

SAOU

What is the school's liability to SARS?



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DIE VERANDERING IN ONDERWYS
THE CHANGE IN EDUCATION

INTRODUCTION (SARS)

WHAT IS SARS?

According to the website of SARS (www.sars.gov.za)

SARS was established in terms of the South African Revenue Service Act 34 of 1997

The South African Revenue Service (SARS) is the nation's tax collecting authority, an autonomous agency responsible for administering the South African tax system and customs service.



EDUCATION INSTITUTIONS

In terms of Section 10(1)(cA)(i) of the Income Tax Act, (Act 30 of 2000)

- All schools are exempted from the payment of income tax

Section 10(1)(cA)(i) provides exemption to

- Any Institution, Board, or Body established in terms of South African legislation and partially or fully funded through public resources.
- This includes Public Schools as defined in Chapter 3 of the South African Schools Act





1. EDUCATIONAL INSTITUTIONS

A cluster of white, three-dimensional geometric shapes, including triangles and pyramids, arranged in a dynamic, overlapping pattern that extends from the right side of the slide towards the center.

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A. PUBLIC SCHOOLS

A public school, as defined in the South African Schools Act, No. 84 of 1996, falls under the **jurisdiction of provincial legislation and under the control of the relevant provincial education authority**. A public school is not brought into existence under a founding document, but under the relevant statute of law and is therefore neither a PBO (*public benefit organisation*) nor can it be approved as such under section 30 of the IT Act (*the income Tax Act, No. 58 of 1962*).



All public schools are exempted from the payment of income tax.

PUBLIC SCHOOLS

- For income tax purposes it has been accepted that **a public school is exempt from income tax** under section 10(1)(cA)(i) of the IT Act. **This exemption may be withdrawn** in respect of any public school that engages in trading activities that do not focus wholly or mainly on the promotion of its principal object as an educational institution.
- SARS has **not required** each primary and secondary school **to apply for formal approval of the exemption** from income tax under section 10(1)(cA)(i) of that Act.
- If an application for **exemption from payment of transfer duty** is received from a public school, confirmation from the relevant educational authority confirming that the school is registered as a public school under the South African Schools Act, 1996 will suffice.

EXAMPLE: Application for exemption from payment of transfer duty:

FACT

- The Meadows Primary School is a **public school** as defined in the South African Schools Act, No. 84 of 1996 and is **registered** as such by the **Western Cape Education Authority**
- It does not have a formal letter from SARS confirming that it is exempt from income tax under section 10(1)(cA)(i) of the IT Act. The School has, however, provided confirmation from the relevant education authority that it is registered as a public school
- The school has acquired a vacant stand for R90 000 to be developed as a sports ground for **sole use by the school in promoting its sporting activities**, which form part of the provision of education to its learners
- An application for exemption from the payment of transfer duty has been lodged for the acquisition of the vacant stand.

RESULT

- ❖ **The vacant stand acquired will qualify for exemption from the payment of transfer duty** under section 9(1)(c)(ii) of the Act as all three of the following requirements are met:



APPLICATION FOR EXEMPTION FROM PAYMENT OF TRANSFER DUTY

ALL THREE REQUIREMENTS ARE MET:

- The school is registered as a public school and has provided the **relevant confirmation** from the education department. It may therefore be accepted that the school qualifies for exemption under section 10(1)(cA)(i) of the IT Act.
- The sole or **principal object** of the school is carrying on the approved PBA listed in paragraph (a) of Part I of the Ninth Schedule to the IT Act.
- The whole or substantially the whole of the vacant stand will be used to **conduct the approved PBA** listed in paragraph (a) of Part I of the Ninth Schedule to the IT Act.

ALL THREE OF THE REQUIREMENTS ARE MET

ENTITIES THAT EXCEED 1 MILLION OVER 12 MONTHS

ENTITIES THAT MAKE MONEY

- The provision of **educational services and the supply of ancillary goods** and services directly related thereto and necessary to provide educational services are exempt from VAT (both public and private schools)
- Other income streams may not be VAT exempt.
 - ✓ These could include sponsorships, rentals, sale of uniforms, sale of textbooks, stationery and sporting equipment, tuck shop sales, and income from fund raising events and activities.
 - ✓ **These activities may constitute taxable supplies for VAT purposes.**
- If these income streams are considered individually, they may cumulatively and over time exceed the R1 million compulsory VAT registration threshold.
 - ✓ This will render such schools **liable to register for and account for VAT to SARS on taxable supplies** other than educational services.
- As **SARS can go back 5 years or more**, depending on the circumstances, to assess an entity's VAT liability, this liability which would likely include penalties and interest, could have a significant impact on the business of the private school.
- Input VAT on **qualifying purchases related to taxable VAT supplies** can be claimed as a deduction against output VAT.
- All VAT invoices that are used to claim input VAT must meet the requirements of **a valid tax invoice as set out in the VAT Act (e.g. name, VAT registration number etc.)**

