



Strengthening Tax Benefits for Nonprofits

South Africa's narrowly defined tax legislation historically only granted tax-exempt status to welfare, religious and educational institutions, and has excluded many other nonprofit organizations. Without support from the government, nonprofits were dependent on international donors and local resources while existing in an environment that viewed nonprofit income generation as unfair competition.

With USAID support, the Non-Profit Consortium has begun to successfully lobby for changes in South Africa's tax legislation. Aiming to create a more judicious tax framework, the Consortium provides nonprofit organizations with the tools they need to learn about and influence the legislation that affects their financial sustainability.

Since many nonprofit organizations have had no formal tax training, the Non-Profit Consortium conducted orientations for 920 organizations in tax and legal structures, labor laws, compliancy regulations, mission statements and marketing. After attending a training session, one nonprofit group was able to access property without paying property tax.



Photo: USAID

Participants at a Non-Profit Consortium workshop learn about tax exemptions.

Efforts by a coalition of nonprofit organizations working with the Consortium have resulted in new tax legislation, approved by Parliament, that would expand donors' tax benefits and nonprofits' tax exemptions. The coalition is also advocating that nonprofits be permitted to accumulate capital reserves that would help them become more independent.

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Since the Non-Profit Consortium got involved, South African organizations can now spend an unlimited percentage of their international funding (though only 15 percent of their local resources) outside of South Africa and retain tax-exempt privileges. The Non-Profit Consortium is now pushing for still greater latitude. One nonprofit worker whose organization is fighting HIV/AIDS in border towns asked, "Do I work on a disease that knows no borders up to the border because tax law prevents me from spending funds internationally?"

A direct result of the Consortium's advocacy efforts to extend access to donor benefits, corporations like South Africa's ABSA Bank have set up giving programs where employees can make tax-free contributions. Workshops have been held that concentrate on even more new legislation with an even broader focus — from accessing national lottery funds to securing property rights.

But the work is not done yet, says Safiyah Boolay, the program's coordinator. The Non-Profit Consortium will continue to hone and expand its advocacy and education initiatives, while ensuring responsibility among its beneficiaries. "We are defining income tax legislation," she said. "Now we want to be sure the sector shows accountability for public funds."

Success Story

