

NEED MORE HELP?

- Call 0860 12 12 18
- Visit www.sars.gov.za or visit any SARS branch

INTRODUCTION

This guide is designed to help you to complete the return of income for exempt organisations (IT12EI) accurately. If you need assistance to complete the return, you may contact the Tax Exemption Unit. See contact details on page 4.

If your address has changed during the last year and you have not updated your details you should contact the Tax Exemption Unit to update your contact details.

ACCESS TO FORMS

The following methods are available for obtaining income tax returns:

• MAIL

The new simplified income tax return will be posted during September to taxpayers for which a verified address is available. Taxpayers who have not received their returns by the end of September should contact the Tax Exemption Unit; or visit www.sarsefiling.co.za to obtain a copy of the return in PDF Download or printed format.

• INTERNET

The IT 12EI will be available via the SARS e Filing website for printing [a copy of the return], PDF download or full electronic completion and submission via e Filing.

If you have already submitted the tax return electronically and you receive another income tax return in the mail, you may destroy the one received in the mail.

YOU MUST COMPLETE AND SUBMIT THE RETURN BY 31 OCTOBER 2007

The deadline for submitting the income tax return (IT12EI) for exempt organisations is 31 October 2007, for Companies the deadline for submission is six months after the financial year end.

COMPLETING THE RETURN

Do:

- Use a black or a blue pen to complete the return.
- Keep your writing within the spaces provided.

Do not:

- Strike through the squares that do not apply.
- Use correcting fluid if you have made a mistake.
- Fold your return, as it will delay the process of assessing.

An incomplete return will be returned to the sender with a letter indicating the error or which section is incomplete. The return will not be loaded onto the SARS system until the return is completed in full and resubmitted. This may result in penalties for the late rendition of your return.

You MUST complete all relevant parts of the return. If no income from a specific source is received, you must complete the section by entering a zero in the specific field.

The following fields on the return are mandatory:

- Signature- The tax return is a legally binding declaration, which you make to identify all the income, and deductions for the year. Without your signature, it is worthless.
- Particulars of Organisation-Type of organisation, registered name, trade name, postal address and physical address.

How to fill in your IT12EI

- Particulars of person responsible for the return-Name, legal address (Domicillum Citandi Et Executandi), contact details and date of appointment.
- General financial information- All fields must be completed where applicable.

Information applicable only to PBOs:

- Information in respect of trading activities- total receipts and accruals from trading activities, total receipts i.r.o integral and directly related trading activities, total receipts and accruals i.r.o occasional trading, expenditure from taxable trading income and non-taxable income.
- Taxable Income/ loss-Taxable income from trading activities.
- Capital gain or loss realised on disposal of assets used for non-PBAs or producing non-exempt income.

SUBMISSION OF RETURN: SUPPORTING DOCUMENTS

Financial statements including a detailed income statement, balance sheet or additional documentation in order to complete the income tax return as well as details of Section 18A tax-deductible receipts issued (and if applicable the relevant audit certificate). The supporting documents must not be attached to the income tax return on submission. The documents must be retained by the taxpayer for a minimum period of five years as supporting evidence in the event that SARS will request the information as part of the audit process. Taxpayers are reminded that a signed return constitutes a legal declaration subject to the full recourse of the law.

Note: Any supporting documents received by SARS will be mailed back to taxpayers for their safekeeping.

INFORMATION SUBMITTED

It is incumbent upon the taxpayer to ensure that all information disclosed on the income tax return is accurate. In addition to possible prosecution and imposition of penalties prescribed by the Income Tax Act for misrepresentation, neglect or omission to furnish such return or furnishing false information, additional assessments (together with interest), may be raised after the expiry of three years from the date of assessment. To avoid such occurrences and to facilitate a correct assessment and an efficient income tax system, it is in everyone's interest that information furnished in the income tax return be correct and complete.

PENALTIES/ADDITIONAL TAX

Any person in a fiduciary capacity responsible for the management or control of the income and assets of an exempt organisation, who knowingly and deliberately fails to comply with the provisions of the Act or who has not utilised a donation for which a tax deductible receipt has been issued, for carrying on the approved public benefit activities, may be guilty of an offence and on conviction liable to a fine or imprisonment.

DECLARATION

The duly appointed Public Officer, Representative or Trustee must sign this part. Any unsigned tax return will be returned to the taxpayer and regarded as not received on the SARS system.

PARTICULARS OF PERSON RESPONSIBLE FOR THE RETURN

This part must be completed in full. If you do not have a cell phone number please enter the word "none" in the space.

PARTICULARS OF ORGANISATION

The type of organisation should be selected. If the organisation is, an association of persons mark "other".