B. INDEPENDENT SCHOOLS

- An Independent school which is registered as such under the South African Schools Act, No. 84 of 1996 and which is established under a founding document as an association of persons or a trust or **Non-profit company** of the Companies Act No. 71 of 2008, **may apply for approval as a PBO** under section 30(3) of the IT Act (*the income Tax Act, No. 58 of 1962*), provided the activities and the founding document comply with section 30 of the IT Act.
- Should an independent school apply for **exemption from the payment of transfer duty**, the **relevant confirmation must be provided** that it has been approved as a PBO (*public benefit organisation*) under section 30(3) of the IT Act

ALL THREE OF THE REQUIREMENTS ARE MET

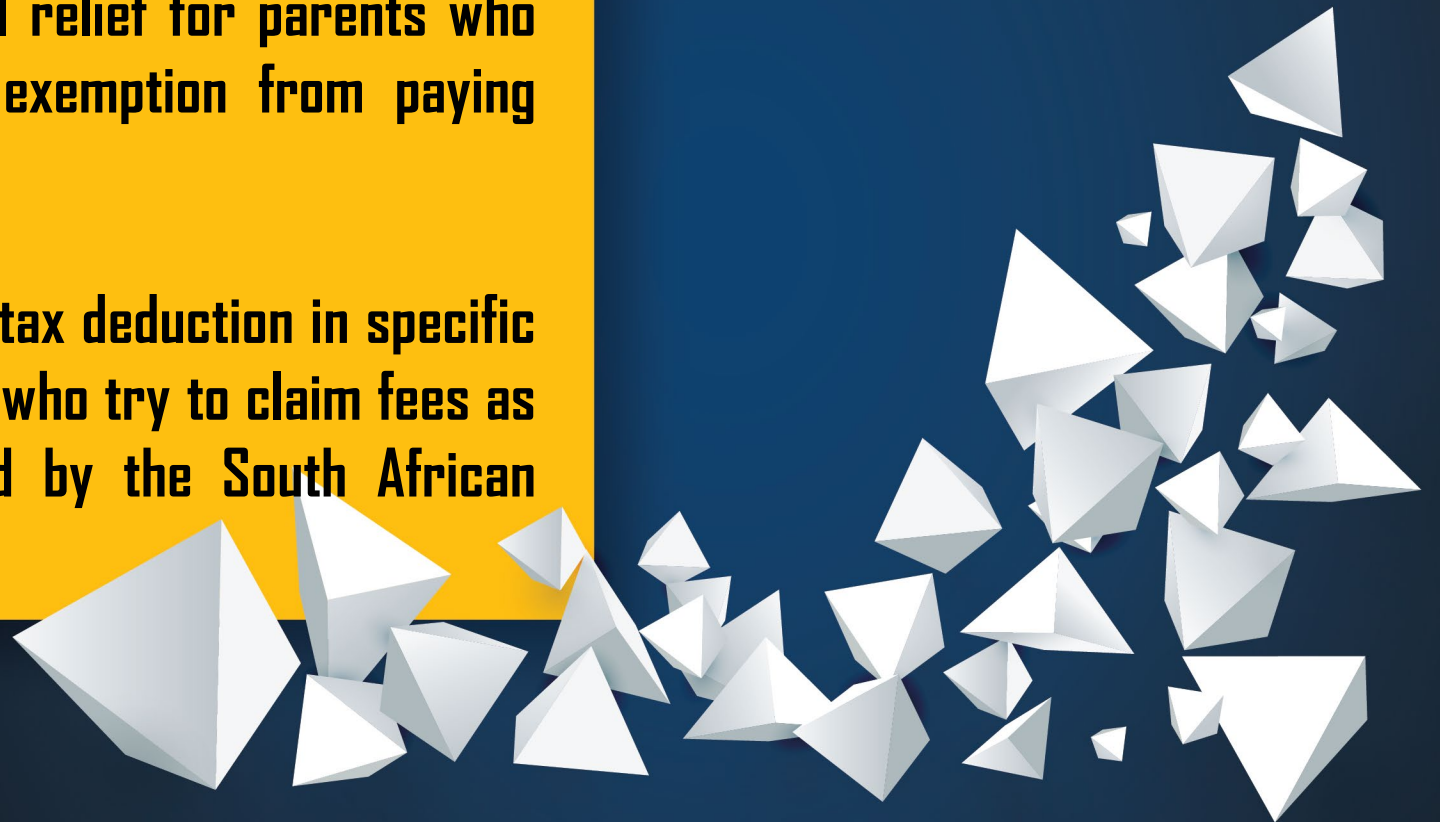
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2. SCHOOL FEES EXEMPTIONS

SCHOOL FEES EXEMPTIONS

- According to [South Africa's constitution](#), every child has the right to schooling. Unfortunately, though, education is not free and for most it does not come cheap.
- There is however some financial relief for parents who can apply for total or partial exemption from paying public school fees.
- School fees can be claimed as a tax deduction in specific circumstances only, and parents who try to claim fees as a donation face being penalised by the South African Revenue Service (SARS).



