

9 February 2018

STATEMENT BY SARS

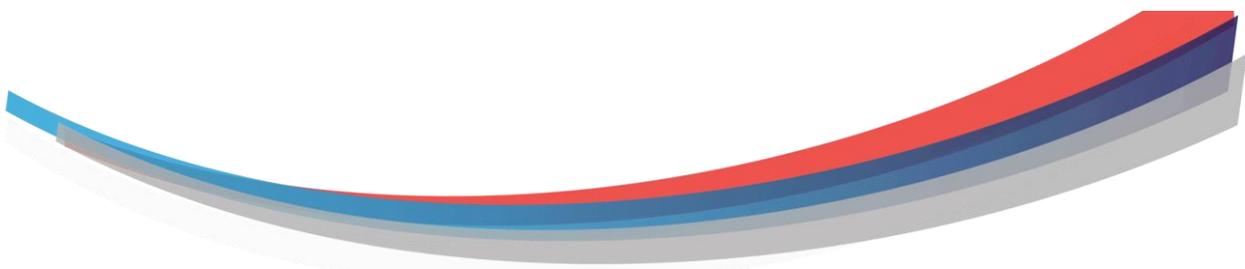


The South African Revenue Service (SARS) recently issued a statement on its **plan to investigate possible tax non-compliance in the religious sector. This includes churches. Pastors, Governing bodies and Regional Committees, should be aware of the tax obligations of churches and their employees.**

According to the Income Tax Act, religious institutions (who are registered as Public Benefit Organisations) may apply for exemption from certain taxes, but once the exemption is granted, there are requirements that need to be complied with. This includes conducting activities in a non-profit manner with an altruistic or philanthropic intent. SARS has granted tax exemption to the AFM of SA on the basis that it meets the requirements of a Public Benefit Organisation (“PBO”) as set out in section 30(3) of the Income Tax Act. This exemption **does NOT include employees tax and VAT and we do not qualify as a section 18A PBO.**

The General Treasurer reported to the 2016 General Business Meeting that governing bodies are responsible to register as employers with the SARS and to ensure that the payments required in terms of the applicable law are made on a monthly basis. It is imperative that all congregations comply with the applicable legislation as non-compliance have serious consequences for both governing bodies and pastors. **The AFM is not registered for donation contributions and cannot issue certificates permitted by section 18A of the Income Tax Act** in terms of which donations are deductible from taxable income. It should be noted that any section 18A certificate, issued in the name of the AFM is not valid for submission to SARS and will have serious legal consequences for whoever issued such certificates.

In a letter dated 25 July 2016 the South African Revenue Services informed the General Treasurer that non-compliance with the provisions of the NPO registration was detected. The SARS found that the AFM of SA, or alternatively some statutory bodies of the AFM of SA, issues section 18A certificates and that the members to whom these certificates were issues claimed a deduction against their taxable income.



Also take note that **all employers (Assembly Governing Bodies) who pays salaries must consider the requirements for registering for employees' tax. They must register themselves and their employees for UIF and pay their contributions every month.**

The Unemployment Insurance Act and Unemployment Insurance Contributions Act, apply to all employers and employees, except (not to) the following: Employees working less than 24 hours a month for an employer; Learners; Public servants; Foreigners working on contract; Workers who only get a monthly State (old age) pension; or Workers who only earn commission. -Domestic employers and their workers are included under the Act since 1 April 2003.

For the 2018 tax year of assessment (1 March 2017 - 28 February 2018) **pastors and other employees who are younger than 65 years and earns more than R75 750 (R6 312 / month) per year, must register for income tax with SARS.**

All Assembly Governing Bodies with employees earning more than R75 750 must register as an employer with SARS and deduct monthly PAYE from the employees. This is to be paid over to SARS. The submission of a monthly Employees tax return ("EMP201") is required by the Employer.

SARS called for entities in the religious sector to use the SARS Voluntary Disclosure Program to regulate their taxes.

Please take note of this information and ensure that you are compliant, to avoid possible penalties and interest. A circular will be issued by the General Treasurer to address the SARS issues.

END

