

C/- Deputy Commissioner, Policy  
Inland Revenue Department  
PO Box 2198  
Wellington 6140

**18 March 2025**

**Re: Response to IRD Officials' Issues Paper – Taxation and the Not-for-profit Sector**

**Introduction**

This response has been prepared by Stephen Opie, CEO of Age Concern Wellington Region (ACWR), on behalf of our organisation. ACWR is a Charitable Trust, having been established originally as an Incorporated Society in 1976. We are a Tier 3 registered charity with 9 staff, 8 of whom are part-time. Our mission is to help seniors in our Region age well.

We provide essential support services for seniors, many of whom are isolated and lonely and/or live with a disability.

**Background**

The charitable sector in New Zealand is currently under stress, with demand for services and programmes far exceeding the sector's capacity to deliver. This, in combination with a recent dramatic reduction in Government spending and increased day-to-day costs, is causing considerable financial pressure on charities, their staff and volunteers. This is resulting in the closure of some charities, redundancies and service cessation across the sector, all of which is affecting our society's most vulnerable.

There are direct implications of charities not being able to finance their activities – a reduction in services, support and care for people across all our communities.

Because of the projected strained financial outlook for the charitable sector, charities must change their mindset on how to generate income and seek 'out of the box' solutions. It is likely not going to be sustainable for charities in the future to rely solely on donations from the public, grants from trusts and foundations, Government contracts and passive income from investments.

Indeed, it should be in the Government's best interest to encourage charities to find new and more creative ways to generate income to reduce the reliance on Government money, increase their effectiveness and ensure sustainability. Our concern is that this IRD issues paper does the opposite.

## Summary of Our Response

1. This paper is narrow in focus and presents an unbalanced view of the issue. It does not acknowledge or quantify the outputs generated by charities, and the impact on those outputs should unrelated business income be taxed.
2. This proposed change to the charity tax law would cause harm to the charitable sector by reducing the options for charities to become sustainable, especially in a strained financial environment. With a busy charity market, charities need to think outside the box in order to become less reliant on traditional funding channels which are fast becoming strained. Such a taxation reduces opportunities for charities, places greater stress on traditional charitable funding channels and will increase compliance costs.
3. As the paper states, the final definition of the word ‘unrelated’ is significant. It is likely charities will need to seek professional advice (lawyers and accountants) to determine if their business activity is unrelated – more compliance costs that many charities like ours simply cannot afford. It also opens up risk for charities in incorrect interpretation of the word. We are also concerned about the possibility of further tax law changes once unrelated business income is taxed. What will the next charity concession on the chopping block be?
4. Taxing unrelated business income will increase costs for the Government in delivering services to the community that charities would no longer be able to afford to deliver.
5. The issues paper leans toward eliminating a perceived commercial advantage currently held by charities and eliminating predatory pricing behaviour. Examples and quantification of the predatory pricing behaviour are needed. Is this proposal designed to curtail the behaviours of a few charities taking advantage of the system, or is this issue widespread?

## Response

1. **Point 1:** The Issues Paper does not acknowledge the ‘other side of the story’ – what charities do with income derived from business activities.
  - *2.15: The fiscal cost of not taxing charity business income unrelated to charitable purposes, particularly income that is accumulated, is significant and is likely to increase. Tax concessions for unrelated charity businesses reduce government revenue, and therefore shift the tax burden to other taxpayers.*
  - This statement completely ignores the societal impact of taxing charity business income – a decrease in output from those charities. Ultimately this means less people (or the environment, animals etc) helped and therefore more cost to the Government to fill the gaps.
2. **Point 2:** The proposed change to charity tax law reduces options for charities to derive income from more stable sources such as business activity. This in turn will serve as a discouragement for charities in exploring ways of becoming more sustainable through income generation and less reliance on handouts, contracts and donations. In doing so, the Government would be placing charities under further financial stress by constraining their list of income sources, and funnelling more charities into traditional, and overwhelmed funding channels.

- Innovation and creativity in generating sustainable and more predictable income would be stifled.
  - Charities losing income through taxation will be forced to either reduce services or look elsewhere to replace that income – most likely traditional funding sources. This will increase the amount of resources charities need to commit to fundraising, resulting in reduced service output.
3. **Point 3:** The premise of this paper seems to hinge on the word ‘unrelated’. As stated, “Distinguishing between related and unrelated business activities could be difficult in practice”.
- If change is made, the law will no doubt rely on the charity themselves to determine their understanding of the final definition of the word ‘unrelated’, resulting in legal and accounting costs.
  - Misinterpretation of the word would open up a significant risk for charities.
  - We are also concerned that if unrelated business income becomes taxed, what will be taxed next? Is this the first step in ultimately eliminating all tax benefits for charities? Does this paper reveal the Government’s mindset towards the NFP sector – that charities are receiving many other unwarranted benefits that cost the taxpayer? Refer point 2.18 – if this change is made, charities may look more towards passive investments “*if they remain untaxed*”. We feel this policy moves us closer to taxing passive investments, related business income and even taxing donations or eliminating the Donations Tax Credit scheme.
4. **Point 4:** Introducing taxation on unrelated business income will reduce revenue for some charities, perhaps many, depending on the definition of ‘unrelated’. This will result in a reduction of output for those charities. There would be some cost offsetting for Government in replacing this output against the new taxation income received (or not if Government chooses to ignore the people no longer being helped).
- **Most charities are considerably more efficient and cost effective at providing services than the Government ever could be.** Ours uses a team of 250 volunteers to deliver a significant amount of work every year - a voluntary labour force that would cost the Government up to \$1,000,000 to replicate. A reduction in services provided by charities would need to be replaced by Government at a much higher cost. The argument in 2.1 therefore may well be a false economy.
5. **Point 5:** There is significant commentary on the unfairness of the current system to businesses. Whether this is fair or not, businesses have many competitive advantages over charities (some are mentioned in the paper). These include:
- Tax deductions and credits that might not be available to charities.

- Charities have much higher reporting requirements than businesses, resulting in greater compliance costs.
- Businesses have more operational flexibility - they can quickly adapt to market changes, invest in new opportunities, and pivot their strategies without the constraints of charitable regulations.
- Business income is more predictable. Businesses can raise capital through equity investments, loans, and other financial instruments. Charities rely on donations, grants and other income which is far less predictable.
- Businesses can freely reinvest their profits; charities need to balance their income generation with their mission, making it more difficult to reinvest.
- Businesses have access to more resources for marketing and sales to grow.

The Issues Paper focuses on increasing the tax take for Government and levelling the playing field for businesses. What evidence does IRD have of predatory pricing examples? And what is the scale of this problem? If this proposal is seeking to curtail the activities of a few 'bad eggs', why should the entire sector pay the price?

## Conclusion

While we agree with the objectives the Issues Paper presents of simplifying tax rules, reducing compliance costs, and addressing integrity risks, we believe:

- The proposal to tax unrelated business activities sends a negative message to charities directly from the Government about pursuing innovative solutions to developing a sustainable funding model.
- Such a change would only increase fiscal pressure on all charities, even those who have no unrelated business income.
- More work needs to be done on the impact of this change with regards to an increased tax take, offset against the cost of plugging gaps left by charities with less income and therefore less output.

Our submission on the subject of Taxation of the Not-for-Profit sector.

26 March 2025



## **Q1. What are the most compelling reasons to tax, or not to tax, charity business income?**

Reasons Not to Tax Charity Business Income

### **1. Alignment with Charitable Mission:**

Complex Chronic Illness Support (CCI Support) engages in business activities solely to fund its purpose of Supporting individuals living with chronic illness. Income from any trading activities would directly Support frontline services, such as welfare checks, support services, and operational efforts led by both staff and volunteers. Taxing this income would reduce the resources available for these essential services.

### **2. Recognition of Volunteer Contributions:**

CCI Support relies on volunteers for critical functions, including managing its highly impactful Facebook group, conducting welfare checks, and Supporting IT and social media operations. Taxing income generated to support these efforts would fail to account for the immense cost savings charities like CCI Support provide through volunteer-driven work.

### **3. Increased Overheads and Reduced Impact:**

Taxing charity business income adds administrative burdens and compliance costs. For CCI Support, resources spent on taxation and compliance would detract from time and funding allocated to its frontline services and operational work—often delivered outside standard hours to meet member needs.

### **Reasons Cited for Taxing Charity Business Income**

Arguments for taxing charity business income, such as perceived fairness or economic distortion, fail to recognise the unique role of not-for-profits like CCI Support, which reinvest all funds into their mission rather than pursuing private profit. Using charities as a revenue stream for the government is unsound, as it reduces their capacity to positively impact the community.

## **Q2. Do the factors described in 2.13 and 2.14 warrant taxing charity business income?**

No, the factors described in sections 2.13 and 2.14 do not justify taxing charity business income.

While these sections highlight fairness and economic distortions, they overlook the immense societal value delivered by charities like CCI Support. Taxing mission-aligned income would harm organisations that rely on creative funding models to fill gaps left by government and private sectors.

## **1. Societal Benefits:**

CCI Support provides advocacy, frontline services, and emotional support for individuals with chronic illnesses—services that would be far more expensive if outsourced or provided by government agencies.

## **2. Volunteer-Driven Savings:**

With countless volunteer hours contributed to community welfare checks, online group moderation, and operational tasks, the cost-effectiveness of CCI Support far outweighs any perceived benefit of taxing its income.

### **Q3. Should trading income and subscription income earned by not-for-profits be taxed? Why or why not?**

No, trading income and subscription income earned by not-for-profits should not be taxed.

#### **1. Purpose-Driven Use of Income:**

CCI Support reinvests all income into its charitable purpose, ensuring maximum impact for its members. Taxing income from trading activities would reduce funds available for frontline services and community engagement.

#### **2. Support for Underserved Populations:**

CCI Support serves individuals living with chronic illnesses, often bridging gaps left by government support systems. Taxing income essential to these services would disproportionately affect vulnerable populations.

### **Q4. Do you Support the current \$1,000 deduction to remove small-scale not-for-profits from the tax system? Should it be increased or redesigned?**

The current \$1,000 deduction is insufficient and should be both increased and redesigned.

For CCI Support, the financial threshold should better reflect the realities of operating a small to mid-scale not-for-profit organisation. Introducing tiered exemptions based on organisational size and income would reduce unnecessary administrative barriers.

### **Q5. Should charities that run large-scale businesses pay tax on their business income?**

No, large-scale business income used for charitable purposes should remain tax-exempt.

For CCI Support, scaling services to reach more individuals living with chronic illnesses may require innovative funding approaches. Taxing such income would create financial barriers, ultimately reducing community impact.

## **Q6. What should be the threshold for taxing income from small-scale business activities of charities or not-for-profits?**

There should not be a threshold for taxing income of charities or not-for-profits. However, if this was implemented then the threshold should be significantly higher than the current \$1,000 deduction, such as a more realistic threshold, of \$50,000.

Better yet, no income tax, which would better reflect the operational needs of organisations like CCI Support, enabling them to focus on their core mission rather than administrative compliance.

## **Q7. Should an organisation's membership fees or subscriptions be taxed? Why or why not?**

No, membership fees and subscriptions directly tied to a charitable mission should remain tax-exempt.

CCI Support relies on member contributions to sustain its advocacy and Support services. Taxing these funds would undermine the organisation's ability to deliver frontline services and community engagement.

## **Q8. Should small-scale not-for-profits be removed from the tax system altogether? Why or why not?**

Yes, removing small-scale not-for-profits from the tax system would better support organisations like CCI Support.

