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2026 SARS Tax Changes Affecting Private Schools, NPCs and PBOs

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Contents

Executive Summary

The 2026 tax changes bring a lot more compliance pressure for private schools, NPCs, PBOs and other non-profit organisations.

Key areas affecting schools and NPCs include:

- Increased VAT registration thresholds;
- Enhanced Section 18A donation receipt requirements;
- Greater SARS scrutiny of tax-exempt institutions;
- Expanded third-party reporting and verification;
- Increased focus on payroll tax compliance and fringe benefits;
- Heightened governance expectations for PBOs and NPCs.

For many schools and NPCs, these developments will require:

- updates to policies and procedures;
- stronger internal controls;
- improved payroll and donor administration systems; and
- proactive governance oversight by finance committees and boards.

Failure to comply may expose entities to:

- penalties and interest;
- withdrawal of tax-exempt status;
- donor disputes;
- reputational damage; and
- SARS audits and reassessments.

SSA Chartered Accountants and Business Advisors Incorporated (“SSA”) is well positioned to assist schools and NPCs in navigating these changes through specialised audit, tax, governance, and advisory services.

The Issue / Problem

Schools and NPCs are dealing with far more tax and compliance administration than they were a few years ago.

In the past, most schools and non-profits mainly focused on:

- annual financial statement preparation;
- external audit compliance; and
- basic SARS submissions.

However, SARS is now placing greater emphasis on:

- real-time compliance monitoring;
- verification of exempt activities;
- donor tracing and reporting;
- payroll tax accuracy;
- VAT compliance; and
- governance oversight of tax-exempt institutions.

A lot of schools and NPCs are still exposed because:

- internal finance functions are under-resourced;
- legacy systems do not capture required SARS information;
- payroll treatment of employee benefits is inconsistent;
- donor receipt systems are outdated; and
- governance committees may not fully understand evolving tax obligations.

Common risk areas include:

- incorrect treatment of staff tuition discounts;
- non-compliant Section 18A certificates;
- VAT registration uncertainty;
- incomplete donor records;
- weak payroll controls;
- insufficient documentation supporting PBO activities; and
- inadequate audit trails for restricted funds and fundraising activities.

If these issues aren't fixed, schools could end up dealing with:

- adverse audit findings;
- SARS penalties;
- PAYE underpayments;
- donor deduction disputes; and
- potential revocation of tax-exempt status.

Regulatory Context

The primary legislation and regulatory framework affecting schools and NPCs include:

- Income Tax Act No. 58 of 1962;
- Value-Added Tax Act No. 89 of 1991;
- Companies Act No. 71 of 2008;
- Nonprofit Organisations Act No. 71 of 1997;
- Tax Administration Act No. 28 of 2011;
- Fourth and Seventh Schedules to the Income Tax Act;
- Section 18A requirements for deductible donations;
- Section 30 provisions governing PBOs;
- SARS Exempt Institutions requirements.

Recent SARS developments indicate a strategic shift toward:

- tighter verification controls;
- digitised compliance monitoring;
- enhanced third-party reporting; and
- improved data matching capabilities.

SARS has also issued updated guidance affecting:

- exempt institution applications;
- Section 18A reporting;
- VAT registration administration; and
- donor information requirements.

In addition, governance expectations under King IV and broader fiduciary responsibilities increasingly require boards and finance committees to ensure:

- tax compliance oversight;
- appropriate internal controls;
- documented governance processes; and
- robust risk management practices.

Rules / Impact

1. Increased VAT Registration Thresholds

From 1 April 2026:

- the compulsory VAT registration threshold increases from R1 million to R2.3 million;
- the voluntary VAT registration threshold increases from R50 000 to R120 000.

Impact on Schools and NPCs

This change may:

- reduce compliance burdens for smaller schools and NPCs;
- allow certain entities to deregister voluntarily for VAT;
- improve cash flow for smaller institutions.

However, schools and NPCs must carefully evaluate:

- the effect on input VAT recoverability;
- donor funding implications;
- pricing models; and
- grant agreements linked to VAT status.

Entities involved in:

- fundraising events;
- facility rentals;
- trading activities; or
- ancillary commercial activities

should specifically reassess their VAT exposure.

2. Enhanced Section 18A Compliance Requirements

New Section 18A donation receipt rules apply from 1 March 2026.

New Mandatory Information Includes:

- donor type;
- ID type and issuing country;
- company/trust registration number;
- income tax reference number;
- donor contact details;
- unique serial numbers;
- expanded details for donations in kind.

Impact on Schools and NPCs

Schools and NPCs issuing Section 18A certificates may face:

- increased administrative workload;
- system redesign requirements;
- donor database cleansing requirements;
- higher audit risk if receipts are incomplete.

