



Blending Profit & Purpose:

Social Enterprise, Impact Investing and the South African Non-Profit Income Tax Regime

Robert Hare | Doctoral dissertation in progress

South African charitable non-profit entities do important work, but often struggle to achieve financial sustainability.

Some jurisdictions are embracing the idea that non-profit objectives can be pursued *while* undertaking for-profit activities (eg trading or investing).

This idea lies at the heart of the concepts of

Social Enterprise

Refers to **entities** whose, 'primary objective[s] are] to ameliorate social problems through... financially sustainable business model[s], where surpluses (if any) are principally reinvested for [those] purpose[s]'.
Source: <https://www.impactinvesting.org/what-is-social-enterprise/>

Impact Investing

Refers to a kind of investment **activity** whereby, 'investments [are made]... with the intention to generate positive, measurable social and environmental impact alongside a financial return'.
Source: <https://www.impactinvesting.org/what-is-impact-investing/>

- Offer a different perspective for charitable non-profit entities
- Suggest greater financial sustainability and ability to pursue charitable objectives, through hybrid non-profit / for-profit models
- Relatively advanced policies, laws and tax / legal literature in

UK (likely focus), eg: Social enterprises may be housed in many legal forms, including charities and 'Community Interest Companies'

EU, eg: Well-developed academic (eg 'EMES') and policy conceptions of social enterprise; 'European Cross-Border Association' legal form

US, eg: Well-developed tax rules on the earning of 'business' or 'trading' income by non-profit entities

Should South African income tax laws be amended to

allow charitable non-profit entities more flexibility to pursue financial sustainability, in support of charitable activities?

provide for a hybrid 'social enterprise' entity?

Findings in this regard will be evaluated against

coherence with existing income tax laws

other elements of good tax policy