This would preserve vital resources for advocacy, frontline services, and innovative funding models tailored to underserved populations.

## **Q9. Should donor-controlled charities be required to make a minimum distribution each year? If so, what should the minimum distribution rate be and what exceptions, if any, should there be for the annual minimum distribution? If not, why not?**

No, donor-controlled charities should not be required to make a minimum distribution each year.

### **1. Flexibility for Long-Term Impact:**

Mandating annual distributions could undermine strategic funding decisions. CCI Support, as an incorporated society, must refer large decisions to its membership. The organisation may need to accumulate funds over several years to invest in long-term projects, such as new support programmes for members or advocacy initiatives tailored to chronic illness care. Flexibility allows donor-controlled charities to prioritise impactful outcomes without arbitrary restrictions.

### **2. Fluctuating Operational Needs:**

Like many not-for-profits, CCI Support experiences varying financial needs based on operational demands. For example, higher costs arise during advocacy campaigns or the expansion of services, while other periods require only operational funding. Annual distribution requirements ignore these natural fluctuations, potentially forcing inefficient spending.

### **3. Preserving Emergency Reserves:**

Maintaining a reserve of funds is essential for responding to unforeseen events, such as a sudden rise in member needs or funding gaps. For CCI Support, this safeguard ensures continued Support for vulnerable individuals, especially during crises. For example changing the way the organisation operated during the pandemic (including incorporating new software for online connections with members, and work-from-home set ups for staff).

### **4. Tailored Oversight Instead of Mandates:**

Donor-controlled charities could instead provide transparency around their funding plans, demonstrating how reserves or accumulated funds align with their mission. Exceptions should apply for organisations saving for specific goals or adapting to unpredictable challenges.

## **Q10. What policy changes, if any, should be considered to reduce the impact of the Commissioner's updated view on NFPs, particularly smaller NFPs?**

Several policy changes are critical to reduce the impact on smaller not-for-profits like CCI Support:

### **1. Increasing and Redesigning the \$1,000 Deduction:**

The current \$1,000 deduction is insufficient. Raising it to at least \$50,000 would better reflect the realities of operating a volunteer-driven organisation like CCI Support. This would ease administrative burdens and preserve resources for core services, such as member welfare checks and operational Support.

### **2. Simplified Income Tax Filing Requirements:**

Smaller NFPs should have access to streamlined filing processes, such as short-form returns or exemptions for organisations below a specified income threshold. For CCI Support, this would free up staff and volunteer resources for direct member support, and not waste this previous resource on extraneous compliance initiatives should they be introduced.

### **3. Adjustments to Resident Withholding Tax Rules:**

Automatic exemptions for income directly tied to charitable activities—such as income supporting CCI Support programmes—would eliminate unnecessary administrative complexity. Clearer guidance on eligibility would reduce confusion and compliance costs.

### **4. Exemptions for Volunteer-Driven Organisations:**

Organisations like CCI Support, which rely on volunteers to deliver critical services, should receive special consideration. Policy changes that prioritise reducing burdens on these groups would empower them to continue their vital work.

## Q11. Are the proposed criteria to determine what is 'unrelated business' activities appropriate?

No, the proposed criteria need refinement to ensure fairness and clarity.

### 1. Clearer Definitions:

The criteria should explicitly recognise income streams that are reinvested into a charity's mission as not "unrelated." For instance, CCI Support trading income directly funds its programmes and should not be classified as unrelated business activity.

### 2. Avoid Overgeneralisation:

Some charities undertake diverse activities to ensure financial sustainability. Misclassifying mission-aligned activities as "unrelated" could unjustly penalise organisations like CCI Support, undermining their ability to serve their communities.

### 3. Safeguards for Mission Alignment:

Criteria should include exemptions for business activities that align with an organisation's purpose or fund core operations, ensuring mission-driven organisations aren't unfairly disadvantaged.

## Q12. Should there be different rules for unrelated business activities undertaken by large charities compared to small ones? If so, what differences?

Yes, distinct rules should apply based on the size and scale of the organisation, if such rules about 'unrelated' business activities were introduced. A caveat to this response is that regardless of size of the charity or not-for-profit, all business activities, are 'related' to the charitable purpose, and proceeds used to sustain these activities. However, should rules be introduced:

### 1. Proportional Compliance:

Small charities like CCI Support, with limited resources and volunteer-driven operations, should face simplified rules and exemptions for unrelated business activities. Large charities could be subject to more detailed reporting to maintain transparency.

### 2. Revenue-Based Thresholds:

Introduce revenue thresholds to determine applicable rules. For example:

- Small charities earning under \$50,000 from business activities could remain exempt.
- Mid- to large-scale charities could follow proportional compliance frameworks to minimise undue burdens.

### 3. Support for Grassroots Operations:

Policies tailored for smaller organisations ensure that their unique contributions, such as CCI Support' welfare checks and after-hours support, are not diminished by excessive compliance requirements.

## Q13. What are the risks of not taxing unrelated business income?

### 1. Public Misperceptions of Fairness:

Critics may argue that untaxed unrelated income creates unfair competition with for-profit businesses. However, this overlooks the fact that organisations like CCI Support reinvest all income into their mission, benefitting the broader community.

## **2. Potential for Misuse:**

Without clear safeguards, there is a risk that unrelated income could be used for non-charitable purposes, however unlikely. Strengthened transparency and oversight would address this risk more effectively than taxation.

## **Q14. What are the risks of taxing unrelated business income?**

### **1. Reduced Resources for Charitable Work:**

Taxing unrelated income would directly impact CCI Support's ability to fund core services, such as welfare checks and community outreach programmes, which are often critical for its members.

### **2. Administrative Overhead:**

Compliance costs would disproportionately affect smaller organisations, creating a financial and operational strain for CCI Support and other grassroots charities.

### **3. Inhibiting Innovation:**

Taxation could discourage charities from pursuing creative, sustainable funding models that ultimately advance their missions.

## **Q15. Should unrelated business income rules be based on whether the income is used for charitable purposes, or whether it is derived from charitable activities?**

Unrelated business income rules should focus on how the income is used rather than its source.

### **1. Mission-Driven Use of Funds:**

For CCI Support, income derived from trading or other business activities directly supports its charitable purpose, such as providing welfare checks, social support, and education for individuals with chronic illness. This ensures every dollar contributes to its mission, regardless of how it is earned.

### **2. Simplifying Compliance:**

Focusing on the use of income creates clearer fairer boundaries for organisations like CCI Support, reducing ambiguity and administrative burdens.

Thank you for taking the time to read our submission. If you would like to contact me in regard to this, I can be contacted at s 9(2)(a)

*Ngā mihi aroha / Kind regards*

**Miranda Whitwell – CEO**

**From:** s 9(2)(a)  
**Sent:** Wednesday, 26 March 2025 10:05 am  
**To:** Policy Webmaster  
**Subject:** Taxation and the not-for-profit sector

**External Email CAUTION:** Please take **CARE** when opening any links or attachments.

Hi,

I work for a medium sized Tier 3 environmental Auckland based charity.

**Q1. What are the most compelling reasons to tax, or not to tax, charity business income?**

NZ environmental charities are saving the government money by doing the environmental work they would have to do if the charity did not exist. Local and Central governments both have ambitious environmental targets to meet which cannot be done by the public and private sectors only. Charities frequently possess crucial local community connections to effectively get work done. The community sector costs are much lower than the public and private sectors due to volunteer hours, lower wage rates, and reduced rents. This means we can often do more with the money we have than public and private sectors can.

I therefore would support charity business income not being taxed, but I think there also needs to be a lot more clarity around the definition of the charitable purpose. Is the current definition still fit for purpose? Is 'Advancing religion' still a key community benefit? Is 'Other Purposes' too broad? Would it be beneficial to review the Charitable Purpose definition before changes are made about taxing charities?

Do we also need to make sure that the Charities Services review board has the necessary resources it needs to be keeping up with charities compliance, and working with Charities in a prompt and timely manner when they aren't complying?

**Q2. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?**

The costs to comply with any further tax / legislative changes will come at a cost to our charity which would mean that precious funds will have to be spent on more financial / compliance hours. This could mean that more experienced staff or outsourcing to meet this compliance may be required. These are operational costs which are the most difficult funding to source in the current climate. Having social enterprise funds that all feed back to the main purpose of the Trust is critical to help the charity to be self-sustaining and have reserves which all lead to a thriving healthy charity.

**Q3. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business?**

This would have to be linked directly back to having a really clear and concise (and regularly reviewed) Charitable Purpose for each individual Charity. For an environmental organisation this would mean that any income earned from say selling plants to the public, selling donated restored bikes to the public to save them from landfill, selling eco-friendly and environmental items in a shop to help people on their waste free and sustainable journey would all be considered 'related business income' as it clearly links to the purpose which is well defined. If Purposes are too vague this leaves the door open for unclear business income to be deemed related.

**Q4. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?**

The threshold for removing the tax-free status should be only Tier 1 & 2 charities, and Tier 3 & 4 charities should remain with a tax-free exemption. The costs for compliance for the smaller charities will be large – to the point many could close up as so many are already struggling the reduction in available funding. The benefit to IRD on the smaller charities will be minimal given their smaller financial size.

**Q5. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that charity business income distributed for charitable purposes should remain tax exempt? If so, what is the most effective way to achieve this? If not, why not?**

Yes I agree that not all charities income should be taxed, but without a very clear Charitable Purpose definition from DIA and also from an individual Charity Trust Deed it will be very difficult to determine what is truly unrelated income. It could become a very grey area and who then makes the final decision as to what is deemed related or unrelated income? With over 28,000 charities in NZ who will have the capacity to help Charities determine this information – and at what cost to IRD (and therefore the community).

Kind regards  
Tina Ivory

**From:** Chair Activate Faith Group <chair@activatefaithgroup.nz>  
**Sent:** Wednesday, 26 March 2025 10:19 am  
**To:** Policy Webmaster  
**Subject:** Re: IRD Consultation Paper Regarding Taxation for Charities

**External Email CAUTION:** Please take **CARE** when opening any links or attachments.

Re: IRD Consultation Paper Regarding Taxation for Charities

New Zealand has strong checks and balances to ensure that charities are fulfilling their stated purposes. While we can all agree that this is a positive aspect, changing the current tax regulations will lead to significant increases in already high compliance costs and will impede the charitable works and their effectiveness.

I am personally involved in the faith, education, social, and medical sectors, working diligently to transform our communities for the better.

The areas we focus on are underfunded, considering the expected outcomes, and operate in heavily compliance-driven environments. Our staff are incredible individuals dedicated to serving and helping the community, yet they currently face high stress levels as they strive to meet growing needs with diminishing resources. Additional taxation requirements will further impact those who are most vulnerable.

We are compelled to think outside traditional funding streams to make our initiatives viable. This has led us to run profitable enterprises within our organizations to fund our primary work, which is social in nature.

I'm sure this narrative is echoed across the country. I haven't even touched on the thousands of volunteer hours dedicated each year to such causes.

I understand the desire for taxation where it appears the current system is being abused. However, I would argue that imposing further compliance or taxation on the charity sector will come at a cost that our country cannot afford. Charities, by their very nature and resolve, provide exceptional value for money. I recently read an article from 2022 claiming that charities contribute \$6.1 billion to the New Zealand economy—the government cannot afford to replace this service.

In recent years, our organizations have have run with significant deficits. In fact, we nearly didn't survive. Without the option of some business income to fund our work, we would have been forced to close.

