

BASIC SECTION 18A COMPLIANCE RULES



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Basic Section 18A Compliance Rules

Introduction

This document outlines the fundamental rules associated with Section 18A (S18A) of the South African Income Tax Act, which governs the issuance of certificates for tax-deductible donations made to registered Public Benefit Organizations (PBOs). Adhering to these rules is essential to ensure compliance with tax regulations.

1. Eligibility for S18A Certificate

To be eligible for a Section 18A certificate, donors must contribute towards programs approved by the South African Revenue Service (SARS) as Public Benefit Activities. This approval is outlined in the organization's Approval Letter issued by SARS.

2. Approved Programs

All donations for which S18A is issued should be used towards programs explicitly endorsed by SARS on the approval letter. If a donation is made to a program not approved for S18A purposes, the donor is not entitled to receive the Section 18A certificate.

3. Documentation

You must maintain accurate records of donations received, detailing the approved programs and corresponding amounts. This documentation is crucial for transparency and potential audits by SARS.

4. Exclusion for Unapproved Programs

Donors contributing to programs not approved for S18A purposes should be informed that they will not receive the Section 18A certificate. Clear communication with donors about the eligible programs is essential to avoid misunderstandings and SARS penalties.

5. Compliance and Audits

Your organization must comply with the stipulated rules, as SARS may conduct audits to ensure adherence to tax regulations. Your organization should be prepared to provide the necessary documentation during audits to validate the issuance of Section 18A certificates.

6. Question: When to give a donor the SECTION18A Certificate?

Answer: When a donation meets these two basic principles:

1. When a donation is a Bona Fide donation (refer to the definition of a bona fide donation)
2. When the donation is directed or will be used towards an approved program according to your PBO approval letter(refer to your approval letter for a list of the S18A approved programs)

7. What is a Bona Fide Donation?

Explanation 1: A bona fide donation for Section 18A purposes is a genuine, voluntary gift made by a donor out of kindness or generosity. It involves the donor giving something of value without expecting anything in return. Importantly, the donor should not benefit personally or impose conditions that would allow them or someone connected to them to gain an advantage from the donation. Examples of what doesn't count as a bona fide donation include payment for attending events, buying goods at charity auctions, purchasing raffle tickets, paying school fees, and making payments for services or debts.

Explanation 2: Imagine you have toys, and you decide to give one of your toys to a friend just because you want to make them happy, without expecting anything back. That's like a bona fide donation. But if you give a toy to your friend and expect them to give you candy in return, it's not a real donation because you're getting something back. So, a bona fide donation is like sharing and being kind without wanting something for yourself.

Now, let's say you have a special event where you and your friends do fun things, but if you have to pay to join, that money doesn't count as a donation because you're getting something fun in return. Also, if you buy something at a special sale to help others, it's not a donation because you get something in exchange. Donations are when you give without expecting to get something specific back, just like when you share your toys to make someone smile!

Conclusion:

In summary, adherence to the Basic S18A Rules is crucial for both donors and Public Benefit Organizations. By ensuring that donations are directed towards approved programs and maintaining accurate records, organizations can uphold transparency, foster compliance, and mitigate potential issues during SARS audits.

OUR SERVICES

ACCOUNTING SERVICES:

- Annual financial statements
- Management accounts
- Monthly Bookkeeping
- Cashflow Projections
- Business Advisory

PAYROLL SERVICES:

- COIDA Letter of Good Standing
- UIF & PAYE Registration
- Monthly Submissions UIF & PAYE to SARS & DOL
- Employment Contracts
- Monthly Pay slips
- Annual Recon IRP5 Certificate
- Monthly Payroll Services: EMP 201 Monthly Submission
- COID Registration & Good Standing

BUSINESS ADVISORY:

- Business Plan
- Business Profile
- Business Proposal
- Logo Design & Letterhead
- Business Cards
- Trademarks
- Accountant's Letter

SARS (TAX) SERVICES:

- E-filing (Income Tax) Registration
- Personal Income Tax Returns
- Company Income Tax Returns
- Vat Registration & Submissions
- SARS Debts & Audits
- Tax Clearance (PIN)
- VAT Registration
- UIF, PAYE and SDL Registration (SARS)
- Import / Export License
- Import OR Export License Only

CIPC SERVICES:

- Company Registrations (Private)
- Cooperative Registration
- NPC Registration
- CIPC Annual Returns
- Company & Director Amendments
- B-BBEE & Sworn-Affidavit
- Share Certificate
- Name Reservations Only
- Retrieve Company Registration Certificates
- Registered Office (Business Address) Change
- Add Director to a Pty Company
- Name Change of a Company / CC
- Remove / Resign Members or Directors

- Update director details
- Company De-registrations
- Company Reinstatement
- CC to Pty Conversions

NPO/NPC SERVICES:

- NPO/NPC Registration
- Constitution drafting
- Financial Statements
- SARS Tax Number Registration
- TAX Exemption (PBO and Section18A)
- Funding & Lottery Applications
- All Accounting and Tax (SARS) Services

OTHER SERVICES

- CSD Registrations and Amendments
- PSIRA Registrations and Renewals (Security Company)
- CIBD Registrations
- NHBRC Registrations
- Website Design & Development

For expert assistance with accounting, tax, registrations, submissions and compliance, contact Next Generation Accountants at:

Cell: 081 435 4234 (Call or WhatsApp).

Email: joshuam@nextgee.co.za

OUR SERVICES EXPLAINED

1. Bookkeeping Services:

Our bookkeeping services include capturing of invoices and bank statements, payroll management, and submission of various tax returns such as VAT.

Our payroll services include software setup, capturing employee data and salary information, reconciliation of leave, sending pay slips and IRP5 certificates, calculating PAYE, UIF, and SDL, and submitting required declarations to SARS and Labour.