GENERAL FINANCIAL INFORMATION

This field must be completed by all exempt organisations. If no income was received please indicate zero or the word "none" in the relevant field.

• Rental Income

The amount received as rental income, includes amounts received from the letting of movable or immovable property and accommodation.

• Investment Income

Income received on the investment of funds of the organisation such as interest and dividends.

• Donations

Provide the total amount received from foreign as well as local sources.

• Membership fees

Provide the total amount received by way of membership fees or subscriptions.

• Levies

Amounts received in respect of levy income

• Subsidies

Reflect all subsidies or grants received from Government or otherwise.

• Proceeds from the disposal of assets

Provide the amount in respect of gross proceeds on disposal of capital asset(s) during the year of assessment. (Immovable/Fixed property and movable assets).

• Other income not included above

State the amount received by/accrued to the organisation in respect of any source of income including capital accruals/receipts and exempt income.

This may, include, royalties, a bequest, income received as beneficiary from a trust, income from fundraising activities.

• Total expenditure of organisation

This is the total expenditure of the organisation incurred during the year of assessment.

ADDITIONAL INFORMATION

Please indicate whether any changes were made to the written document, under which the organisation was established such as the memorandum and articles of association, the constitution or trust deed. If any amendments were effected you must inform the Tax Exemption Unit. Indicate if any of the public benefit activities changed during this year of assessment. This may have an effect on the exempt status of the organisation.

If the organisation is dormant, the relevant field and whether the organisation has assets or reserves.

Gross remuneration paid to office bearers, employees includes fees, salaries, bonuses, and the value of the use of assets received. (Housing or motor vehicles)

INFORMATION IN RESPECT OF TRADING ACTIVITIES

INCOME:

Note: This field is only applicable to PBOs and must be completed by all approved public benefit organisations.

As from their first year of assessment commencing on or after 1 April 2006, approved PBOs are subject to a system of partial taxation on certain trading receipts

Note: This is not applicable to recreational clubs. A recreational club only becomes subject to the partial taxation system i.r.o. years of assessment commencing on or after 1 April 2007.

The following is a step-by-step guide to assist you in calculating the taxable portion of trading receipts.

Step 1

Total receipts not subject to tax

Income applicable to PBAs	Amount (R)				
Donations					
Government subsidy					
Grants					
Interest on investments					
Other					
Total (A)					

Total receipts from exempt trading activities-integral and directly related

Integral and directly related

The trading activity must be:

- Integrally related to the PBA
- conducted on a cost recovery basis and
- not in competition with other taxable entities.

Source	Amount (R)				
(a)					
(b)					
(c)					
(d)					
Total receipts (B)					

Occasional trading activities

- Activity of an occasional nature
- Undertaken substantially with voluntary assistance

Source	Amount (R)				
(a)					
(b)					
(c)					
(d)					
Total (C)					

Gross receipts not subject tot tax:

A+B+C = Total D

Step 2

Total receipts from trading activities subject to tax

Total receipts and accruals from trading activities, excluding receipts and accruals of a capital nature.

Source	Amount (R)
(a)	
(b)	
(c)	
(d)	
Total (E)	

[Total (E) = Total receipts from trading activities subject to tax]

D + E = Total F

[Total (F) = Total receipts and accruals (D) + (E)]

Step 3

Calculation of receipts subject to basic exemption

The threshold is calculated by taking the greater of 5% of the total receipts and accruals of the PBO [Total (F)] or R 50 000.

The calculation is thus the greater of:

1) 5% x Total calculated in (F) R
or
2) R 50 000

Exempt portion of trading receipts:

The greater of 1) or 2) = (G)

Note:

The basic exemption will be increased to R 100 000 as from 1 April 2007 and will be applicable to a PBO as from its year of assessment ending on or after 1 April 2007.

Step 4

Allocation of basic exemption (G)

The exemption must now be allocated on a pro-rata basis in relation to the total receipts from the trading activities calculated [Total (E)]

Formula:

$$\frac{\text{Gross income from specific trading activity [E (a) to (d)]}}{\text{Gross receipts from trading subject to tax (E)}} \times \frac{\text{Exempt amount (G)}}{1}$$

= Exempt pro rata portion (H)

Gross Taxable receipts

The gross taxable receipts must now be calculated.

The calculation done on the following basis:

Gross receipts [(E) (a) to (d)] less Exempt portion (H)
= Gross taxable receipts [I (a) to (d)]

= Gross taxable receipts (I)

DEDUCTIONS:

This will be expenditure incurred in the production of income, excluding expenses of a capital nature and expenditure incurred which produces exempt income.