On the ground, we are helping thousands of people each year. I can state openly that if we had faced any further compliance or taxation costs, our doors would have closed (and we're not out of the woods yet).

I believe that the desire to increase tax revenue would come at both social and fiscal costs that no government is fully prepared to bear.

Creating "wedges" for profit is one thing, but creating them to maintain our charitable purpose is an entirely different scenario.

Please consider very carefully the broader impact of any decisions made regarding charities and taxation, including rebates. If anything, please make decisions that facilitate easier and less costly compliance.

No charity operates for personal gain. We do this because we care about the vulnerable members of our communities. History has shown that government often does not handle this effectively—in most cases, we do.

Thank you for your consideration in helping charities become more effective.

Sheridyn Rodgers  
Chair - Activate Faith Group

25 March 2025

Tena koe,

My name is Lynnaire Millar and I've been part of The Salvation Army church in Newtown, Wellington, for 36 years. I'm writing to share my thoughts on the proposed tax changes affecting charities and not-for-profits.

I recently worked full time for almost 10 years at The Salvation Army community ministries centre in Newtown, the Hope Centre. Staff provided food parcels, transitional housing, clothing, household goods, counselling, financial mentoring, a drop-in centre five days a week, services for seniors, supportive accommodation for adults with intellectual disabilities, a Christmas Day community meal and children's gifts – and many other acts of aroha and service to the community. Staff often went above and beyond to meet people's needs. Some of our clients and guests also had complex mental health challenges.

During my time, Salvation Army staff supported people displaced by the Canterbury earthquakes, individuals and families who lost their possessions in a storage facility fire, and refugees and new immigrants facing hardship. Children sometimes acted as interpreters for immigrant parents. Wellington Hospital social workers called on our team for support when families from out of town were involved in medical emergencies, e.g. a child arriving by rescue helicopter and the parents knowing no one locally. In 2023 the Newtown team supported people affected by the tragic Loafers Lodge fire.

The Salvation Army in Newtown is part of a network of community welfare agencies who work together to support each other's clients. Our senior services coordinator became known by other agencies for her skill in interacting with hoarders. She was permitted access by hoarders to make their homes safe and liveable. Wellington City Council worked with her to support their tenants who would have otherwise lost their homes due to hoarding. A long-term staff member, she continues in this role.

A lot of this work was supported by the income The Salvation Army receives through our Family Store and the generous donations we receive from the public.

If the Government starts taxing this income or making the admin more difficult, it will take away time, money, and energy we'd rather be spending on the people who need us. We already work with limited resources — we don't want to spend more of it on red tape.

Please keep these kinds of charities tax-free where the money is clearly being used for good. We're not here to make profit — we're here to make a difference.

Thank you.

Lynnaire Millar  
Salvation Army church member

s 9(2)(a)

s 9(2)(a)

**From:** Liz Bishop s 9(2)(a)  
**Sent:** Wednesday, 26 March 2025 10:30 am  
**To:** Policy Webmaster  
**Subject:** Taxation and the not-for-profit sector  
**Attachments:** NZEHA submission to IRD 26 March 2025.pdf

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Good Morning

Please find **attached** a submission from the New Zealand Equine Health Association.

With regards

Liz Bishop

**Liz Bishop**  
GM CORPORATE SERVICES

DDI s 9(2)(a) Email s 9(2)(a)



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**CHAMPIONING  
OUR CHAMPIONS**



## **New Zealand Equine Health Association Incorporated**

*Protecting the health and welfare of New Zealand horses*

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Taxation and the not-for-profit sector  
C/- Deputy Commissioner, Policy  
Inland Revenue Department  
PO Box 2198  
Wellington 6140

26 March 2025

Dear Deputy Commissioner

### **INLAND REVENUE CONSULTATION ON TAXATION AND THE NOT-FOR-PROFIT SECTOR**

New Zealand Equine Health Association (“NZEHA”) is writing to submit on the recent Officials’ Issues Paper, taxation and the not-for-profit sector (the “Issues Paper”). This is an issue of direct relevance to NZEHA as a charitable incorporated society operating in New Zealand, and it is in this context that our submission is made.

As part of this submission, we have only commented on questions that have been raised in the Issues Paper that are most relevant to NZEHA.

#### **Charitable Purpose**

NZEHA works towards the betterment of equine health, welfare, and disease incursion. The NZEHA does this through consulting with Government agencies, representing the views and interests of equine stakeholders, developing anticipatory plans, reporting relevant information and strategies, determining training plans and promoting advice on training and response planning. NZEHA became a registered charity on 12 September 2023.

NZEHA’s activities are objects that its members (nationally recognised equine organisations) would consider working towards in their own right (in respect of equine health), but doing so in common is significantly more cost effective, and has greater impact.

Up until the 2022 income year, NZEHA’s only income was derived from subscription fees paid by member organisations. In the 2022 income year, under the Biosecurity (Readiness and Response – Horses and Horse Germplasm Levy) Order 2020, NZEHA began collecting a biosecurity levy on imported and exported horses and germplasm (semen). This money has been collected for the purpose of biosecurity readiness and response, including building a reserve fund if a major response was to be needed, for example an outbreak of the Equine Influenza.

In the 2022 income year NZEHA also undertook an activity to hold a stock of Proteqflu Equine Influenza vaccine. NZEHA distributes this to NZ equine vets for use on horses that are to be exported to markets other than Australia. While NZEHA receives consideration from the on-selling of the vaccine, NZEHA does little more than break even from these activities.

NZEHA has three main sources of income, being:

- membership levies
- border levies (i.e. the biosecurity levy)

- vaccine sales

For the year ended 31 March 2024 NZEHA had total revenue of \$213,858 and total expenses of \$178,730. This places NZEHA in Tier 3 reporting requirements.

## **General Comments**

In light of the recent Issues Paper, NZEHA wishes to address certain points in response to questions raised.

### ***Question 1 – what are the most compelling reasons to tax, or not to tax, charity business income?***

In Chapter 2 of the Issues Paper, the concept of accumulation is discussed, with Inland Revenue expressing their concern that a faster accumulation of tax-free income by charities gives rise to a tax advantage. The implications of change would involve unrelated business income accumulated within charities being taxed.

Often, when there is an accumulation of funds within a charity, it is for a charitable purpose. As a charity that work towards the betterment of equine health, welfare, and disease incursion, NZEHA have a necessary requirement to accumulate funds that will be used to serve the community in the event of a disease outbreak. Without NZEHA accumulating income, in the event of a disease outbreak, if NZEHA did not have accumulated funds to draw from, it would have to obtain additional funding from the Ministry of Primary Industries or similar to the extent it could not fund a disease outbreak. This outcome would not be in the government's best interest.

We would like to emphasise that whilst we understand the reasoning behind Inland Revenue's proposed changes in relation to accumulated income within charities, NZEHA has a specific reason to accumulate funds.

### ***Question 2 – if the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?***

Our expectation is that all NZEHA income sources are likely to be related to our charitable purpose, however these rules will impose compliance costs on NZEHA to establish this and to test potential boundary issues. This will become an ongoing compliance cost each time a new income stream is considered.

### ***Question 3 - if the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business?***

The concept of "unrelated" is not fully explained in the Issues Paper and therefore it is unclear when a new income source could be considered "unrelated". For example, would this encompass any forms of income which are unrelated to equine health, unrelated to equines in general, unrelated to animals?

As NZEHA fully relies on volunteers, in the event that NZEHA were to scale to the extent that it warranted hiring a permanent employee, it would not be desirable if tax outcomes for NZEHA changed as a consequence (paragraph 2.24 states an option exists for unrelated business income to remain untaxed if the business was run by volunteers).

### ***Question 4 - if the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?***

If an exemption were provided for small-scale business activities, NZEHA would be likely to benefit as a consequence of its size. Having a de minimis rule would reduce compliance costs for NZEHA, however it will require on-going monitoring of thresholds.

While NZEHA has no current plans to expand or amalgamate with any other organisations, having a de minimis exemption will provide a perverse disincentive for the sector to scale up or consolidate complementary charitable organisations.

**Question 14 - what are your views on extending the FENZ simplification as an option for all NFPs? Do you have any other suggestions on how to reduce tax compliance costs for volunteers?**

The Issues Paper suggests that volunteers should be treated as salary and wage earners. For NZEHA this will increase compliance costs. In the most recent year NZEHA made payments of \$882 to volunteers as reimbursements of costs. The NZEHA preference would be for Inland Revenue to treat small payments or small gifts (such as petrol vouchers) as fully exempt from tax.

If you would like to discuss further, please contact me on s 9(2)(a)

Yours sincerely,

s 9(2)(a)

Liz Bishop

Treasurer New Zealand Equine Health Association

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## Fundraising & Philanthropy Consultant

### **Submission to Inland Revenue Department on IRD 2025 Issues Paper: Taxation and the not-for-profit sector**

This submission is from **John Godfrey PhD, MRSNZ, MInstD, CFRE**, in a personal capacity.

#### **About me**

I am a nonprofit fundraising consultant, living in Auckland. I have had chair, treasurer and secretary roles on nonprofit boards in New Zealand, Australia and the UK in arts, health support and professional associations. Currently I am on the boards of two NZ charities, ADHD New Zealand, New Zealand Dance & Arts Therapy; and an Australian nonprofit organisation, Australia New Zealand Third Sector Research. I have been a board member, Treasurer and Chair of the Fundraising Institute of New Zealand, and President of Educate Plus New Zealand.

Almost my entire career has been spent working in the nonprofit and charity sector (sometimes called the third sector or community and voluntary sector). That career started as an actor then arts administrator in New Zealand, then led to senior management roles for the Sydney and later the Edinburgh arts festivals. I subsequently specialised in fundraising, managing fundraising programmes for Edinburgh University's Medical Research Institute and the Edinburgh Napier University Business School. Since 2006, I have been a fundraising consultant to charities and nonprofits in the UK, Australia, New Zealand, India and the Middle East. I completed a Masters degree investigating sponsorship of arts festivals in the UK, and a PhD investigating the philanthropy of the Indian elite.

I write and have had articles on philanthropy and fundraising published in academic journals, and professional third sector magazines.

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### **Introduction to the answers provided**

Above all, I recommend that there is a proper policy impact assessment by Government before such a significant change to the taxation rules are made. No assurance has been given by Government concerning how it will assess the impact of its proposals or the submissions being made.

Previous tax investigations have advised against taxing charities. This present consultation is leaving the burden of demonstrating the inefficiencies of the proposed policy to the sector itself through individual submissions like this one. This methodology will not on its own provide a robust and comprehensive assessment.

### **Executive Summary of this submission**

I argue against taxing charity income, making the following points:

#### **Flawed reasoning:**

I dispute the *Issues Paper* claim that charities have advantages like reduced compliance costs, ability to 're-fund' losses, and lower capital costs. Charities use business income to fund their charitable purposes, and losses cannot be carried forward for tax benefits.

#### **Funding challenges:**

Charities struggle to borrow for capital projects and face significant costs in fundraising.

#### **Ongoing need for charities' services:**

Many charities face unpredictable, increasing demands for their services, necessitating fund accumulation.

#### **Negligible or no net gain to Government revenue**

Charities will seek more government funding to cover reduced income, meaning demands on government expenditure will likely negate any tax revenue gained.

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### **Service reductions:**

Charities' reduced funds would lead to a diminished capacity to deliver social benefits, potentially increasing the burden on public sector services.

