A REVIEW OF THE PROCEDURES AND PROCESSES TO START-UP A NON-PROFIT ORGANISATION (NPO) UNDER SOUTH AFRICAN LAW WITH SPECIAL REFERENCE TO THE NPO ACT 71 OF 1997 (THE NPO ACT)

S.B. Bhat and D. Hartmann

1, 2 School of Mechanical, Industrial & Aeronautical Engineering
University of Witwatersrand, South Africa
bhatsb@gmail.com
dieter.hartmann@wits.ac.za

ABSTRACT

Most research on non-profit organisations (NPOs) concentrate on operational issues such as organisational sustainability, governance, business plans, marketing and funding. Little research has been done on the experience of NPOs during the registration process. This study investigates the familiarity of NPOs of the rules and procedures involved in the registration process and the influence of the Department of Social Development (DSD) in executing the requirements of the NPO Act. The paper considers background information on NPOs, their role in society and the governance procedures instigated as per the NPO Act. The results of the research are expected to assist to prepare start-up NPOs, before the registration process, such that registration can run smoothly and that the organisation can effectively execute their objectives. Documents archived in the DSD online database [27] and email communications with a Director of the NPOs, was used to analyse the influence the NPO Directorate has on the NPO Act and registration. Multiple case studies of a number of registered NPOs, through an online survey, found out that many NPOs that are registered are ignorant of the rules and regulations and unable to perform efficiently. In addition, most organisations are unaware of the government grants that are accessible to registered NPOs. Therefore, significant prior knowledge before registration can supplement NPOs to prepare for the registration process as well as establishing their organisations with great success. The checklist created shall also provide a guideline for NPOs to establish their organizations efficiently. Organisations should thus take an effort to increase their understanding through networking with other NPOs and DSD.

* Corresponding Author
1 INTRODUCTION

Non-profit organisations (NPOs) exist to provide funding and services to the community and/or the environment, fulfilling a particular cause and purpose of the organisation. A NPO is an establishment that does not run with the intentions to make any financial or equivalent gain for itself. This does not mean that the normal drivers of efficiency and effectiveness are absent; in fact they are more likely enhanced. For this reason an industrial engineering intervention in this sector was desirable.

A NPO can base their objectives on “social welfare and development, religion, charity, education and research” [1]. Other aspects can include environmental and animal rights activism, sports development, arts and other facets that are of interest to the community [2]. The John Hopkins study’s defines NPOs as organisations that are structured, separate from the government, independent, not for profit and have voluntary support [3].

NPOs have a large impact on the economy, having a greater workforce than sectors like mining and transport, containing human capital worth around R 13 billion rand [1]. The civil society sector employs about a million people [4]. This sector significantly relieves governments from the responsibility in community upliftment.

The Non-Profit Organisations Act No. 71 of 1997 (NPO Act) has a primary objective in creating a framework of governing NPOs in South Africa, for the execution of an NPO’s objectives. The framework involves the registration process for NPOs, dispute resolution processes, cancellations, financial year-end reporting requirements and consequences for any offences committed. The Minister of the Department of Social Development (DSD) has the responsibility to ensure execution of the requirements of the NPO Act. [5]

Previous studies conducted in some aspects of the non-profit sector consist of:

1. Size and scope of NPOs in South Africa [1];
2. Expertise of employees within NPOs [1];
3. Business models of NPOs in relation to the NPO Act [6];
4. The funding process of civil society organisations (CSOs) [4];
5. Control of non-government organisations on local governance [7]; and
6. A brief explanation of the impact of regulations on NPOs [2].

NPOs’ knowledge of the regulatory system at start-up have however not been discussed in-depth. Ignorance of the system can result in delayed execution of the objectives of an NPO from point of registration. The investigation would unravel the hypothesis that organisations are not aware of some aspects of the procedures involved before registration.

1.1 Objectives

1. To review existing procedures and policies on the start-up of an NPO;
2. To investigate the perceived user friendliness of existing rules and regulations;
3. To track an NPO through start-up and document it;
4. To create a start-up checklist based on current procedures and policies for potential NPOs.

1.2 Assumptions

The investigation made use of the following assumptions:

1. Proper start-up of an NPO is one of the tools that would lead to sustainability of the organisation;
2. An NPO with a good start-up has a better buy in from the public;
3. Registered NPOs have better donor support; and
4. NPOs have a positive impact on the economy [4].