We also ensure timely completion and submission of VAT returns, including capturing invoices and bank statement transactions, calculating VAT payable or receivable, and submitting the return and payment or refund to SARS.

2. Financial Statement Preparation:

Every company, NPC, and NPO should within six months after the end of the financial year, as per the Companies Act and the NPO Act, prepare financial statements using a registered accountant. Financial statements are used primarily for filing CIPC annual returns and SARS tax returns at the end of the financial year.

There are many reasons why you need financial statements:

Compliance: companies are required to file financial statements with regulatory authorities such as the South African Revenue Service (SARS) and the Companies and Intellectual Property Commission (CIPC).

Taxation: Financial statements are used to calculate income tax, corporate tax, and other taxes, and are required by SARS.

Funding applications: Financial statements are often required by banks and other financial institutions when businesses apply for loans or credit facilities.

Decision-making: Financial statements are crucial for decision-making by business owners, management, and investors as they provide an overview of the company's financial performance, liquidity, and solvency.

Reporting to stakeholders: Financial statements are necessary for reporting to stakeholders such as shareholders, creditors, and regulatory bodies. They provide information about the financial position of the company and its ability to pay debts and meet obligations.

3. SARS (Tax Services):

Every company must be registered on SARS E-filing to submit income tax and other tax returns on their due dates. Compliance with these statutes is essential to avoid penalties and ensure accurate tax reporting.

We will help your business with tax compliance by preparing and filing tax returns accurately and timely. We also provide tax planning strategies to minimize tax liabilities and maximize deductions and credits.

4. Payroll Services:

Every company with one or more employees should be registered with SARS and Department of labour and submit employee returns every month. Our payroll services include timely and accurate payroll processing and tax filing to ensure you comply with SARS and Labour.

As a business owner, you have many responsibilities, and managing your employees' payroll can be a time-consuming and complicated task. We can assist you with your payroll management, including processing payments, managing employee benefits and leave, and ensuring compliance with relevant legislation.

We will handle all your payroll needs. We calculate, reconcile and report payroll taxes to SARS, on time, to avoid tax penalties. We also send pay slips to employees every month and

IRP5s at year-end.

Our payroll services include:

- Payroll software setup
- Capturing of employee data on the payroll system
- Capturing salary information on the system
- Reconciliation of leave
- Sending of pay slips to employees on payday
- Sending of IRP5 certificates to employees at end of the tax year
- Calculations of PAYE, UIF, and SDL
- Submitting EMP201 to SARS at end of every month
- Submitting EMP501 reconciliations to SARS
- Submission of UIF declarations to Labour every month end

5. Business Advisory Services:

Our business advisory services cover everything from writing business plans, company profiles and proposals, and developing growth strategies.

Whether you're just starting out or looking to scale up, our consulting services can provide you with the guidance and support you need.

Here are some of the areas where we can help:

- **Business Strategy:** Together, we will assess your current situation and define your long-term vision. I will work with you to develop a strategic plan that aligns with your goals and helps you stay on track to achieve them.
- **Financial Management:** We will help you manage your finances better by developing budgets, cash flow projections, and financial models. We will also help you create financial reports and analyze financial data to make informed decisions.
- **Operations Management:** We will assist you in improving your operations by analyzing your business processes, identifying bottlenecks, and developing efficient workflows.
- **Marketing and Sales:** We will help you develop a marketing strategy that targets your ideal customers and increases brand awareness. We will also assist you in creating sales plans, and setting sales targets.
- **Human Resources:** We will assist you in managing your employees better by developing HR policies and procedures, creating job descriptions, and developing employee performance metrics. We can also help you with recruitment, training, and employee retention strategies.
- **Technology and digital transformation:** We will recommend which new technologies to adopt and integrate into your business so that you can improve efficiency, productivity, and customer experience.

6. Business Planning:

Whether you are starting a new business or looking to expand an existing one, a well-crafted business plan is essential to your success. It is essential for seeking financing, partnerships, or strategic planning for future growth. Our business planning services cover everything from writing business plans, company profiles and proposals, and developing growth strategies. Contact us today to discuss your business plan needs and let us help you achieve your goals.

7. Marketing Services:

Our marketing services include website design and development, logo design, poster design, and social media pages creation.

8. CIPC Services:

Every registered company must submit CIPC annual returns and amendments to company details to CIPC regularly.

- **Annual Returns:** Within 30 business days from the anniversary of the company's registration date.
- **Changes to company details:** Promptly after changes occur.
- **Beneficial Ownership Filing:** 10 days after company registration

9. NPO/NPC Services:

We offer financial statements preparation, tax compliance, PBO applications, section18A certificate design and Audit, and more.

10. Other Services

PSIRA, NHBRC, CSD, CIBD:

Every security company must be registered with PSIRA.

In the construction industry, it is essential to have NHBRC and CIBD registrations to ensure compliance with regulations.

SARS Registered Representative Update:

Every registered company is required to have a registered tax representative. Without the registered representative, the company or NPO will not be able to submit returns and thus will render it non-compliant which could result in penalties. This process should be done at least 30 days after registration of the company or NPO.

COIDA Registration and Letter of Good Standing:

All businesses, regardless of their size or legal structure, must register for COIDA once they employ their first employee. This includes private companies, NPOs and NPCs, partnerships, and sole proprietors.

UIF / PAYE / SDL Registration with SARS and Labour

All businesses, regardless of their size or legal structure, must register for UIF once they employ their first employee. Our package includes registration for PAYE, UIF, and SDL.

Please feel free to contact us if you have any questions or need further assistance.

Sincerely,

J Mulaudzi

COMMISSIONER OF OATHS

Business Accountant in Practice (SA)

Member of SAIBA

Next Generation Accountants

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