### **Compliance burden:**

Accounting for unrelated business income would raise administrative and compliance costs.

### **Costly restructuring:**

Large charities will create new structures to manage unrelated business income, increasing governance and advisory costs.

### **Defining unrelated business:**

Determining what constitutes an 'unrelated business' is seen as subjective and likely to lead to costly disputes. My submission also highlights the need to consider the impact on social enterprises, a new form of third sector organisation that has been encouraged by Government

### **International comparisons:**

The submission references an OECD report. However, I show New Zealand is not an outlier in exempting charity income. Seven countries including New Zealand do not tax charities' income

## **Chapter 2: Charities business income tax exemption**

### **Q1. What are the most compelling reasons to tax, or not to tax, charity business income? Do the factors described in 2.13 and 2.14 warrant taxing charity business income?**

Answering the question definitively is challenging due to the absence of financial data. Appendix I shows my attempt to put a number to it. The figure I reach is in the order of \$140 million which as I suggest below is likely to be negated because of extra demands that will fall on Government. I turn next to the factors described in 2.13 and 2.14.

Point 2.13 deals with what are termed as “*second order* imperfections”. These are explained as being that charitable trading entities

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- do not face the compliance costs associated with a tax obligation
- have an advantage over taxable businesses related to “refundability of losses” [sic]
- have a lower cost of raising capital

The reasoning behind this is flawed in my view. The fallacy behind the first two bullet points is that it rejects the normative assumption that charities business activities are intended to provide income towards the cost of achieving their charitable purposes. The first point draws attention to the reality that if charities are taxed, the compliance cost will reduce the funds available for meeting their charitable purposes. The second point ignores the fact that a charity cannot carry losses forward as a claim against tax in a future period. It funds its loss out of its reserves and must make a surplus over future years to mitigate the loss.

The third point ignores the reality that charities need to fund capital expenditure with either borrowing or raising philanthropic funding. Borrowing is challenging because their assets and their business models are for various reasons not regarded as sound security by lenders. There will be extra costs associated with fundraising for capital expenditure. Common experience usually suggests capital campaigns (i.e. fundraising campaigns for capital expenditure) cost around 10-20% of the funding target.

Point 2.14 is closely related to the points made above. Firstly, charities accumulate funds through their business activities to meet their charitable purposes. For many charities, these purposes are not time-bound. There will always be a need for funds to be applied. Often funds are required to meet unpredictable and/or increasing demand for the charities’ services. Secondly, as stated above, there are obstacles in respect of borrowing for capital expenditure, and extra costs associated with fundraising for it.

### **Q2. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?**

We have no data on how much of the estimated charity business income is unrelated to charitable purposes (an estimate used hypothetically in Appendix I is 50% of it). At present,

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charities are not required to make this calculation. Logically, of course, once calculated it will reduce the taxable surplus.

The most significant implication of taxing business income, in my view, is perverse. Those charities who are funded by government through contracts or grants will seek additional funding from government to meet the reduction. The alternative will be that the social or other services obtained by government through them will be impaired.

This impairment will mean that people who would otherwise be served by the charitable and nonprofit sector will look for help from public sector service providers as a result of the reduction in charities' capacity. This means the cost to government will be far higher. In other words, the costs of unmet service delivery will become an additional burden to government.

That is, either charities and nonprofits will have to be additionally funded by government to meet need or government will pay additional costs to meet social demand.

To conclude, the immediate practical implications leading from removing the tax exemption from business income will be:

- a) Charities will have a liability for tax which will reduce the funds available to achieve their purpose.
- b) Accounting for unrelated business income will be an increased compliance burden which will add to staff and audit costs.
- c) Alternatively, creating a new structure to manage and account for any unrelated business income will have new overhead and governance requirements and costs.
- d) These requirements will also see the growth of advisers and their additional costs to the largest charities as they seek advice on how to meet the new requirements and to minimise the impact of the tax regime.

**Q3. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business?**

The only logical answer to this question would be that 'unrelated business' income is income applied to a purpose distinct and separate from the organisation's charitable purpose.

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However, determining what income or expenditures are distinct and separate will almost certainly be subjective, and liable to be contested. Contestation will add to compliance costs for the charity and enforcement costs for Government.

An ancillary point not canvassed in the *Issues Paper* is how the whole class of Social Enterprises will be treated. The Government's last formal statement on this class of social sector/for purpose entity seems to be the *Government Position Statement on Social Enterprise* (2014). In the paper these are defined thus, "social enterprises use commercial methods to support social or environmental goals". There are likely to be challenges determining their 'unrelated business' income. Removal of the tax exemption for business income of charities is likely to be a disincentive for these entities. (See also Q5 below)

**Q4. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?**

If the tax exemption is removed, then despite the answers above that oppose the idea of removing exemption, I suggest that taxation of unrelated business income only would best be confined to Tiers 1 & 2 charities. This is because only these larger charities are likely to have the capacity to absorb the compliance costs in reasonable proportion to their income.

As already noted above, the probable revenue to Treasury would be small, and any reduction to their income and surpluses would probably lead to pressure for more funding from government and/or a reduction in the services these charities are able to provide.

**Q5. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that charity business income distributed for charitable purposes should remain tax exempt? If so, what is the most effective way to achieve this? If not, why not?**

This question assumes that it is possible to identify income applied to a purpose distinct and separate from the organisation's charitable purpose. This would face the challenges already

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outlined in the answer to Q3 above. The answer therefore is the same. That is, determining what income or expenditures are unrelated to charitable purposes (i.e. distinct and separate) will

almost certainly be subjective and liable to be contested. Contestation will add to compliance costs for the charity and enforcement costs for Government.

**Q6. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what policy settings or issues not already mentioned in this paper do you think should be considered?**

The questions in the *Issues Paper* do not seek answers to additional questions related to differential treatment of income from an unrelated business. Alternatives in other jurisdictions include applying a threshold or stipulating specific non-exempt activities.

The table in Appendix II is an analysis of the OECD Report referenced in the *Issues Paper*. It lists examples of countries where different settings are applied.

A point to notice is that New Zealand is not an “outlier” as stated in the *Issues Paper*. Seven countries including New Zealand do not tax charities’ income. Four countries apply the condition that a tax exemption is available if a charity’s surplus is applied to its charitable purpose. The distinction between these two categories will be dependent on definitions and drafting in each jurisdiction’s legislation. My suggestion is that little or none of the surplus in the second category would be spent on non-charitable purposes. Why would it?

Nine countries apply a threshold below which specified income is not taxed. The most popular treatment is some form of tax on ‘unrelated’ income. There are 13 countries who fit this category. The precise statutory meaning of this will be more explicit than the narratives drawn from the report, however, the descriptions in the report tend to imply this means income not used for a charitable purpose. Of 38 countries named in the report, five countries are difficult to categorise.

Exploring how statutes or regulations define the policies in the various countries mentioned would be useful. However, determination of what income is used for, or what surpluses are applied toward will be complex and subjective; and almost certainly contestable. If one of the latter two models were adopted in New Zealand, I suggest that compliance costs for charities will

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reduce funds available for charitable purposes; and any contestation would be costly to charities and government.

### Chapter 3: Donor-controlled charities

**Q7. Should New Zealand make a distinction between donor-controlled charities and other charitable organisations for tax purposes? If so, what criteria should define a donor-controlled charity? If not, why not?**

No opinion.

**Q8. Should investment restrictions be introduced for donor-controlled charities for tax purposes, to address the risk of tax abuse? If so, what restrictions would be appropriate? If not, why not?**

No opinion.

**Q9. Should donor-controlled charities be required to make a minimum distribution each year? If so, what should the minimum distribution rate be and what exceptions, if any, should there be for the annual minimum distribution? If not, why not?**

No opinion.

### Chapter 4: Integrity and simplification

**Q10. What policy changes, if any, should be considered to reduce the impact of the Commissioner's updated view on NFPs, particularly smaller NFPs? For example:**

- **increasing and/or redesigning the current \$1,000 deduction to remove small scale NFPs from the tax system,**
- **modifying the income tax return filing requirements for NFPs, and**
- **modifying the resident withholding tax exemption rules for NFPs.**

No opinion.

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**Q11. What are the implications of removing the current tax concessions for friendly societies and credit unions?**

**Income tax exemptions**

No opinion

**Q12. What are the likely implications if the following exemptions are removed or significantly reduced:**

- **local and regional promotional body income tax exemption,**
- **herd improvement bodies income tax exemption,**
- **veterinary service body income tax exemption,**
- **bodies promoting scientific or industrial research income tax exemption,**

**and**

- **non-resident charity tax exemption?**

No opinion

FBT exemption

**Q13. If the compliance costs are reduced following the current review of FBT settings, what are the likely implications of removing or reducing the exemption for charities?**

No opinion

Tax simplification

**Q14. What are your views on extending the FENZ simplification as an option for all NFPs? Do you have any other suggestions on how to reduce tax compliance costs for volunteers?**

No opinion.

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**Q15. What are your views on the DTC regulatory stewardship review findings and policy initiatives proposed? Do you have any other suggestions on how to improve the current donation tax concession rules?**

The current donation concession rules are probably the most donor friendly of any global jurisdiction. The challenge lies in educating the public on how they operate.

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### APPENDIX I

This Appendix sets out the calculation used to estimate the amount of revenue likely to be achieved from a tax on charities' business income.

The first complication comes from the Issues Paper Table 1. I believe that the numbers shown for Tiers 1 & 2 are inconsistent with the rest of the table. I looked at the last figures published, in 2019, showing the number of charities in each Tier [<https://www.volunteeringnz.org.nz/wp-content/uploads/Modernising-the-Charities-ActDiscussion-Document-2019-February2019.pdf>] and extrapolated from them to arrive at my table below.

Table 1: Extrapolation from 2019 Tier Population Figures

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>	<u>All Tiers</u>
<b>DIA. (2019). Modernising the Charities Act 2005: Discussion document. Table 2</b>	163	1360	8493	13838	23854
<b>Extrapolation to arrive at 2025 figures</b>	198	1653	10325	16823	29000
<b>Issues paper % shown as reporting business income</b>	1%	10%	45%	43%	99%
<b>Therefore, number of charities in each Tier</b>	2	165	4646	7234	12048
<b>Average Expenses for charities in each Tier</b>	\$55,555,556	\$21,111,111	\$2,855,556	\$77,778	n/a
<b>Average Income for each Tier</b>	\$5,555,556	\$2,111,111	\$285,556	\$7,778	

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assuming a net  
surplus to expense  
ratio of 10%

**Hypothetical**

<b>Average Earned Income (66%) \$ millions</b>	\$3,666,667	\$1,393,333	\$188,467	\$5,133	n/a
--	-------------	-------------	-----------	---------	-----

**Multiplied by the  
number of  
charities in each**

**Tier to show**

**TOTAL BUSINESS**

<b>INCOME</b>	<b>\$7,266,007</b>	<b>\$230,372,543</b>	<b>\$875,679,208</b>	<b>\$37,134,645</b>	<b>\$1,150,452,402</b>
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Note that the table indicates “Earned Income” not “Business Income”. The figures shown draw on the JBWere New Zealand Cause Report [<https://www.jbwere.co.nz/media/kvqpufmb/jbwere-nz-cause-report-2021.pdf>] which estimates 66% of all charities’ is “earned income”. Not all ‘earned income” of course is ‘business income’ but bear with me.