2 NON-PROFIT ORGANISATIONS ACT NO. 71 OF 1997 (NPO ACT)

Registration within the NPO Act is not mandatory for organisations; yet it carries associated benefits. Registered NPOs are eligible to fundraise, apply for tax exemption and legally source financial assistance [2]. Thus NPOs can continue to exist when members, executives and directors change.

The NPO Act enables NPOs to contribute to the various needs of the South African population. Thus, the NPO Act intends to meet the following objectives [5]:

1. To create a surrounding where NPOs are empowered to succeed;
2. To instigate basic requirements in the manner in which NPOs are governed;
3. To replace particular sections of the Fundraising Act of 1978;
4. To offer governance on other concerns related to NPOs;
5. To create an environment where registered NPOs information is easily accessible to the general public; and
6. For government, donors, individuals and companies engaging with NPOs to collaborate and have mutual accountability.

An NPO is any “trust, company or other association of persons”[5] created for the benefit of the public and where any income and property generated or acquired cannot be allocated to its members, director, trustee nor executive unless it is related to a salary or wage payment for a service provided to an NPO [5]. All income and property under an NPO are for the sole purpose for which that NPO was established.

2.1 Non-Profit Sector Analysis

Over a period of five years, between April 2007 and March 2012, there has been a 14 % average annual growth rate of voluntarily registered NPOs (Figure 1) [8]. In the five year period, 10 274 registered NPOs deregistered, 99 % were due to non-compliance to the NPO Act while the 1 % was due to voluntary deregistration and termination of the organisation. The percentage of deregistered NPOs is in proportion to the percentage of registered NPOs across provinces [8].
Figure 1: Growth of NPOs registration over a 5 year period [8]

Figure 2 shows the number of registered NPOs per province.

Figure 2: Registered NPOs per province [8]

The Department of Social Development (DSD) assist in enabling the non-profit sector. Conferences and discussions amongst the government, donors and NPOs link relationships, aids in coordination and build the sector. DSD has taken measures to implement the NPO Act, which actions are ongoing. The main concern is a high non-compliance rate.

3 RESOURCES AVAILABLE TO NPOS

“The major source of income and support for Civil Society Organisations is direct foreign government funders, private foreign funders, the South African government and corporate social investment” [4]. Like any organisation, NPOs require resources to exist, the difference however is that NPOs provide a service to the community, rely heavily on voluntary services to enable functions, obtain a large contribution of finances from external donors and utilise generated incomes to execute the NPO objectives.

Registered NPOs have the potential to access financial benefits of the Lotteries Act 1997, National Development Agency Act (NDA) of 1998 and Taxations Laws [1, 3, 4, 9]. Though
different boards are responsible for these grants, the DSD contributes in the decision-making. Success in grant making is dependent on a number of requirements met by an NPO. NPOs must complete the required funding forms and have sound record keeping for eligibility for tax exemption. [1]

NPOs’ objectives must be in line with the DSD to be eligible for funds. The NPO must present a funding proposal. NPOs must have a financial system managed by qualified persons. Most NPOs lack this skill and the process is cumbersome and confusing for first time participants. Competition for funding amongst NPOs further reduces grant - success [10].

3.1 Taxation Laws/Income Tax Act (ITA) No. 58 of 1962
The South African Revenue Service (SARS) governs tax related issues with individuals and organisations. Registered NPOs are not automatically exempt from Income Tax. NPOs must meet the requirements of the Income Tax Act (ITA) and be approved to obtain tax exemption which are granted to public benefit organisations (PBOs) [11]. Violation of the act may lead to fines or the revocation of PBO status [12].

3.1.1 Public benefit organisation (PBO)
Registered South African organisations may apply for PBO status. Because NPO registration is a voluntary system, it is not a requirement to be a registered NPO to apply as a PBO provided the organisation is tax compliant [12].

The main objective of the PBO must be to conduct one or more public benefit activities (PBAs) as stipulated in the ITA. At least 85 % of PBAs, in terms of time or cost, should be within RSA for the benefit of those residing within the country [12].

3.1.2 Donation tax benefit (Section 18 A of the ITA)
The Tax Exemption Unit with SARS is responsible for handling PBO status and section 18A status. Section 18A of the ITA refers to the relief of the donations tax for monies that were issued for PBAs. PBOs would be able to issue a section 18A certificate to donors. [12]

A donation tax of 20 % is liable on a donor. A maximum value of R 100 000 made by an individual is relieved from donations tax in a given tax year, while donors that are not individuals only have the benefit until R 10 000. A joint tax liability will suffice for both the donor and recipient if the donor does not pay the donations tax within three months from the donation. PBOs are exempt from donations tax. [13]

Section 18A status is not applicable to overseas NPOs or their RSA branch. [12]

3.1.3 Requirements of a documented constitution
Even though, an NPO registration is not required, there is still a requirement in terms of section 30 of the ITA that is quite similar to registered NPOs. A PBO requires a documented constitution [12].