PBO's Section 18A certificate

- Government has recognized that certain organizations are dependent on the generosity of the public and to **encourage that generosity has provided a tax deduction.**
- A taxpayer, that may include an **individual, trust or company**, making a donation in
 - ✓ **cash** (A donation may be made in cash (money), that may include payments by electronic fund transfer (EFT), credit or debit card, or postal order.) or of
 - ✓ **property in kind** (A donation of property in kind is made in a form other than cash)
- is entitled to a deduction in determining that taxpayer's taxable income provided the donation is actually paid or transferred during the year of assessment to the section 18A-approved organization
- A section 18A receipt may be issued by a section 18A-approved organization only from **the date the TEU has confirmed section 18A approval** and has issued a reference number for purposes of section 18A that must appear on such receipts.



SECTION 18A CERTIFICATE

a) Issue receipts
to donors



- 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.
 - ✓ At the request of SARS the practice of applying for registration individually in terms of Section 18A must be discontinued.

SECTION 18A CERTIFICATE

b) The Act allows you
to claim certain
donations as a tax-
deduction:



- 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**.
- There is also **a limit on the donations that you may claim** in a particular tax year; the excess amount in a given tax year should qualify as a deduction in the succeeding year.
 - ✓ a donation is a gratuitous disposal by you, the taxpayer, out of generosity or liberality;
 - ✓ you should be impoverished by the donation, and the recipient enriched;
 - ✓ a donation is voluntary and given freely;
 - ✓ the recipient should have no reciprocal obligation to you, and you should have no personal benefit from the donation.

Claiming your child's school fees as a donation could result in SARS imposing penalties in terms of the Tax Administration Act.

SECTION 18A CERTIFICATE

c) No tax rebate will be granted for school fees or non-educational purposes

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- **No tax rebate** will be granted if the 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 schools as Public Benefit Organizations and will consequently deprive schools of the opportunity to raise additional funds for educational purposes.
- Fees paid to a special-needs school could qualify for tax relief if your child has a **physical impairment or a disability** as defined in the Income Tax Act:
 - ✓ You should seek **professional advice** in this regard



3. SGB EDUCATORS AND TAX

The logo for SAOOU, featuring the letters 'S', 'A', 'O', 'U' in blue and 'O' in yellow, with a stylized triangle above the 'A'.

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What is the tax year?

- The tax year is the **accounting period of twelve months** used by SARS as a basis for calculating and collecting taxes.
- SARS refers to the tax year as the **year of assessment**.
- For individuals a tax year covers the period **1 March to the last day of February the following year**.
- The current tax year (1 March 2021 to 28 February 2022) in South Africa is called the 2022 tax year because **the tax year is named by the year in which it ends**.
- The **2021 tax year** refers to the period **1 March 2020 to 28 February 2021**.

Companies are allowed to have a tax year ending on the same date as the last day of their financial year.

What is taxable income?

- Taxable income is the amount of income used by SARS to calculate the taxes owed by an individual or a business to the government in a tax year.
- Put in other words, taxable income is **the amount of money that creates a potential tax liability** for the taxpayer.



What are tax tables?

- Tax tables, also **known as tax brackets**, are tools utilized by SARS to indicate the amount of tax due by a taxpayer based on income received.
- Put differently, tax brackets show the taxpayer the tax rate he/she will pay on each portion of their income.
- Generally, tax tables **change every year** and are published on the website of SARS at the start of a new tax year, in March.
- There are numerous types of tax tables on the website of SARS, among others, tax tables for individual taxpayers, businesses, and trusts.
- Individuals and income tax Definition: **Income tax is the normal tax payable on your taxable income.**

TAXABLE INCOME & RATES OF TAX



INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates from 1 March 2022 to 28 February 2023:

Individuals and special trusts

Taxable Income (R)	Rate of Tax (R)
1 – 226 000	18% of taxable income
226 001 – 353 100	40 680 + 26% of taxable income above 226 000
353 101 – 488 700	73 726 + 31% of taxable income above 353 100
488 701 – 641 400	115 762 + 36% of taxable income above 488 700
641 401 – 817 600	170 734 + 39% of taxable income above 641 400
817 601 – 1 731 600	239 452 + 41% of taxable income above 817 600
1 731 601 and above	614 192 + 45% of taxable income above 1 731 600

Trusts other than special trusts: rate of tax 45%

Rebates

Primary	R16 425
Secondary (Persons 65 and older)	R9 000
Tertiary (Persons 75 and older)	R2 997

Age	Tax Threshold
Below age 65	R91 250
Age 65 to below 75	R141 250
Age 75 and over	R157 900

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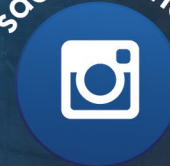
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