Donations tax

What is it?

Donations tax is tax payable at a flat rate of on the value of property disposed of by donation (sections 54 to 64 of the Income Tax Act, 1962).
A donation includes property disposed of for an inadequate consideration (section 58).

Exemptions
Section 56(1) contains a list of exempt donations which include amongst others donations between spouses and donations to approved public benefit organisations.

Annual exemptions
A donation will be exempt if the total value of donations for a year of assessment does not exceed:

- Casual gifts by companies and trusts: R10 000.
- Donations by individuals: R100 000 (2008 to 2013 years of assessment) (section 56(2)(a) and (b)).

Who is it for?

Donations tax applies to any individual, company or trust that is a resident as defined in section 1 of the Income Tax Act, 1962.
Non-residents are not liable for donations tax.
The person making the donation (donor) is liable for the tax but if the donor fails to pay the tax within the prescribed period the donor and donee are jointly and severally liable for the tax (section 59).
Public companies and public benefit organisations amongst others are exempt from donations tax (section 56(1)(h) and (n)).
What steps must I take?

After making a donation you should complete form IT144(Declaration by donor / donee) and submit it to SARS with your payment.

When should it be paid?

Donations tax must be paid within three months of the donation taking effect or such longer period as SARS may allow (section 60(1)). Payment must be accompanied by form IT144 (section 60(4)).

A donation takes effect when all legal formalities for a valid donation have been complied with (section 55(3)).

How should it be paid?

Donations tax can only be paid by a bank cheque at a SARS branch office.