3.1.4 Reporting requirements
PBOs must submit income tax returns at the end of their financial year, so that SARS can ensure that the PBO is exercising within its exempted limits. Submission of financial statements (income statement, balance sheet and other supporting accounts) is not required with the return, but is required to be stored for five years. PBOs shall retain financial records, documents and receipts for 4 years. SARS may request financial statements if need be. A person with fiduciary responsibility as well as the person who has arranged the statements on behalf of the PBO should sign accounts. Only non-profit companies are required to have audited financial statements. It is expected that firm and economically viable PBOs, to submit statements organised by a certified accountant. A PBO should issue
an audit certificate to SARS, verifying that the use of donations received for section 18A was exclusively for the eligible PBAs. [12]

3.2 Lotteries Act No.57 of 1997 (Lotteries Act)
The Lotteries Act allows for allocation of funds to NPOs [14] that make applications for consideration for the following year.

Figure 3 illustrates allocation of funding across NPO categories in 2011.

![Figure 3: Allocation of Lottery funding across NP sectors in 2011](image)

NPOs should show evidence of use of the grants provided as stipulated in the application. The National Lottery Distribution Trust Fund (NLDTF) provides a list of organisations and the associated grant provided to date, which is accessible to the public [16].

3.3 National Development Agency Act No. 108 of 1998 (NDA Act)
The NDA Act governs the relationship between government and Civil Society Organisations (CSOs) to alleviate poverty; to define the role of the Agency and; to standardise financial and employee issues.

The National Development Agency (NDA) provides grants to Civil Society Organisations that eradicate poverty and focus on “early childhood development”, “food security”, “income generation”, “capacity building” and “support of vulnerable groups” [4, 17 &20].

The NDA has funded at least 839 Civil Society Organisations, since 2007 and has supported the following type of organisations: community based organisations, cooperatives, faith based organisations, non-government organisations, non-profit companies and trusts. [19]

Grants provided to any Civil Society Organisation must not be used for gain for its members, unless it is purely for payment for services made. An organisation, who has received a grant, must provide audited financial statements to the NDA. The grant includes the expenses that the organisation may incur in providing the NDA with such records. [17&18]

Application to the NDA requires [21]:

1. Proof of registration as a non-profit organisation;
2. The organisation’s constitution or founding documents;
3. The two most recent annual audited financial statements;
4. A motivation for project, which explains its significance;
5. A project implementation plan and
6. A detailed and realistic budget for the project.

An organisation should also be a registered PBO and NPO†. [21]

4  NPO QUESTIONNAIRE DESIGN PROCEDURE/RESEARCH METHODS

This study used a qualitative approach that involved information gathering, questionnaires, surveys and interviews.

4.1 Case study method

A multiple case study is when more than a single unit of analysis is considered [22]. The investigation observed several NPOs for context. Multiple case studies involve the replication of cases that may yield literal (similar) or theoretical (contrasting) results. Sampling logic does not form a basis within the multiple-case study [22].

Holistic case studies observe a single unit and the global nature of an institution [22]. The research tended towards a holistic multiple case design as the same information filtering occurred across various non-profit sectors. An individual was a single data source but the organisation itself served as the unit of analysis for the research.

4.2 Questionnaire design

Questionnaires are a method of addressing research questions in conjunction with other methods to improve the quality of research [23] whilst result-convergence gives credibility to findings.

An invitation letter called for NPO participation in the study. It explained the importance of the investigation and assured confidentiality. Some questions were collated from previous studies [3, 4, 24] while others were created around the project’s objectives and the NPO Act. The questionnaire was semi-structured with both closed and open-ended questions [22].

The questionnaire draft was piloted on a number of persons (academics, psychologists, dentist and students), specialised and not specialised within the non-profit sector [22, 23, 25]. This assisted to improve format, structure, wording, interpretation and flow of questions. It took approximately 23 minutes to complete the survey.