Business Income unhelpfully is not defined by IRD. Instead, readers are directed to a Tax Information Bulletin [<https://www.taxtechnical.ird.govt.nz/interpretation-statements/2024/is-24-08>], which provides examples though not a clear definition. On the income that will be taxed, the Issues Paper even more unhelpfully says this “... will be unknown until the term is formally defined”.

So, all we can know at this stage is that ‘unrelated business income’ will be a portion of the ‘earned income’ identified in the table above. Very likely, until clarification is provided, this portion will be what the annual performance reporting form calls ‘Sale of goods and services (commercial activities)’. Extracting data from the Charities Register is theoretically possible though would require computation resources that it is unlikely any interested organisation (other than a university) has available. Unlike peer nations, however, no New Zealand university has a research centre focused on charities therefore anyone likely to extract and analyse the data. Which is why there is so little robust data or informed discussion about charities!

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Theoretically then, there is a possible \$1 billion - far short of the trumpeted \$2 billion - of income 'earned' by charities. This includes membership dues, school tuition fees, ticket sales to events (e.g. sport and arts), fees for services to non-government clients, trading activities, interest and dividends on investments and rental income. How much of that will be defined as 'unrelated' no one, including IRD, seems to be able to know at the present time.

Let's assume, for simplicity, after 'unrelated' is defined, it accounts for 50% of the \$1 billion. I, however, think a proportion this large is unlikely. Tax on that at 28% will earn the Government \$140 million.

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## APPENDIX II

Table 2: Analysis of OECD Report

The data in this report is extracted from Section 3.4. Tax treatment of income of philanthropic entities, pp. 57- 63 of OECD. (2020). *Taxation and Philanthropy*. Paris: OECD Tax Policy Studies [[https://www.oecd.org/en/publications/2020/11/taxation-and-philanthropy\\_76508539.html](https://www.oecd.org/en/publications/2020/11/taxation-and-philanthropy_76508539.html)]

Country	Exempt All Income	Exempt If Invested in Purpose	Threshold Applies	Unrelated Activity is Taxed	Other	Extract or Summary of Report Narrative
Argentina	1					Philanthropic entities are exempt from corporate income taxes.
Australia	1					Philanthropic entities are fully exempt from paying income tax on both commercial and non-commercial income.
Austria			1			Entities that engage in unrelated commercial activities risk losing their tax-exempt status. If, however, the commercial activities that a philanthropic entity engages in, generates under EUR 40 000 in the tax year, the entity may keep its tax-exempt status.

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<b>Belgium</b>				1		Philanthropic entities are subject not to corporate tax but to legal entities income tax (LEIT), a withholding tax on certain forms of income; income from donations is exempt from the LEIT.
<b>Bulgaria</b>				1		Philanthropic entities in Bulgaria are not taxed on income from grants or donations but income from commercial activities is subject to the corporate income tax
<b>Canada</b>				1		Qualifying philanthropic entities are exempt from paying income tax. However, they are not permitted to undertake unrelated commercial activities unless the entity is run with volunteer labour.
<b>Chile</b>					1	Some philanthropic entities may be exempt from the corporate income tax as granted by the President of the Republic. This benefit can be requested where their main and effective purpose is to aid people meet their basic needs.
<b>Colombia</b>		1				All forms of income are considered taxable and the tax relief is based on whether, and how, the net benefit or surplus is reinvested
<b>Czech Republic</b>				1		Corporate income tax exemption only applies if the income is or will be used for specified worthy purposes.

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<b>Estonia</b>					1	Philanthropic entities must submit an application complying with the requirements of the tax administration in order to receive preferential tax treatment.
<b>Finland</b>					1	Tax exemption can be granted only when justified with respect to the benefit that the entity produces for society; philanthropic entities are liable to a tax on income derived from business activity.
<b>France</b>				1		Philanthropic entities may be exempt from corporate taxes if the activity does not compete with the business sector and if the revenues collected during the calendar year for this activity do not exceed EUR 72 000
<b>Germany</b>				1		Income generated from activities related to the worthy purpose is exempt from corporate income and trade tax. Unrelated income is not subject to tax if including VAT, it does not exceed EUR 35 000
<b>Greece</b>					1	Income of philanthropic entities from fulfilment of their worthy purpose is not subject to income tax. On the other hand, any income generated from commercial/business activities is taxable,
<b>Hungary</b>				1		Philanthropic entities are exempt from corporate tax if their income derived from commercial activities

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						(including managing real estate) does not exceed 15% of the total income.
<b>India</b>			1			Philanthropic entities can derive up to 20% of their income from trade, commerce or business, provided it is earned in the course of advancing the charitable purpose of the entity
<b>Indonesia</b>		1				Donations and grants to philanthropic entities are tax exempt income. If an entity engaged in education or research and development has a surplus, it is only tax exempt if the surplus is reinvested in these purposes within a four year period.
<b>Ireland</b>		1				Philanthropic entities must apply separately to the revenue for tax exemption. Once the tax exemption is approved, entities are exempt from capital gains tax and tax on commercial income, provided that the income is applied towards the entities' worthy purposes.
<b>Israel</b>					1	Donations, inheritances, government grants and passive income are tax exempt
<b>Italy</b>					1	No information

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Japan				1		Income of philanthropic organisations (that fulfil the not-for-profit requirement) is tax exempt. The commercial activities that exempt organisations are permitted to engage in without losing their tax exempt status, are stipulated by the ministry that has the most expertise regarding the particular worthy purpose.
Latvia	1					Philanthropic entities are not subject to corporate income tax if the purpose of the establishment is not to make profit or achieve an increase in capital for members, religious organisations, trade unions, or political parties.
Lithuania		1				If the surplus of a philanthropic entity is reinvested towards the worthy purpose within a given time period, the income of the entity is exempt
Malta	1					Philanthropic entities benefit from a tax exemption on all their income
Mexico				1		Exempt from income tax provided income is used for the purposes for which they were authorised; and income from activities other than the purposes provided it does not exceed 10% of total income.

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Netherlands				1		Philanthropic entities are liable to corporate income tax if (1) they participate in the market economy with labour and capital and thereby make a profit, or (2) if their activities compete with commercial businesses,
New Zealand	1					Philanthropic entities are exempt from paying corporate income tax on non-commercial income and are also exempt from income tax on commercial income if the philanthropic entity meets the not-for-profit requirement and has no activities overseas.
Norway			1			Exempt from income taxes on donations, inheritances and grants plus income generated from any commercial activity it undertakes that does not contribute towards worthy purpose, provided that the annual revenue from the commercial activity does not exceed a threshold of NOK 140 000.
Portugal				1		Income of philanthropic entities derived from donations is untaxed. Income derived from activities for the worthy purpose is generally also untaxed. Other sources of income, such as unrelated commercial activity or financial assets and investments are considered taxable income.

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<b>Romania</b>				1		Philanthropic entities must submit an application complying with the requirements of the tax administration in order to receive preferential tax treatment.
<b>Singapore</b>	1					Exempt from income tax and may engage in commercial activities to generate additional income, or to provide goods or services for their members or clients to further their worthy purposes.
<b>Slovak Republic</b>			1			Income received by philanthropic entities is generally tax-exempt, except for commercial income, including income derived from property (rent), the sale of assets, membership fees and advertising income above EUR 20 000 per year
<b>Slovenia</b>				1		Income derived from commercial activities is taxed
<b>South Africa</b>			1			Only welfare, education, healthcare and conservation activities qualify for an income tax deduction then 15% of all commercial income of is tax exempt.
<b>Sweden</b>				1		Exempt from taxes on income from donations, grants, investments, and contracts with government...This suggests that income from unrelated activities will be taxable income.

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<b>Switzerland</b>	1					Philanthropic entities are exempt from income and wealth taxes
<b>United Kingdom</b>					1	No information
<b>United States</b>				1		Income related to the exempt purpose of the non-profit organisation is generally income tax exempt. However, income from unrelated business activities (i.e. activities that are not substantially related to the exempt purpose), is taxable at the corporate tax rate.
<b>Total</b>	7	4	9	13	5	Number of Countries Analysed      38

**From:** NZSG Manager <NZSGmanager@genealogy.org.nz>  
**Sent:** Wednesday, 26 March 2025 11:03 am  
**To:** Policy Webmaster  
**Subject:** submission on IRD consultation paper 'Taxation and the NFP sector'

**External Email CAUTION:** Please take **CARE** when opening any links or attachments.

Good morning,

We wish to make the following submission relating to the IRD Consultation paper 'Taxation and the Not For Profit sector'.

The New Zealand Society of Genealogists was established in 1967 by a small group of family history enthusiasts. In the decades since, we are firmly established as a national entity enjoying a strong and supportive membership base, with 60 Branches and affiliated groups around the country. The organisation is an incorporated society (CC22120), governed by a Board of Directors and has a national office and research library located in Panmure, Auckland. The Society works collaboratively with many of our national institutions and repositories and has over the years earned a reputation for its commitment to the preservation of historic records and as a representative voice on matters affecting the community of family researchers and historians.

#### **Mission Statement**

To provide educational opportunities and research resources for the development of knowledge, skills and practice in family history, genealogy and whakapapa for members and the wider community.

#### **Purposes of the NZSG**

- To promote the study of family histories, whakapapa, genealogies and kindred subjects to the members of the Society and the New Zealand public.
- To advance the education of the members of the Society and the New Zealand public in the study of family histories, whakapapa, genealogies and kindred subjects.
- To provide assistance for the members of the Society and people wishing to compile family histories from sources in New Zealand and overseas.
- To encourage accurate and scholarly research into the histories of New Zealand families and from time to time publish the results.
- To foster awareness of family links and knowledge of heritage.
- To do all such other lawful acts and things as are incidental or conducive to the attainment of all or any of the above objects.

#### **Our submission**

- We are a Tier 3 charity.
- We are a membership Society – virtually all our income comes from membership subscriptions or members paying for services – and all of these are strictly related to our core interest, genealogy.
- Virtually all our activities are conducted by volunteers. We have only two, part-time, employees.
- We have no 'other', 'unrelated' business activities, so we recognise that the current IRD proposals may not apply to us. Such 'business activities' that we do have (eg sales of books and CDs on genealogical topics [mostly] to members) constitute only 0.6% of our income.
- Any move to put us under a taxation regime would be disastrous – it would effectively close us down.
- First of all, any taxation regime would greatly increase compliance costs.

- Most of all, if we do make a small surplus this is either held as a buffer against a possible subsequent year when we might make a loss, or it is used to plough back into the operation to enhance services to our members (eg new computers, enhanced usability in our databases, hosting Family History Month events, etc.). (We are aware of the new Tier 3 NFP reporting rules whereby we have to explain how any surplus is to be used in a way that is relevant to our core mission.) To tax such small surpluses would mean either that we would have no cash reserve for the next year (should that year prove to be a loss-making year, which for many years between 2013 and 2021 it was) or it would mean we could never have any surplus to plough back into the operation to improve services, keep up with technology ,etc. The net result of a taxation regime in either case would be the extinction of the Society as having been made financially unviable through taxation.