Non-compliant certificates may result in:

- donors losing deductibility;
- reputational damage;
- SARS disputes; and
- possible sanctions against the issuing organisation.

3. Increased Scrutiny of Tax-Exempt Institutions

SARS continues strengthening oversight of exempt institutions and PBOs.

Areas Receiving Increased Attention

- compliance with approved public benefit activities;
- governance structures;
- related-party transactions;
- political and private benefit risks;
- application of funds;
- payroll tax compliance;
- retention of supporting documentation.

Impact

Schools and NPCs may face:

- more frequent SARS verification requests;
- enhanced reporting obligations;
- requests for supporting governance documentation;
- risk of exemption withdrawal where non-compliance exists.

4. Payroll and Fringe Benefit Risks

Schools remain exposed to payroll-related tax risks, particularly regarding:

- staff tuition discounts;
- travel allowances;
- accommodation benefits;
- employee loans; and
- independent contractor classifications.

The Seventh Schedule to the Income Tax Act continues to require careful assessment of fringe benefits, including reduced-fee education benefits provided to staff children.

Impact

Incorrect treatment may lead to:

- PAYE underpayments;
- penalties and interest;
- IRP5 inaccuracies;
- employee disputes; and
- adverse audit findings.

This is still one of the biggest tax risks for private schools.

5. Stronger Governance Expectations

Finance committees, boards, and trustees are increasingly expected to demonstrate:

- active oversight of tax compliance;
- documented tax governance;
- risk-based internal controls;
- formal compliance monitoring.

Impact

Weak governance structures may increase:

- audit findings;
- reputational exposure;
- personal fiduciary risk for board members;
- regulatory intervention risk.

Practical Recommendations

Schools and NPCs should consider implementing the following actions during 2026:

Governance and Oversight

- Establish formal tax governance frameworks;
- Include tax compliance as a standing finance committee agenda item;
- Maintain documented tax risk registers;
- Review delegations of authority.

VAT Compliance

- Reassess VAT registration status;
- Evaluate impact of deregistration;
- Review mixed-supply calculations;
- Ensure VAT treatment of fundraising activities is correct.

Section 18A Compliance

- Update donor receipt templates immediately;
- Implement unique receipt numbering systems;
- Enhance donor onboarding procedures;
- Review donor databases for completeness.

Payroll Tax Compliance

- Review all fringe benefits;
- Recalculate taxable values where necessary;
- Assess staff tuition discount methodologies;
- Ensure payroll systems reflect correct PAYE treatment.

Internal Controls

- Strengthen supporting documentation retention;
- Implement compliance checklists;
- Improve audit trails for donor and grant funding;
- Formalise finance policies and procedures.

Training and Awareness

- Train finance teams on new SARS requirements;
- Provide governance training to finance committees and boards;
- Conduct periodic compliance health checks.

How SSA can assist

SSA Chartered Accountants and Business Advisors Incorporated can assist schools and NPCs through a comprehensive range of specialised services tailored to the education and non-profit sectors.

Tax and Regulatory Compliance

- VAT reviews and registration assessments;
- PAYE and payroll compliance reviews;
- Section 18A compliance assessments;
- SARS readiness reviews;
- PBO and exempt institution advisory services.

Governance and Risk Management

- Tax governance framework development;
- Internal control assessments aligned to COSO;
- Finance committee advisory support;
- Risk assessments and compliance reviews;
- Combined assurance frameworks.

Payroll and Fringe Benefit Advisory

- Staff tuition discount tax assessments;
- Fringe benefit calculations;
- SARS-compliant payroll methodologies;
- IRP5 and payroll control reviews.

Audit and Assurance

- External audits;
- Agreed-upon procedures engagements;
- Internal audit services;
- Compliance audits;
- Grant and donor funding assurance reviews.

Policy and Framework Development

SSA can assist with:

- tax policies;
- finance policies;
- donor management frameworks;
- payroll procedures;
- governance charters;
- compliance monitoring systems.

Training and Capacity Building

SSA can provide:

- finance team training;
- governance workshops;
- SARS compliance awareness sessions;
- board and finance committee briefings.

Conclusion

The 2026 tax environment represents a significant shift toward enhanced compliance, transparency, and governance accountability for schools and NPCs in South Africa.

Schools that tighten up their:

- governance;
- payroll compliance;
- donor administration;
- VAT management; and
- internal controls

will be better positioned to:

- avoid penalties;
- maintain public trust;
- protect tax-exempt status; and
- improve operational sustainability.

SSA Chartered Accountants and Business Advisors Incorporated remains committed to assisting schools and NPCs in navigating these evolving regulatory requirements with practical, compliant, and value-driven solutions.