The expenses can be divided into two categories:

- Direct expenses-expenditure directly incurred in the production of a specific category of income will be allocated to such income.
- Indirect expenses-expenditure, which does not specifically relate to a particular source of income.

Total amount of deductions against taxable income:

= J

Total amount of deductions claimed against non-taxable income:

= K

Total amount of general expenses:

= L

Step 5

Direct expenditure attributable to exempt and taxable total receipts from a trading activity.

In this step, you must apportion the expenses incurred in the production of taxable gross receipts from trading activities between exempt and taxable portion of the gross receipts.

Formula:

$$\frac{\text{Specific income to which allocated [(a) to (d)]}}{\text{Total gross income from taxable trade (a) [(a)-(d)]}} \times \frac{\text{Expenditure (J)}}{1}$$

= Direct expenditure (K)

The taxable receipt = (gross income less (a) exempt portion (H)) less allowable expenses (K)

Taxable receipts before allowing general expenses:

= M

Step 6

General (indirect) expenses (L):

Note:

This calculation must only be made if the PBO has not kept detailed records of the allocation of general expenditure.

This is expenditure incurred which does not relate to a particular source of income but which can be attributed to various sources of gross receipts. This includes expenditure accounting fees, audit fees, bank charges or overhead expenses. These costs must be apportioned pro rata based on the gross receipts from the taxable activities.

The total gross income from taxable activities would be sourced from receipts to which the general expenses can be apportioned.

Formula:

$$\frac{\text{Specific income to which allocated = O(a) - (d)}}{\text{Total gross income from taxable activities - (O)}} \times \frac{\text{Expenditure (M)}}{1}$$

= Proportional administrative overheads to be deducted based on the formula:

Source	Amount (R)									
Total (A)										
Total (B)										
Total (C)										
Total (E)										
Sub-Total										
Less: Income excluded										
Total (O)										

Note:

The amount of gross receipts must exclude receipts to which the general expenses cannot be allocated to, as they have not been incurred in the production of those receipts.

Gross amount would be the amounts in (A) + (B) + (C) + (E) less amounts of income to be excluded.

Allocation of expenses:

Total amount (N) of general expenses. [This amount should correspond with (L)]

Source	Amount (R)									
(a)										
(b)										
(c)										
(d)										
(e)										
(f)										
(g)										
Total (N)										

Step 7

Allocation of general expenses between taxable and exempt portion of trading activities

The allowable expenses must now be deducted from taxable receipts determined in step 6 [M (a) to (g)] less the amounts determined in [N (a) to (g)].

The result will be the taxable amount determined after deducting the allocated general expenses. (P)

= **Total (M)**

[(M) = The total taxable receipts per source]

= **Total (N)**

[(N) = Total of general expenses allocated to specific source]

= **Total (P)**

[(P) = Taxable income calculated per source after the deduction of the general expenses]

Step 8

DETERMINATION OF TAXABLE INCOME OR LOSS FROM TRADING ACTIVITIES:

You can now add all the amounts, which represents taxable income from the various sources together in order to calculate the taxable income for the year of assessment.

Source	Amount (R)									
(a)										
(b)										
(c)										
(d)										
(e)										
Total (Q)										

The total determined Q, which will represent a taxable income or loss from trading activities and must be entered into the relevant field in the income tax return.

Note:

This will be the amounts determined in step 4 and 7.

Note:

The following income codes should be used when carrying the profit or loss to the income tax return.

Taxable income from trading activities code -3023

Loss from trading activities code -3022

CAPITAL GAINS TAX

With effect from their first year of assessment commencing on or after 1 April 2006, PBOs are subject to the provisions of capital gains tax.

Any capital gain or loss made on disposal of an asset, substantially the whole of which has not been used in the carrying on of a PBA, will not be disregarded for CGT purposes.

Detailed information relating to CGT can be found in the CGT Guides available on the SARS website.

Note:

The following Capital Gains Tax Codes must be used when the profit or loss is carried forward to the relevant section on the income tax return.

Profit on disposal of capital asset-4250

Loss on disposal of capital asset-4251

TAX DEDUCTIBLE RECEIPTS ISSUED IN RESPECT OF DONATIONS IN TERMS OF SECTION 18A

This information must be completed by exempt organisations that have been approved to section 18A to issue tax-deductible receipts to donors.

HOW CAN I SUBMIT THE RETURN

Electronically: By registering as an eFiler on www.sarsefiling.co.za you can complete and submit the return.

Post: Using the envelope provided by SARS mail the signed and completed return.

Drop off: All SARS branches have drop boxes where you can drop off your completed return.

TAX EXEMPTION UNIT

All enquiries should be directed to the Tax Exemption Unit:

Tel: 012 422 8800

Fax: 012 422 8830

Email: teu@sars.gov.za