Best regards,

s 9(2)(a)

National Manager,  
New Zealand Society of Genealogists.  
P.O. Box 14036,  
Panmure,  
Auckland 1741

Phone (09) 394 9549



26 March 2025

Taxation and the not-for-profit sector  
C/- Deputy Commissioner, Policy  
Inland Revenue Department  
PO Box 2198  
Wellington 6140

By email: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

Tēnā koe

**Re: Taxation and the not-for-profit sector: submission on behalf of Education Benevolent Society Incorporated**

## Introduction

1. We act for Education Benevolent Society Incorporated (**EBS**) which trades as HealthCarePlus.
2. We have been engaged to file this submission on behalf of EBS in response to the Officials' Issues Paper on "Taxation and the not-for-profit sector" (referred to in this submission as **the Paper**).
3. EBS is an incorporated society with charity status. EBS' membership consists of unions and their members. Through membership of EBS, members and their whānau obtain access to a range of membership benefits to support their financial, physical, and mental health and wellbeing. EBS also provides charitable grants in accordance with its constitution.
4. While not all questions asked in the Paper are directly relevant to EBS or the way it operates, EBS feels strongly that in making this submission it conveys not only its own view, but also the weight of its decades of experience and operation in the not-for-profit (**NFP**) sector. EBS makes this submission with the knowledge of how the questions and potential changes posed may impact many charities and NFPs, not just those like EBS.
5. The proposals in the Paper will however impact all charities hence the need for carveouts to avoid unintended consequences. EBS would therefore strongly encourage IRD to investigate options to strengthen the existing regulations to deal with the specific charities generating the need for the current proposal. In that way the majority of the NFP sector already facing significant challenges is not impacted.
6. MoranLaw is a boutique law firm with specialist expertise in NFP law. We have considerable experience advising NFPs and charities of all shapes and sizes, and a deep understanding of how the issues raised in the Paper may impact the sector.

## Comments on the Paper

7. For the avoidance of doubt, we have copied the questions verbatim from the Paper, including the relevant clause and question references.

## CHAPTER 2: CHARITY BUSINESS INCOME TAX EXEMPTION

8. **Q1. What are the most compelling reasons to tax, or not to tax, charity business income? Do the factors described in 2.13 and 2.14 warrant taxing charity business income?**
  - 8.1 Any taxation will have a direct impact on the funding available for charitable purposes. Charities have a limited number of ways in which they can obtain funding to advance their charitable purposes – donations from individuals and/or other charitable/philanthropic entities, government and private contracts for service, income from passive investments, and business activities. Introducing tax on

charity business income is likely to reduce the funding available through at least two of those funding streams, because of the flow on effect to funding entities which are themselves charities and have also had their income taxed. Put simply, taxing charity business income will reduce the pool of money available to fund charities. If charities are to continue delivering their charitable purposes, they will have to obtain funding from alternative sources – donations or government funding. The notion of taxing charity business income therefore moves money from one pot to another; a charity which cannot raise enough money through business activity or grant funding will require more donations, or more government funding, if it is to continue delivering on its charitable purpose. Charities which cannot obtain sufficient funding will be forced to reduce their operations or cease to exist altogether.

- 8.2 The taxation of small charities will create a level of compliance and governance burden that may result in the demise of many smaller charities and is likely to have a disproportionate impact on minority and lower socio-economic groups that are the main beneficiaries from these charities.
  - 8.3 EBS' observation and experience is that small entities, and those in lower socio-economic environments, are less likely to have officers with relevant professional expertise (e.g. legal, financial, corporate experience) and therefore less knowledge about the compliance requirements imposed upon them. This lack of professional experience and compliance knowledge may see these small and lower socio-economic charities most adversely affected by the compliance expectations, including penalties for non-payment of tax, resulting in them being unable to continue serving some of New Zealand's most vulnerable and in-need communities. EBS questions whether the increase in compliance costs will be commensurate with the comparatively small increase in tax revenue. In addition, what level of training and support does the government envisage providing to avoid these unintended consequences, and what will be the cost to deliver?
  - 8.4 The second-order imperfections referred to in section 2.13 of the Paper are relatively insignificant for charities where the focus is on delivering on their charitable purpose and which are not directly competing with for-profit entities in the delivery of products or services in a commercial manner.
  - 8.5 However, where a charity is competing commercially with for-profit entities in the delivery of products or services and is using, or potentially could use, their tax-exempt status for anti-competitive business practices that could distort the market, taxing of these charities should be considered. EBS considers this is likely to be a very small proportion of entities overall.
  - 8.6 The time that it would take for a charity to accumulate tax free profits to become a competitive advantage would be more than offset by the speed and ease with which commercial/for-profit entities can raise capital, which mitigates any potential for a charity to obtain a competitive advantage.
9. **Q2. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?**
- 9.1 A charity like EBS that does not seek donations from the public is largely reliant on its unrelated business income to both administer and fund its charitable purpose. So, the taxation of unrelated business income would directly reduce the funding available for distribution as charitable grants.
  - 9.2 As noted at paragraph 8.1 above, removing the tax exemption for charity business income has the potential to alter the entire charity ecosystem by reducing multiple sources of funding for charities, including one that provides a steady income stream and does not rely on public generosity or government funding, to the detriment of all who rely on charities.
  - 9.3 EBS considers it likely that charities will look for other ways to operate wherever possible in order to reduce their compliance costs. Those that cannot do so are likely to be unable to continue operating.
-

10. **Q3. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business?**
- 10.1 Defining when business income is “unrelated” to a charity poses a significant conceptual problem. It is seldom a straightforward assessment to determine whether a charity’s business activity is related or not, as that may require careful consideration of the charity’s purposes, legacy issues that cannot be changed, and how those are furthered by the business activity. Often whether business activity is “unrelated” is a matter of public perception, influenced by misinformation or current societal preferences. There is also the question of whether, and if so how, passive income (for example from investments) would be captured by the removal of the tax exemption.
- 10.2 When considering how to define “unrelated business income”, consideration could be given to any distinct business that is run as an arm’s length entity or as a separate legal entity from the charity with limited or no governance oversight from the charity. That said, separation of legal entities should not be the sole determinant of unrelatedness, as it is often used for the purposes of ringfencing legal risk.
11. **Q4. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?**
- 11.1 The use of the accounting standards reporting tiers seems the appropriate method and EBS would support the proposed exemption for charities in Tier 3 and 4 reporting categories. Any move to remove the tax exemption for Tier 3 charities is likely to increase their compliance costs to a degree that is likely to be disproportionate to the tax revenue generated.
12. **Q5. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that charity business income distributed for charitable purposes should remain tax exempt? If so, what is the most effective way to achieve this? If not, why not?**
- 12.1 EBS agrees that if the tax exemption for unrelated business income is removed, any unrelated business income distributed for charitable purposes should remain tax exempt. This would encourage charities to distribute surpluses rather than rewarding the retention of any surplus. In addition, EBS suggests that any unrelated business income used in the execution of its charitable purpose should also be tax exempt.
- 12.2 There are however practical issues with this, as in most cases the surplus will be generated in one tax year and all or part of the distribution will be distributed in the next financial year or years, and at that stage the amount to be distributed may not be determined. To overcome this issue the accounting standards for charities will need to be revised to include a provision for the accrual of any charitable payment that is expected to be paid in the next and or subsequent financial years.
13. **Q6. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what policy settings or issues not already mentioned in this paper do you think should be considered?**
- 13.1 EBS raises the question of whether other legal structures (e.g. trusts) may then become more attractive from a tax perspective. The removal of the current tax exemption for charity business income must not result in another distortion in the market.
- 13.2 EBS also queries whether charities which are required to conduct consolidated reporting to Charities Services would be motivated to provide separate reporting in order to produce more detailed reporting about their income at an individual entity rather than group level. The removal of the current tax exemption for charity business income must not result in an incentive to undermine the reporting system because there is now a financial consequence (not just a charitable status one).
- 13.3 It seems likely that the result will be an increase compliance cost for government as well as charities, while reducing what funding is actually available to further charitable purposes.

- 13.4 EBS also notes that charities have much greater reporting and transparency requirements than for-profit businesses, which makes sense in the context of the charity business income tax exemption. If that exemption is removed, the position is then off balance as between charities and for-profit businesses. Will for-profit businesses be required to report to the public to a similar level of transparency, or will the transparency expectations current placed on charities be reduced?

### CHAPTER 3: DONOR-CONTROLLED CHARITIES

14. EBS has no responses to questions 7 – 9 of the Paper.

### CHAPTER 4: INTEGRITY AND SIMPLIFICATION

15. **Q10: What policy changes, if any, should be considered to reduce the impact of the Commissioner/s updated view on NFPs, particularly smaller NFPs? For example:**
- **increasing and/or redesigning the current \$1,000 deduction to remove small scale NFPs from the tax system;**
  - **modifying the income tax return filing requirements for NFPs; and**
  - **modifying the resident withholding tax exemption rules for NFPs.**
- 15.1 EBS is concerned that a draft operational statement setting out the Commissioner’s updated view on mutual association rules is unavailable for consideration, even though it is expected to impact approximately 9,000 NFPs who are also impacted by the questions posed in the Paper.
- 15.2 The Paper references that the draft operational statement currently states that “trading, and other normally taxable transactions with members, including some subscriptions” as being taxable income. Urgent clarity is required about what “some subscriptions” will mean for NFPs, namely incorporated societies, which generally operate on the basis of subscriptions paid by members.
- 15.3 Many of the impacted NFPs may not be aware that they are impacted, and even those which are aware cannot properly appreciate the nature of that impact because they are unable to fully inform themselves without seeing the operational statement. Similarly it is difficult for EBS to provide a substantial response to this question 10 without a full understanding of the likely impacts.
- 15.4 To tax 9,000 NFPs because of the Commissioner’s update (i.e. because the mutual association rules no longer apply) would result in, at best, significant cashflow challenges, and worst case the demise of a considerable number of these small NFPs that play a very important role in New Zealand society. EBS therefore proposes that the threshold for exemption should be raised from \$1,000.
- 15.5 EBS has identified that the proposal to retain the unrelated business income tax exemption for Tier 3 and Tier 4 charities would result in approximately 89% of charities being exempt. EBS therefore proposes that a fair outcome would be to apply a similar tax exemption for the smallest 90% of the 9,000 NFPs that would otherwise be impacted by the Commissioner’s new ruling.
16. **Q11 – 13.**
- 16.1 EBS has no response to questions 11 – 13 of the Paper.
17. **Q14: What are your views on extending the FENZ simplification as an option for all NFPs? Do you have any other suggestions on how to reduce tax compliance costs for volunteers?**
- 17.1 EBS anticipates that within the smaller NFPs, due to lack of knowledge, there may be an unintentionally low level of compliance by receivers of honoraria. Extending the FENZ simplification would remove this potential for unintentional non-compliance, and similarly remove what may operate as a disincentive to volunteering. This change may result in a new compliance burden on small NFPs that currently have little or no ‘employee’ related obligations or capability.

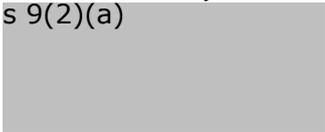
18. **Q15: What are your views on the DTC regulatory stewardship review findings and policy initiatives proposed? Do you have any other suggestions on how to improve the current donation tax concession rules?**

18.1 EBS has no response to question 15 of the Paper.

19. If you have any questions or would like to discuss EBS' submission in more detail, please contact the writer in the first instance. EBS would be willing to speak to its submission or any of the points arising.

Yours sincerely

s 9(2)(a)



**Louisa Joblin**  
Special Counsel

s 9(2)(a)



## Submission on the “Taxation and the not-for-profit sector” Proposals

Q12

Our organisation is staffed by about 15 volunteers with 1 paid part-time staff member whose job is mainly to manage the volunteers and provide our information service to locals and visitors alike (para 4.12)

The organisation is controlled by a charitable trust, and the Information Centre was registered as a charity. The Charity Commissioners later decided that the Information Centre had insufficient charitable purposes (no ‘marriage of poor maids’ assistance nor ‘the maintenance of sick and maimed soldiers and mariners’).