The use of a free online survey website, (eSurv [26]), provided ease and professionalism to the questionnaire. eSurv is a “tool designed for students, educators and small to large organizations” that allows for unlimited questions to be created and for unlimited number of responses. The design of the survey included a heading to provide context to the survey, an introductory note on the purpose of the survey, a ‘University of Witwatersrand’ logo for credibility, numbered questions, a status bar on the progress of the survey and a thank you note at the end of the survey. There were 40 questions spread across eight pages, with a

† SARS does not require NPO registration but an organisation should be a public benefit organisation (PBO) that conducts public benefit activities (PBAs) as in terms of the Income Tax Act (ITA) and relates to all the types and sectors of NPOs. The National Lottery Distribution Trust Fund requires NPO registration but the benefits are across type and sector of NPOs with set budget portioned for each sector. The National Development Agency requires both NPO and PBO registration with benefits limited to NPOs that handle alleviation of poverty and welfare related issues.
maximum of six questions per page. The survey mainly consisted of closed questions with possible answers and an option for the participant to add their own response under ‘other’.

4.3 Invitation to Participate

NPOs received invitations by telephone, email and in person to participate.

Possible participants received an Invitation - letter for the survey, which introduced the investigator, the purpose of the survey; mention of confidentiality and a link to the survey. Though sent from eSurv, email invitations would appear as sent from the investigator’s academic email, with a subject line ‘Non-Profit Organisation Survey Invitation’. This assisted that it is not confused as unsolicited mail.

The NPO database [27] was used to randomly select participants for the survey. Most of the information on the NPO database was outdated. The investigator called NPOs personally, to invite them to participate and to gain responses. Calls were made to Non-profits trusts, non-profit companies and voluntary associations. The telephone invitation repeated the disclaimers of the covering letter sent by email.

NPOs that were available telephonically were keen to participate, citing an interest in information on government grants. After each telephone call, an electronic invitation letter with a tracked survey link was sent to the contact people. The NPOs were given a week to respond and were sent a reminder email two days before the response deadline.

5 RESPONSE

The data created from the survey does not represent the entire non-profit sector and is exclusively for the group of respondents that participated in the study. The sample size is insufficient to generalise the non-profit sector. Its purpose rather is to contextualise perceptions around registration as an NPO.

At least seventeen, of the two hundred and fifty one NPOs contacted, completed the survey. This response rate is disappointing, but adequate in terms of Yin, who suggests at least ten responses are required [22].

Table 1 shows the breakdown of all the organisations that were contacted.

<table>
<thead>
<tr>
<th>Table 1: Numbers of NPOs considered</th>
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</thead>
<tbody>
<tr>
<td>Total NPOs obtained from NPO Database [27]</td>
</tr>
<tr>
<td>Attempted calls</td>
</tr>
<tr>
<td>Attended calls</td>
</tr>
<tr>
<td>Emails sent</td>
</tr>
<tr>
<td>Returned emails</td>
</tr>
<tr>
<td>Incomplete surveys</td>
</tr>
<tr>
<td>Invalid numbers</td>
</tr>
<tr>
<td>Active email addresses</td>
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<tr>
<td>Successful telephone invitations</td>
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<tr>
<td>Successful email invitations</td>
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<tr>
<td>Total completed responses</td>
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</tbody>
</table>

Figure 4 shows the response rate of total invitations, telephone invitations and email invitations; percentage of invalid numbers and active email addresses. Successful email and telephone invitations were considered as a percentage of active email addresses and attended calls. The NPO database [27] does not contain updated email addresses and telephone numbers. This raises questions about the validity of other information. For
instance, the NPO Directorate may communicate using the incorrect postal address. The response rate of 12% is quite low when considering Gillham [23] who recommends at least a 30% response rate. However, it is not relevant for a case study method as it would be for a survey research method where population behavior is studied [22].

<table>
<thead>
<tr>
<th>Total completed responses</th>
<th>12%</th>
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<tbody>
<tr>
<td>Successful email invitations</td>
<td>7.4%</td>
</tr>
<tr>
<td>Successful telephone invitations</td>
<td>35%</td>
</tr>
<tr>
<td>Active email addresses</td>
<td>57%</td>
</tr>
<tr>
<td>Invalid numbers</td>
<td>47%</td>
</tr>
</tbody>
</table>

% of NPO respondents

**Figure 4: NPO response rate**

6 RESULTS AND ANALYSIS

An understanding of NPOs experience during the registration process was required to determine significant aspects that start-up NPOs should consider before registering. The questionnaire provided an aid to achieve this and is discussed below.

One organisation failed to inform the NPO Directorate of their new name as required in terms of the NPO Act to update changes in constitution and organisational information. Three organisations provided registration dates that differed with the NPO database. The respondents might have provided dates of existence, which does not correspond with the date of registration, as some organisations existed for some time before registration within the NPO Act that only came into play in 1997.

