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Tax relief for individual donors

There are not many tax deductions still available to individuals; however, still on offer, whether in employment or carrying on their own business, is the **deduction for donations to registered public benefit organisations (“PBOs”)** and other qualifying institutions.

The amount of the deduction is **capped at 10% of taxable income**, which could present quite a sizeable tax saving. In the past any excess (amount of the donation that exceeds the 10% of taxable income) would have been lost permanently as tax deduction, but recent amendments will now also allow for this excess to be deducted in subsequent years.

The excess of any donation made in the tax year of assessment commencing on or after 1 March 2014 would be allowed to be carried forward to the next year of assessment and again be subjected to cap of **10% of taxable income during the next year. Going forward the excess would therefore not be permanently lost as tax deduction as in the past, which is certainly a positive amendment in favour of donors from a tax deduction perspective.**

Example :

The following example from the Explanatory Memorandum on the Taxation Laws Amendment Bill 2013 provides the following as example to

illustrate the rollover treatment of any donation made in the tax year of assessment commencing on or after 1 March 2014:

| Year 1: | |
|---|-------------|
| Taxable income | R 1 million |
| Allowable donation as a deduction (R 1 million x 10%) | R 100 000 |
| Actual donations made | R 150 000 |
| Deduction claimed | R 100 000 |
| Excess amount not allowed as deduction. This amount would then be allowed to be carried forward to year 2 (next year of assessment) | R 50 000 |

| Year 2: | |
|---|---------------|
| Taxable income | R 1.5 million |
| Allowable donation as a deduction (R 1.5 million x 10%) | R 150 000 |
| Actual donations made | R 0 |
| Excess amount carried forward from year 1 now allowed as deduction. It could be deducted in full as it does not exceed the allowable donation of R 150 000. | R 50 000 |

So, what are the requirements?

1. There must be a bona fide donation. A donation is essentially the same as a gift or ‘freewill offering’, meaning that there can be no quid pro quo: nothing can be expected to be given in return. For example, if a cash payment is made to a school or tertiary institution with the expectation that the institution will, in turn, provide a place or indeed education for the donor’s child, that

is not a donation and the payment will not qualify for a tax deduction. A gift or donation with no conditions attached to it, is what the South African Revenue Service (“SARS”) is looking for.

2. The donation may be either in cash or ‘in kind’. An individual could pay a cash gift to a qualifying public benefit organisation (PBO) or institution, in which case the deduction will be the amount of cash actually donated capped at 10% of taxable income (with any excess amount being allowed to be carried forward for any donation made in the tax year of assessment commencing on or after 1 March 2014). Also included within the scope of the deduction are donations of assets (donation ‘in kind’), which could include for example, a donation of food, clothing, furniture... or perhaps a whole house. Where an asset is donated, the amount that can be deducted is usually the lower of the cost or market value of the asset on the date of the donation, with specific valuation rules applying to assets that previously formed part of the donor’s trading stock and other assets that qualified for tax write-offs.

3. The donation must have been made to a qualifying institution or PBO, which must in turn carry on activities that are listed in Part II of the Ninth Schedule. The list of qualifying activities is provided at the end of this article, but it is important to note that not all donations to PBOs are covered. The deduction is available only for donations made to qualifying institutions and PBOs that actually carry on one or more of the specified activities.

4. The donee must have provided the donor with an 18A certificate, which is essentially a receipt that reflects the following information:

- The PBO registration number of the donee;
- The date the donee received the donation;
- The name and address of the donee;
- The name and address of the donor;
- The amount of the donation or the type of donation if it is not a cash donation; and
- A certification that the receipt is issued for the purposes of s 18A of the Income Tax Act and that the donation will be used exclusively for the objectives or required activities of the donee.

Having met the requirements, and with the necessary s 18A certificate in hand, the taxpayer must then claim the deduction on his or her tax return. The original certificate must be kept in a safe place and made available to SARS if requested.

Frequently asked questions

How do I make a gift? Whom do I call? Where do I mail my cheque?

Contact the Development & Alumni Relations Department at +27 21 808 3893 or e-mail alumni@sun.ac.za to request a gift form. Once the form has been completed and payment made (banking details will be provided) please post, fax or e-mail the form to Stellenbosch University for reference purposes: Private Bag XI, Matieland 7602, fax: 086 569 5372 or e-mail: jhs1@sun.ac.za.