On being de-registered we automatically lost our tax-exempt status. Fortunately, the Inland Revenue reinstated our tax-exempt status as they said our operation was covered by the provisions for ‘local and regional promotion’.

Our income is derived from grants and sales of postcards and pamphlets and there is rarely much surplus and so our tax liability is low in any event.

However, having tax-free status is of great advantage to us and to similar bodies. Many of the suppliers that we use, e.g. TechSoup, Google, Microsoft will give advantageous prices to certain organisations. The sole criterion some of them use is tax-exempt status. So, if we were to lose that status, it would have a tremendous effect on our day-to-day running especially in the area of information technology equipment and subscriptions.

We are not comparable to larger-scale operations like i-Sites. Their income stream includes third-party bookings. We are unable to do this sort of thing with our largely elderly volunteer base. In fact, i-Sites are closing in many places because travellers are doing their own bookings online. The i-Sites in Christchurch and Akaroa have both closed because they are not financially viable. It is only volunteer-based organisations like ours which are providing a human-contact service. We are not in competition with any commercial operations (para 4.14).

**We are asking that the tax-exemption remains for the ‘local and regional promotion’ sector**, or at the very least that there should be a threshold beneath which organisations like ours could retain tax-exempt status. Note that it is the status which is important, not a single taxable system with a threshold.

In para 1.4 you make the moralistic point that *Every tax concession has a “cost”, that is, it reduces government revenue and therefore shifts the tax burden to other taxpayers.*

It might be instructive to consider the tax take related to this change instead. If you remove our benefit, we would pay little, if any, income tax. But our operation would be hurt considerably. We might have to reduce our hours of operation. This means that would be offering advice on where to go and where to spend money to a smaller number of people, which in turn would lower the turnover of local retail operations, and therefore the total amount of tax taken.

This is the precise opposite of what you are claiming to achieve.

Ken Maynard  
Chair, Lyttelton Information and Resource Centre Trust

s 9(2)(a)

23 March 2025.



24th March 2025

David Carrigan  
Deputy Commissioner, Policy  
Inland Revenue  
C/- [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

### **Feedback on the taxation and the not-for-profit sector officials' issues paper**

Dear Mr Carrigan,

Thank you for providing the opportunity to provide feedback on the proposals for changes to the taxation of not-for-profit and charitable entities.

Rolleston Rugby Football Club Inc. has been a cornerstone of our local community for 20 years, delivering not only rugby but also social and community development. Our mission extends beyond the rugby field. We enrich lives, promote well-being, and drive positive societal change.

While the "Q and As" published by IRD mention that it is not expected that bodies promoting amateur games and sport will be affected by the proposals we would still like to take the opportunity to make a submission that this income tax exemption should remain as is.

### **The Economic and Social Value of Grassroots Rugby Clubs**

Rugby is not just a sport in New Zealand – it is part of our national identity and contributes significantly to the economy and society. As one of the more than 470 grassroots rugby clubs in New Zealand, we play a crucial role in fostering community engagement, social connection, and personal development.

Our club, like many others across the country, provides a space where individuals of all ages and backgrounds can come together, engage in physical activity, contribute to their local community and form lifelong friendships and support networks.

Beyond playing rugby, we affiliate with the Rolleston Softball Club providing after match facilities, we are affiliated with the Rolleston RSA, marching in ANZAC Parades, collecting on Poppy Days and fundraise for the RSA Welfare Scheme and

Veteran Affairs. The RSA utilise our Clubrooms monthly at no charge and we allocated a small payment each month based on bar sales. We attend the Selwyn District Council run activities where possible, including supporting the Kids Fun Day and the Santa Parade. These activities bring communities together and generate economic activity for local businesses throughout the year, not just on game day.

Rugby clubs are also at the forefront of addressing important societal issues in our communities. We run Pink Ribbon Breakfasts, we supported a young boy and his family who was undergoing Cancer Treatments (Mason) and Gumboot Friday - I am Hope for Mental Health.

### **The Importance of Retaining the Income Tax Exemption for Amateur Sport**

The current income tax exemption for bodies promoting amateur games and sport ensures that we can remain financially viable. Removing this exemption or imposing income tax on our membership fees would:

- significantly reduce the funding available for clubs to provide community programs, purchase equipment, maintain facilities, and support player development.
- create an administrative burden for us as a volunteer-run organisation, diverting time and resources away from our core activities; and
- lead to increased costs for participants, which could disproportionately impact those from lower-income backgrounds and reduce youth participation in rugby especially in the current cost of living crisis.

Preserving the current income tax exemptions is essential for sustaining the economic and social benefits they provide. Rolleston Rugby Football Club Inc. remains committed to enriching our community, and we urge the Government to consider the profound implications that changes to tax exemptions would have on grassroots organisations like ours.

Grassroots rugby is a cornerstone of New Zealand's social and economic fabric, and its contribution must be recognised and protected in any tax policy changes.

Yours sincerely,

Nicky Ruki  
Club President  
Rolleston Rugby Football Club Inc.  
[presidentrrfc@gmail.com](mailto:presidentrrfc@gmail.com)



26 March 2025

Taxation and the not-for-profit sector  
C/- David Carrigan  
Deputy Commissioner, Policy  
Inland Revenue Department  
PO Box 2198  
**Wellington 6140**

By email: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

Dear Sir,

### **Submission on the IRD's Proposal to Tax Industry Good Incorporated Societies**

#### **Kiwifruit Vine Health Incorporated**

Kiwifruit Vine Health Incorporated (KVHI) is a grower levy funded, pan-industry biosecurity organisation dedicated to protecting the New Zealand kiwifruit industry. Kiwifruit is one of New Zealand's leading horticultural crops and an important contributor to the New Zealand economy with annual exports worth over \$3.2B and steadily increasing.

Maintaining a strong biosecurity system is of the utmost importance to KVHI as biosecurity threats are considered one of the most significant risks to our industry. The work KVHI does for its members enables them to manage biosecurity risk across the kiwifruit industry and more widely protects New Zealand's environment and way of life. The levies we collect to undertake these activities are not spent on any trading or commercial activity or member benefits and KVHI does not own any commercial orchards or property.

#### **Our Submission**

KVHI and its members strongly oppose the IRD's proposal to tax incorporated societies by removing the exception that funds provided by members are not taxable.

This long-standing principle acknowledges that incorporated societies operate for the collective benefit of their members, not for private gain. The proposed changes will have severe financial and operational consequences for KVHI and many others across New Zealand.

KVHI is not a commercial organisation, and we submit that it should not be taxed as one.

#### **Impact of Removing the Member Contribution Exception**

The IRD's proposal seeks to tax funds received from members, including membership fees, subscriptions, and levies. Previously, these contributions have not been considered taxable income by the IRD because they are used solely to fund the organisation's activities for its members and the wider benefit of the community.

If this exemption is removed:

- Membership fees levies would become taxable, reducing the funds available for KVHI's core activities.

- KVHI would need to either increase levies or reduce our services to offset the tax liability.

### **Increased Financial and Administrative Burden**

The proposed taxation changes would impose new compliance costs and financial burdens on KVHI. Additional tax obligations would:

- Require KVHI to allocate funds towards tax compliance rather than member services.
- Increase administrative complexity.

### **Alternative Solutions**

Rather than removing this exception, we urge the government to consider:

- Retaining the tax exemption for membership contributions, recognising their essential role in sustaining non-profit societies.
- Exempting Industry Good Organisations such as KVHI.
- Introducing thresholds to exempt small to medium-sized societies with no commercial operations from unnecessary tax burdens.
- Strengthening oversight of large organisations with commercial activities, rather than penalising all incorporated societies.

### **Conclusion**

We urge the government to reconsider this proposal, as it would have devastating effects on the not-for-profit sector. Incorporated societies contribute significantly to New Zealand's social fabric, and taxing member contributions undermines their ability to operate effectively.

We appreciate the opportunity to submit our concerns and would welcome further discussion on this matter.

Yours sincerely,

s 9(2)(a)

Leanne Stewart  
KVHI Chief Executive

s 9(2)(a)

# Submission on the Taxation of Charities in New Zealand

## Sport Bay of Plenty submission to the Inland Revenue Department

Date: 26<sup>th</sup> March 2025

### Introduction: The Role of Regional Sports Trusts and the Impact of Proposed Tax Changes

Regional Sports Trusts (RSTs) like Sport Bay of Plenty are charitable, not-for-profit organisations dedicated to increasing sport, physical activity and improving community wellbeing across New Zealand. There are 18 RSTs nationwide, each serving a designated geographic region and working alongside government agencies, iwi, community organisations, and sporting bodies to promote sport and recreation for all.

RSTs like Sport Bay of plenty play a crucial role in ensuring equitable access to physical activity, particularly in underserved communities. Our work includes delivering school and community sports programmes, supporting volunteer development, running equity-focused initiatives, and promoting health and wellbeing through movement.

To sustain these services, we rely on a mix of revenue sources, including central and local government funding, Health funding, grants from trusts like BayTrust and philanthropic grants.

The proposed taxation changes would have several unintended consequences for Sport Bay of Plenty, including:

- **Reduced ability to reinvest in charitable services** because taxation would divert funds away from community programmes.
- **Increased administrative complexity** due to the need to artificially allocate shared overheads (e.g., staff time, office costs) between taxable and non-taxable activities.
- **Penalising prudent financial management**, we have built reserves over a long period of time to ensure financial sustainability would still face tax liabilities even if income is eventually used for charitable purposes.
- **Additional staff remuneration costs** due to potential changes to Fringe Benefit Tax (FBT). Sport Bay of Plenty, like many RSTs rely on non-salary benefits, such as the private use of RST motor vehicles, to help match remuneration levels in other sectors. If these benefits are taxed, we would either need to pay the FBT or increase salaries to remain competitive and retain staff, further straining budgets and limiting service delivery.

These changes also threaten to impose cost and complexity on clubs and other charities within the sport and recreation sector in New Zealand, undermining the goal of all RSTs of increasing sport and physical activity, as clubs earn a significant portion of their revenues (29% or \$272m in 2022) (NZIER, 2023)<sup>1</sup> from business type activities such

as operating a bar or hiring facilities. These clubs already normally operate on very tight budgets with limited reserves so any reduction in the funds available to them will reduce their activities.

For these reasons, we strongly oppose the proposals in this consultation that would remove tax exemptions for business income earned by charities and increase FBT liabilities for organisations like RSTs.

Set out below are our specific responses to questions 1 to 6 and question 13 contained within the Inland Revenue Department's Officials' Issues Paper "Taxation and the not-for-profit sector" issued on 24 February 2025.

<sup>1</sup> NZIER. 2023. An analysis of the funding of the play, active recreation and sport sector in New Zealand. A report for Sport New Zealand.

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## **Q1. What are the most compelling reasons to tax, or not to tax, charity business income? Do the factors described in 2.13 and 2.14 warrant taxing charity business income?**

We strongly oppose taxing charity business income because of the negative practical implications of the change.