All the respondents had accurately selected the founding document type that their organisation has registered, but nine of the respondents selected organisation type that differed with the type registered with the NPO Directorate. This could be due to lack of understanding as to the different structures or inaccurate capture on the NPO database. Each structure has a specific type of associated founding document. A constitution is for a voluntary association; a deed of trust for a trust, and memorandum of incorporation is for a non-profit company.

Ten organisations gained registration information through self-research, three through legal advisors, two by tax advisors and two through DSD office or a DSD campaign. The NPOs that participated in the study were randomly selected from the NPO database [27]. As required by the NPO Act, eight of the organisations that had outstanding documents for registration received a notice within a month of applying; three NPOs appealed within one month of rejection while two received a response from the arbitration tribunal within three months. Insufficient participating NPOs could provide information on the arbitration process as their registration was pending document submission. All the NPOs that received their certificate of registration make use of the NPO number on their official documents.

Twelve NPOs exceeded two months to complete their registration. This could be due to delays caused by outstanding documents or on the DSD’s side. The NPO Directorate mentioned that more than 90% of registrations are processed within a period of two months, a claim that is supported on the NPO website.

Registration delays impeded organisations in achieving their objectives on time. According to the ‘NPO impact assessment’ [3], NPOs receive an acknowledgment letter upon completion of the application process. This however was not the case for one respondent of the survey. The reasons for this were unclear though it may have been due to inaccurate data on the database.
Annual financial reporting remains an issue for eleven respondents of the survey and is similar to the results from the ‘NPO impact assessment’ [3]. Capacity and lack of funding resulted in organisations not submitting reports. The case studies, did not gather information on NPOs that provided DSD with an affidavit of financial situation and bank statements due to lack of funds, as opposed to financial statements. Thus, it cannot be concluded that the participants are aware of this provision of the NPO Act. Two organisations had issues in sustainability and keeping all receipts on record. Such NPOs could benefit from the capacity building, funding and organisational strategy workshops offered by DSD.

Seven organisations did not benefit from the Taxation Acts, fourteen did not from the National Development Agency Act and fifteen did not benefit from the Lotteries Act either due to lack of awareness or capacity for eligibility. A number of NPOs are unaware that NPO registration alone does not grant for tax benefits or that they have to register with SARS as a PBO. Some NPOs are struggling to obtain PBO status. This is important in creating an enabling environment for NPOs. There is a lack of integration between the Department of Social Development and SARS, both NPO and PBO statuses should occur concurrently. Though section 11 of the NPO Act does not specify benefits of registration, most NPOs are still to reap benefits. This aspect of the NPO Act has a lot of room for improvement and hinders creation of a user-friendly environment for NPOs.

It is a concern that eight NPOs are unaware, while ten NPOs lack understanding of the NPO Act itself. The registration process should incorporate such information.

Information between the NPO database and the respondents of the survey did not seem to tie up. This raises concern on awareness on NPOs side and accuracy of the database. Documents of all NPOs registered before the creation of the online NPO database should be transferred to the database. Constitutions of NPOs missing from the database should not be a standard. This also negatively affects organisations, as donors are not able to verify the authenticity of an organisation. The NPO database also has out dated contact information. Organisations might not be aware of the online database that can be used to update information. This could affect receiving important notices from NPO Directorate.

In the opinion of the Investigator, the NPO Directorate has done thorough work on executing the objectives of the NPO Act as far as possible. However, as time and environments change, continuous improvement of processes and procedures is significant. Though various benefits lie with registering as an NPO, it is important for an NPO to create strategic plans to succeed as if it were on its own. Grants provided by government organisations are not to be considered as a long-term funding solution.

The case studies consisted of seventeen registered NPOs. The ‘NPO impact assessment’ [3] conducted by Umhlaba considered a nationwide survey of registered NPOs in 2005. Both investigations yielded similar results despite being conducted eight years apart. Some of the questions asked in the impact assessment were also used in the current study.

The investigation followed the scope of the project as far as possible. Though the NPO Act was the primary area of discussion, other Acts (Taxation Acts, Lotteries Act and NDA Act) that influence NPOs were also considered.

The first three assumptions made are justified in the investigation. ‘Start-up can lead to sustainability’ is warranted when organisations that have been registered for some time are unaware of the possible benefits and are struggling. This is ideal to know before registration with a mind-set of long term plans. Donor and public interaction improved once organisations registered as NPOs.