Where should I direct my gift?

Every gift counts! Visit the Alumni Relations webpage at www.sun.ac.za/alumni to view various gifting options and chose a University project which most inspires you.

Whom should I contact to discuss a large gift opportunity?

Contact Individual donations co-ordinator; Sidney Van Heerden at +27 21 808 2941 or via e-mail at svheerd@sun.ac.za.

Who do I contact you further information?

Contact the Development & Alumni Relations Department at +27 21 808 9351 or e-mail alumni@sun.ac.za.

Estate duty tax relief for individual donors

The value of the deceased's estate (and, therefore, the extent of the obligation to pay estate duty) may be reduced by the value of any bequest made to a PBO (like Stellenbosch University) (Section 4(h) of the Estate Duty Act). So, this stipulation could possibly be more advantageous than the deduction capped at 10% of taxable income (the one in terms of Section 18A of the Income Tax Act, mentioned above), because no 10% limit applies in the case of estate duty.

Did you know by making Stellenbosch University the sole residuary heir of your estate, could result in less estate duty tax being payable?

Will 1

John has an estate with a net asset value of R4.5m. The estate is to devolve to John's beneficiaries as follows:

- R3.5m is bequeathed to his children
- The residue is bequeathed to his brother

Will 2

John has an estate with a net asset value of R4.5m. The estate is to devolve to John's beneficiaries as follows:

- R3.5m is bequeathed to his children
- R800 000 to his brother

- The residue is bequeathed to Stellenbosch University (bursaries for needy students)

These scenarios are explained below:

Bequests in terms of will:

| | Will 1 | Will 2 |
|---------------------|-------------------|-------------------|
| Children | R3 500 000 | R3 500 000 |
| Brother | R1 000 000 | R800 000 |
| SU (to get residue) | - | (R200 000) |
| Net assets | R4 500 000 | R4 500 000 |

Calculation of estate duty

| | Will 1 | Will 2 |
|---------------------------------------|-------------------|-----------------|
| Net assets | R4 500 000 | R4 500 000 |
| Deduction (section 4(h)) | - | (R200 000) |
| Net value of estate | R4 500 000 | R4 300 000 |
| Section 4A abatement | (R3 500 000) | (R3 500 000) |
| Dutiable amount | R1 000 000 | R800 000 |
| Estate duty at 20% of dutiable amount | R200 000 | R160 000 |

Based on this example the structure of Will 2 will result in a saving of 20% in estate duty if compared to Will 1. The distribution to beneficiaries will then be as follows:

| | Will 1 | Will 2 |
|---|------------|------------|
| Children | R3 500 000 | R3 500 000 |
| Brother | R800 000 | R800 000 |
| SU (residue after estate duty: R200 000 – R160 000) | - | R40 000 |

Frequently asked questions

Why do you need a will?

If you are 16 years and older and die without a will (intestate), you forfeit the opportunity to decide what happens to your possessions. Instead the state will decide what will happen with your assets and how your possessions are distributed. Your estate will also take a long time to settle and will possibly attract a bigger tax liability.

How do I make a will?

You should consult a professional, an attorney, accountant or a trust company to draft a properly worded will. The cost of professional help is usually modest and can even be for free if you nominate the bank or professional as executor of your estate. Remember to regularly review your will to keep up with big life events like births, divorces etc.

What does a bequest to SU entail?

A bequest is a specific provision in your will directing some of the assets in your estate to the university. The advantage of this type of giving is that you will not be out of pocket in your lifetime and that you will have the use of your assets during your lifetime.

What are the advantages of making a bequest to SU?

- You have the use of your assets during your lifetime
- You can personalise a meaningful gift to SU
- A bequest to SU is exempt from estate duty and therefore reduces your estate's potential estate duty liability
- Your gift will appropriately be recognised during your lifetime through membership to the Heritage Guild.
- Your gift will change student lives at SU for decades to come.

What if I already have a will and wish to add SU as a beneficiary?

You simply add a codicil (which is an addendum) to your existing will. The codicil must be signed by the testator and two witnesses who do not stand to benefit from your will of codicil.

Who do I contact for further information?

Contact Bequests co-ordinator; Hugo Steyn at +27 21 808 3615 or via e-mail at hugos@sun.ac.za

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