DONATE TO THE UNDERPRIVILEGED & SAVE ON PAYE: By Jonathan Hore

Very few people are aware that the Income Tax Act ('Act') allows them to make donations to the underprivileged, a move which reduces their PAYE for employees or Personal Income Tax (PIT) for those who are self-employed. This is largely because the Act previously catered for corporate donations only but as from 2017, the list of donees was expanded such that even individuals can now donate to certain specified persons, realising taxes in the process. In this article, words importing the masculine shall be deemed to include the feminine.

Donations in general

Donations are generally not tax deductible, which means that they cannot be used to reduce amounts subject to tax, whether corporate tax, PAYE or PIT. In other words, such donations merely become a cost to the donor and if they are already deducted at arriving at taxable profits, the amounts so deducted must be added back in determining tax. But I want to put my focus on donations made by individuals and show you that you can now be a little Mother Theresa by helping underprivileged people.

This is it

Fine, I can tell that you want to become a little Mother Theresa and as such, you first of all need to identify the right donee who is recognized by the Income Tax Act as someone you can donate to and still claim a tax deduction. One group of those persons include orphans under the age of 18, who must be registered under the ministry responsible for local government. Secondly, disabled or destitute persons registered with the Office of the President also qualify under approved donees. Lastly, institutions which take care of either the destitute, disabled or orphans under 18 as approved by the responsible ministry can also be approved as donees.

Practically, you need to obtain a form from BURS, complete it and take it to the responsible ministry and then back to BURS. BURS will then respond to you via a letter stating that the person you identified has been okayed as an approved donee for income tax purposes. Once that is done, you can then go ahead and donate to such person, obtain documentary evidence of the donation and then you reduce your PAYE or PIT.

Reducing tax

In order to reduce PAYE, take your proof of donation to your HR division or the one who handles your PAYE and ask them to knock off your salary with the amount of the donation. If you earn P14 000 and donated P2 000, your tax falls from P 1 587.50 to P 1 087.50, saving you P 500 in PAYE. If you are self-employed, you just need to knock-off your income by the amount donated and that will also reduce your PIT in the same manner described above. This knock-off is provided for in section 51 of the Act.

Don't forget this

Let me draw your attention to a few things that you must not forget as you try hard to positively impact another life. The first thing is that you cannot get a tax deduction if you donate less than P 1 000 per tax year, i.e. from 1 July in one year to 30 June of the following year. Secondly, you can't donate more than 20% of your aggregate taxable income. Further, you need to know that donations to the above-mentioned donees last for 3 years and you may need to renew then regularly. Lastly, note that there are other donees who are not underprivileged such as sports clubs or associations, educational institutions etc which I didn't mention above. Should you need further details about them, you know the number to call. If you don't, look a few sentences below and you will be good.

Donate today

You now have all the knowledge that you needed and this is the time to shine and change the life of another person who is not as privileged as you are. If your HR division gives you stress by refusing to reduce your salary by the donation, report them to me; I will tax-prosecute them! They shouldn't play with Yours Truly, never!

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group or know about our 8 Tax e-books, send me a text on the cell number below.