7 CHECKLIST FOR A START-UP NPO

Informed by our findings, a checklist was created (Table 2), with which NPOs could be equipped to speed up their registration process, and also to ensure that registration is
comprehensive and covers them to the full extent of legislation and structures that are in place.

Table 2: Checklist for a start-up NPO

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Possible sources of information/guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Consult with registered NPOs from the same sector (request for mentorship)</td>
<td>Check within own neighbourhoods, NPO database</td>
</tr>
<tr>
<td>2.</td>
<td>Liaise with DSD office with an NPO agent for clarity and follow ups</td>
<td>Call DSD and NPO Directorate and make a physical visit</td>
</tr>
<tr>
<td>3.</td>
<td>Understand the NPO Act (know your rights)</td>
<td>The Act (DSD website, DSD Offices, Lawyers)</td>
</tr>
<tr>
<td>4.</td>
<td>Understand the difference between NPC, Voluntary Association and Trust</td>
<td>DSD, CIPC, Internet, registered NPOs from NPO database</td>
</tr>
<tr>
<td>5.</td>
<td>Develop constitution in terms of NPO Act</td>
<td>NPO Directorate guidelines</td>
</tr>
<tr>
<td>6.</td>
<td>Provide NPO Directorate with any change of information</td>
<td>The Act, DSD and NPO Directorate</td>
</tr>
<tr>
<td>7.</td>
<td>Ensure to have three unconnected (no family relation) directors</td>
<td>Lawyer, DSD and NPO Directorate</td>
</tr>
<tr>
<td>8.</td>
<td>Be aware to keep records of all financial transactions</td>
<td>Registered NPOs from NPO database, Tax advisor</td>
</tr>
<tr>
<td>9.</td>
<td>Gain information on how and when to complete narrative reports and audited financial statements</td>
<td>NPO Directorate guidelines registered/experienced NPOs, Tax advisor</td>
</tr>
<tr>
<td>10.</td>
<td>If there are no financial transactions, know that an affidavit and bank account statements are required</td>
<td>DSD office and NPO Directorate</td>
</tr>
<tr>
<td>11.</td>
<td>Obtain PBO and section 18A of Income Tax Act statuses</td>
<td>SARS, TEU, registered/experienced NPOs, Income Act, Tax advisor</td>
</tr>
<tr>
<td>12.</td>
<td>Create a funding plan and options</td>
<td>Guidelines from DSD website, NDA, NLBSA</td>
</tr>
<tr>
<td>13.</td>
<td>Show interest to participate in workshops and conferences</td>
<td>DSD, Charity SA, registered/experienced NPOs</td>
</tr>
<tr>
<td>14.</td>
<td>Share best practices</td>
<td>DSD, Charity SA, registered/experienced NPOs</td>
</tr>
<tr>
<td>15.</td>
<td>Cater for delay in registration</td>
<td>Registered/experienced NPOs</td>
</tr>
<tr>
<td>16.</td>
<td>Be self-reliant than dependant on limited government funding</td>
<td>DSD, Charity SA, registered/experienced NPOs</td>
</tr>
<tr>
<td>17.</td>
<td>Focus on the organisations objectives</td>
<td>Charity SA, registered/experienced NPOs</td>
</tr>
</tbody>
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8 CONCLUSION

This paper presents a practical framework that was engineered to assist start up charitable organisations to fully benefit from structures and legislation in South Africa, which is often an institutional blind spot.

- The poor response rate of the study might have been due to a problematic national NPO database. Though it does not impact a case study, it does indeed show that inaccurate information on the database does not justify the requirements of the NPO Act.
- NPOs’ prior knowledge of registration is important and has an influence on operation of the organisation.
- Efficiently set up NPOs are able to make valuable contributions to the sector.
- Though registration as an NPO is voluntary, there is an increase in the rate of registration of NPOs since conception of the NPO Act.
- Organisations experienced financial losses due to registration delay, mainly from the withdrawal of potential donors, potential contracts, credibility, funding and delayed projects.
- The main benefits of registration, as a public benefit organisation and section 18A statuses, were donation tax exemption. Donors are encouraged to donate to PBOs with section 18A statuses to obtain a tax exemption certificate, which they can use to claim tax, from the South African Revenue Service (SARS). SARS, the National Development Agency and the National Lottery Board do require NPO status for eligibility to benefits.
- The case studies confirmed the hypothesis that some organisations were unaware of the implications of the NPO Act and the registration process.

9 REFERENCES


