Amendment Act (2024)
  - IEC Regulations
  - Government Gazette No. 53182 published on 18 August 2025
- **How Much Can I Donate to a political party?**
  - On 6 August 2025, President Cyril Ramaphosa signed a proclamation that doubles the disclosure threshold and the annual donation limit under the Political Funding Act (PFA).
  - The cap on donations by a single donor/entity in a financial year has been increased **from R15 million to R30 million**.
  - Amounts above this must be refused/returned.
  - Applies to cash and non-cash support (services, goods, etc.).
- **Disclosure Threshold – am I liable to declare these donations?**
  - The disclosure threshold has also been raised **from R 100 000.00 to R 200 000.00**.
  - Donations below R 200 000.00 **stay private**.

### • **Donations to Political Parties - Prohibited Donations & Compliance Rules**

- **Who and What You Can't Donate:**

- Foreign governments or agencies.
- Criminal-linked funds.
- Tender-linked donations (linked to state contracts) – tightening rules may lead to criminal penalties.

- **How Donations Must Be Handled:**

- Must be paid into the party's official bank account (with written proof).
- All donations must be properly recorded and reported.
- Non-monetary support must also be declared.
- Splitting or disguising donations to avoid disclosure is illegal.

- **Penalties for Non-Compliance:**

- Fines may become applicable for late or incorrect reporting.
- Criminal prosecution for concealment, exceeding limits, or accepting banned donations.
- Donors and parties/candidates can both face penalties.

### • Donations to Political Parties - Practical Guide for Donors

#### • Key Considerations:

- Smaller donations of **less than R 200 000.00** per year remain private.
- Large donations of **R 200 000.00 or more** will be publicly disclosed.
- Maximum limit: **R30 million** per party per year.
- Donations are **not tax-deductible**, unless the party is a registered PBO/NPO with SARS.

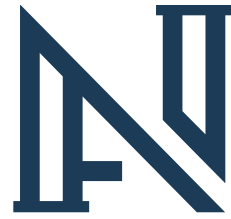
#### • Checklist Before Donating:

- Confirm your donation won't exceed the R30 million limit.
- If donating more than R 200 000.00, expect your name in IEC public reports.
- Pay into official party account & keep proof of receipt.
- Avoid “under the radar” structuring — it's unlawful.
- Declare in-kind donations (services, goods, accommodation).

#### • Why This Matters:

- Promotes transparency in politics.
- Protects donors from penalties.
- Strengthens democratic accountability.





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