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Section 18A Tax Deductions and BEE Points - Maximize Your Benefits



Did you know that you can't claim a Section 18A tax deduction if your donation is used to earn BEE points under the Socio-Economic Development (SED) element of the BEE Scorecard?

In this article, we will recapitulate the qualifying criteria specifically for SED points on the BEE Scorecard.

What is a Section 18A Tax Certificate?

A Section 18A tax certificate is issued when donations are made to Public Benefit Organisations (PBOs).

This certificate allows the donor to claim a tax deduction for their contribution, as provided by the South African Revenue Service (SARS). It serves as an incentive for individuals and businesses to support causes that benefit the public.

B-BBEE Socio-Economic Development contributions

Under the B-BBEE (Broad-Based Black Economic Empowerment) Codes of Good Practice, companies can score points on their BEE scorecard by making SED contributions. These contributions focus on helping black South Africans gain better economic opportunities.

What is the difference between a Section 18A tax certificate and SED contributions for B-BBEE purposes?

While both Section 18A tax certificates and B-BBEE *SED contributions* aim to help with social and economic development, they are not the same and have different benefits.

A Section 18A tax deduction is meant for donations that are purely charitable, with no strings attached. If you are receiving BEE points in exchange for a donation, it is considered a benefit to your company. You cannot double-dip by also claiming the tax deduction benefit.

Trying to claim both benefits for the same donation goes against the charitable spirit of Section 18A. If SARS determines that you are benefiting from a BEE score enhancement while also claiming a tax deduction, you may be subject to penalties.

Best practices for donors

To make sure you are in the clear, keep these tips in mind:

- **Be transparent regarding the purpose of your donation:** Decide upfront whether you're making the donation to get a tax break or to improve your BEE score.
- **Engage and communicate with the Public Benefit Organisation:** Make sure that the organisation knows why you are donating so that they can issue the correct paperwork.
- **Stay informed:** Keep an eye on the latest information from SARS and the Department of Trade, Industry, and Competition (DTIC) to avoid any surprises.

We encourage our clients and other businesses to contact us for specific guidance on implementing an effective BEE strategy in the context of B-BBEE compliance.

SERR Synergy assists businesses to implement viable B-BBEE initiatives and ensures alignment of initiatives with the legal requirements of the B-BBEE Codes. As a BEE consulting company, we make use of a variety of verification agencies and our BEE consultants are all accustomed to their views regarding different interpretations.

About the Author: Denise Coetsee is the Assistant B-BBEE Manager in our Gauteng Branch who joined SERR Synergy in February 2018. She obtained her B.Com Law, LLB and LLM (Corporate Law) degrees from the University of Pretoria. Denise is an admitted Attorney of the High Court with 11 years' legal experience.

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