

Conditions and implications of a charitable bequest

The distribution of a deceased estate to a charitable organisation, also known as a charitable bequest, is an easy way to leave a lasting legacy by benefiting a charity.



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"A charitable bequest can be made by leaving an amount to a charitable organisation of your choice, or to a charitable trust created in terms of your will," says Carien Strauss, fiduciary and tax specialist at Sanlam Private Wealth. "However, it will only qualify as a tax deduction for estate duty purposes if the entities in question are public benefit organisations which are exempt from tax in terms of the Income Tax Act. This means if you bequeath your entire estate to such an entity, no estate duty will be levied."

Strauss says a charitable trust could provide flexibility if you don't want to limit the distribution to particular charitable organisations and want to benefit other existing or future charities over time. You can do this by empowering the trustees of the charitable trust to exercise their discretion to benefit these charities as and when the need occurs. However, should a specific existing charity be close to your heart, a direct bequest to that charity will be more suitable.

Cash or assets

"You can bequeath an amount in cash, either a fixed amount or calculated as a percentage of your residual estate, or you can bequeath a specific asset, such as a piece of land or valuable collector's items, or even a combination of these," she says.

You are also entitled to attach certain conditions to such a bequest. However, check the phrasing of these conditions carefully to ensure your chosen charity is not prevented from making optimal use of the legacy.

There are several ways to provide for charitable bequests in your will, and this will largely depend on your personal choice and preference. "The charitable bequest should be properly provided for in your will to ensure the intended use of your

legacy with minimal cost implications. In addition, make sure you use the correct wording in naming the charity to ensure that your chosen charity ultimately benefits from your bequest," Strauss concludes.

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