

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 247 [CW425E]**

**DATE OF PUBLICATION: 14 NOVEMBER 2014**

**247. Kgoši S G Thobejane (ANC-Limpopo) to ask the Minister of Finance:**

Whether the Government has any measures in place to enforce taxes on commercial churches; if not, why not; if so, what are the relevant details?

CW425E

**REPLY:**

Yes, the tax laws do provide for the taxation of certain trading activities of the so called "Commercial Churches".

**The tax regime for Public Benefit Organisations**

The Income tax dispensation does not make reference to the tax treatment of churches *per se*. Churches may be classified as Public Benefit Organisations (PBO), which then qualify for certain tax concessions. These tax concessions relate to Income tax and may include other exemptions such as Donations tax, Estate duty and Transfer duty (considered on a case by case basis).

PBO's do not have full exemption on its income – it is subject to partial taxation principles; such tax payments usually arise when the trading or business activities fall outside of the exemption principles. PBO's however remain liable for Pay-As-You-Earn (PAYE) and Unemployment Insurance Fund (UIF) for employees.

PBO status is not automatic and each church must apply to SARS. The PBO is required to register and file tax returns.

A PBO may conduct a trading activity or business undertaking where that activity is utilised as a source of funding for the benefit of the public. The activity must not become the sole or principal object in itself. The said trading activities must be declared and is subject to approval by SARS.

SARS has a dedicated Tax Exemption Unit (TEU) which is responsible to evaluate all PBO applications. Once approved the TEU monitors compliance in terms of the exception provisions granted. If the TEU identify any areas of non-compliance the case will be referred for audit in line with the SARS case selection principles.

The public is encouraged to provide information of suspected non-compliance through the suspicious activity reporting system which can be accessed via SARS website ([sars.gov.za](http://sars.gov.za)) and the SARS corruption hotline (contact number 0800 00 2870).