### **Reasons Not to Tax Charity Business Income:**

- **Taxation will directly reduce the funding of charitable activities** – Sport Bay of Plenty and all other RSTs reinvest all revenue into community programmes. Any taxation paid, either on the profits of business activities or FBT will act as a direct reduction in the funding and therefore result in a reduction in the societal wellbeing outcomes we achieve.
- **Taxation will introduce excessive compliance burden and cost** – Sport Bay of Plenty and all RST activities are delivered within the same legal structure, making taxation distinctions between "related" and "unrelated" business activities artificial and impractical. Overhead costs, such as executive administrative salaries, rentals and other administrative expenses incurred as a whole will have to be allocated between taxable and non-taxable activity to arrive at the tax liability for the taxable business activity. This will increase compliance costs, audit costs and likely require external taxation consultancy support, further increasing the cost burden and reducing the funds that we can provide to their charitable activities.
- **Impact on the broader sport and recreation sector** – Sport and recreation clubs play a vital role in increasing the physical activity and therefore wellbeing of New Zealanders. We note that Inland Revenue state in their question and answers document accompanying the consultation paper that they do not expect bodies promoting amateur sport and games to be affected by these changes unless they are registered as charities (although we do not have information on the number of clubs that would be affected). The concerns outlined above therefore also have the potential to impact sport and recreation clubs. The NZIER study referenced above found that sports clubs in total earn approximately 30% of their revenues from activities that could be deemed business activities and usually carry out their activities within a single legal structure. Any impact on sport and recreation clubs would therefore cause them to reduce their activities and undermining the goals of RSTs like Sport Bay of Plenty to improve sport and physical activity.

The concerns outlined in Sections 2.13 and 2.14 of the consultation paper fail to acknowledge the fundamental differences between charities and for-profit businesses. While some charities may generate income through business-like activities, their core purpose is reinvesting in social good—not wealth accumulation or shareholder returns.

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**Q2. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?**

We have identified the practical implications of removing the tax exemption in answering question 1 above.

**Q3. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business?**

This is a critical issue for the RSTs. While we oppose the removal of tax exemptions, if the tax exemption was removed any definition of unrelated income must:

- **Recognise the interconnected nature of charitable activities** – Many revenue-generating activities directly support charitable work, even if they appear unrelated at first glance. For example, it may be simple to demonstrate that operating a recreational facility is closely related to the charitable purpose of RSTs in increasing sport and physical activity and therefore any income derived should be exempt. However, if revenue is earned by that facility renting rooms to community groups for meetings or to families for birthday parties, it becomes much more difficult to determine if that revenue is related to the charitable activities of the RST. Similarly, it will be of a question of judgement as to whether operating a shared service for the provision of accounting and other back-office services to organisations in the sport and recreation sector is related to the charitable purpose of the RSTs to increasing sport and physical activity.
- **Be administratively practical** –Complex definitions of "unrelated" income would create disproportionate compliance costs through necessitating use of professional advisors and possibly structural change to ensure RSTs like Sport Bay of Plenty comply with the taxation legislation. This is in addition to the complexities identified above in practically allocating revenue and expenditure in line with any definition that result from RSTs having a single legal structure.

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**Q4. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?**

Income from business activities varies significantly across the 18 RSTs from \$10k to \$2.5m and less than 1% to 38% of total revenues. Any threshold amount therefore potentially results in different RSTs being treated differently depending on how they are funded, regardless of the fact that their charitable activities are the same. This in turn will lead to the charitable activities being funded in some regions of New Zealand being reduced simply because of how the RST earns its revenue, which would be inequitable.

We do however acknowledge there are some advantages to the RSTs to the legislation having a de minimis level of unrelated income if it is set sufficiently high, either in a dollar or percentage amount, to exempt a significant proportion of sport and recreation clubs that would otherwise be taxed on their unrelated income.

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**Q5. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that charity business income distributed for charitable purposes should remain tax-exempt?**

Sport Bay of Plenty agree with this approach but it remains problematic.

- **It penalises responsible financial management** – As an RST that has built financial reserves to ensure long-term sustainability, we would be subject to tax on the amount we retain. This is at odds with a need to ensure the financial sustainability of the charitable trust.
- **It does not account for the realities of cash flow management** – Sport Bay of Plenty at times earns funds in one year to fund activities in future years or have a mismatch between their timings of earning funds and distributing funds. This will require us to pay tax in one year before claiming it back in a future year. It is also not clear from the consultation paper whether taxation credits could be carried forward to future years in years where RSTs distribute more than they earn.
- **It still imposes compliance burdens** – Allowing a deduction for business income distributed for charitable purposes will still require RSTs like Sport Bay of Plenty to incur additional compliance burden and cost as outlined above.

The consultation paper suggests that Inland Revenue believe that charities are incentivised to have larger retained earnings as a result of the non-taxation of their business income currently (paragraph 2.13). A review of the financial statements of the RSTs and sport and recreation clubs would reveal that not to be the case. Often these organisations have reserves of less than six month's operating expenses as they constantly struggle for funding and what funding they get is used up in providing their charitable activities. This leaves them with insufficient reserves to withstand unexpected shocks as was evidenced by the impact of Cyclone Gabrielle and the Auckland floods of 2023, which left many sport and recreation clubs struggling to repair and rebuild facilities or cope with the consequent loss of income. Taxation of undistributed income will exacerbate this situation and the financial fragility of these organisations.

---

**Q6. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what policy settings or issues not already mentioned in this paper do you think should be considered?**

We have set out above the policy issues that we believe need to be considered if the tax exemption for unrelated business income is removed from charities. We ask that policy settings recognise these issues and if this tax exemption is removed, legislation incorporates measures that;

- **Reduce the compliance and administrative burden** – The law should address how this burden is reduced for organisations such as Sport Bay of Plenty that cannot easily separate the revenue from taxable and non-taxable activities and the costs incurred in producing this revenue as they operate under a single legal and operational structure.
- **Flexibility for financial reserves** – Charities should not be forced to spend income immediately to avoid taxation as this will undermine their financial sustainability and does not recognise the nature of how income is received and charitable activities funded.
- **Provide certainty on what is defined as unrelated business income** – The definition of what is unrelated business income is critical to the impact that any law change removing the tax exemption has on RSTs. This must be sufficiently well defined to avoid uncertainty but recognise that activities may generate both related and unrelated business income that is not easily separated.

### Q13. If the compliance costs are reduced following the current review of FBT settings, what are the likely implications of removing or reducing the exemption for charities?

Removing or reducing the FBT exemptions for charities will have a detrimental effect on Sport Bay of Plenty and all RSTs and directly reduce the funds they devote to their charitable activities. Sport Bay of Plenty runs a large fleet of vehicles as our activities require staff in the community delivering charitable activities. A recent survey of RSTs by the RST National Network showed that across the 18 RSTs, there are currently approximately 300 vehicles in the collective fleet. Salaries within the RSTs tend to be less than those paid for equivalent roles within the private sector. RSTs make use of the provision of their vehicles to their employees for private use as a means of better matching private sector salaries. Therefore, any removal or reduction of the FBT exemption for charities will have the following impacts on RSTs:

- **Increased costs** – Given the size of the collective fleet, the cost of FBT to the RSTs is likely to be around \$900k per annum. In addition, the RSTs will incur compliance costs that they do not currently incur as they will need to start providing FBT returns.
- **Diversion of funds from community programmes** – If RSTs choose to continue to provide vehicles for private use, the cost of the FBT will need to be covered by reducing the funds available for their charitable activities.
- **Increased difficulty to retain staff** – If the RSTs choose to remove the provision of vehicles for private use as part of their employment contracts it will be more difficult to retain staff given the salary differential that exists with the private sector. In any event, for existing staff, the provision of vehicles for private use will have to be “bought out” from their contracts or implemented as these employees leave the employment of the RSTs, meaning the RSTs continue to incur additional cost.

The rationale for removing/reducing FBT exemption for charities appears to be predicated on the fact that it is leading to a distortion of the labour market that charities can use to gain some sort of competitive advantage over their private sector competitors as they incur lower staff costs. In the case of RSTs this argument does not hold for the simple fact that the RSTs do not have private sector competitors in general.



**Sport Bay of Plenty**  
more people, more active, more often

## Conclusion

The proposed changes to charity taxation would undermine the financial stability of RSTs like Sport Bay of Plenty, increase administrative burdens, and reduce funding available for community programmes. We strongly urge the IRD to retain current exemptions so RSTs, and other charities, can continue delivering valuable services to improve the wellbeing of New Zealanders.



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**Rotorua** | P 07 348 4125 | PO Box 323 Rotorua 3040  
**Whakatane** | P 07 308 8304 | PO Box 857 Whakatane 3158



**From:** Rosemary Garaway s 9(2)(a)  
**Sent:** Wednesday, 26 March 2025 12:24 pm  
**To:** Policy Webmaster  
**Subject:** Taxation and the not-for-profit sector

**External Email CAUTION:** Please take **CARE** when opening any links or attachments.

Taxing churches is criminal.

Churches run a lot of free programs for those who can't afford to pa

They've got these services:

Food banks

Councilling

Budgeting

Free lunches provided by the church

Prisoners help with relocation, Budgeting, Councilling, family help.

They provide clothing, shoes, furniture to the needy.

Help with homelessness

Councilling for anti-bullying in schools

Helps with medical needs like getting people to appointments

Helps with paying bills like power etc when needed.

With the government taxing churches this will severely impact all the people churches are helping with all the above mentioned.

This will put all these services into the government as they will have to pick them up.

It will also put tax up for everyone and every family will suffer and have to go without just to pay these unnecessary tax hike.

Families can't afford this.

It will put too much pressure onto Families and cause stress, health problems, make Families split up, more suicides.

I can think of so much more negative effects on everyone.

So my message to the government and IRD DON'T TAX CHURCHES. They give freely and you take take rake on purpose.

I put my name to this so if you want to talk with me, I invite it.

Rosemary Garaway

# Taxation and the Not-For-Profit Sector



Patron: Tumu Te Heuheu

Tena koe,

Project Tongariro makes the following submission on your proposals. We are happy to be contacted or have our submission shared.

## Who we are

Project Tongariro is an Incorporated Society and a Charity established 40 years ago as a living legacy to honour four rangers and staff in Tongariro National Park who lost their lives in helicopter accident.

We are dedicated to conservation, restoration and environmental education, working to preserve, protect and restore the mauri of Tongariro National Park and surrounding environments in the Central North Island.

We have seven staff employed between 20-40 hours per week and over 500 members and many more supporters. In the last financial year we raised and spent over \$850,000 on conservation work and our volunteers contributed 48,333 hours of their time - equivalent to the workload of 23 full-time DOC rangers!

Our income is derived from donations, grants, partnerships and secondly minor activities like bbq's, selling predator traps and books that we have published. These activities are all being supported by volunteers. It is very arbitrary to define tradeable income for charities! Even donations are usually made with a very clear expectation as to where the \$ should be spent.

Without our staff to lead and support our volunteers we would not be successful. They are critical to gaining funding, reporting and coordinating all our activities.

## Charities in New Zealand

Charities (Not-for-profit sector) make an outstanding contribution to the fabric of life in New Zealand. The Government alone cannot achieve these types of outcomes. In the current financial climate New Zealand would be in dire straits without the efforts of these organisations.

Any decision about taxing this sector should take a 'whole of government' approach. It is totally wrong to introduce tax changes to raise revenue

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#CC10701



without a full understanding of the role and outcomes of the sector?  
Understanding the difficulties the sector faces as Government contributions to their work continues to decline.

We suggest any taxation changes will be 'a double edged sword' for the Government and its people! It appears to us the review is aimed at taxing a small number of 'doubtful charities' or rather 'blind' revenue generation without consideration of implications. How implementation will impact the very quality of life in New Zealand!

We believe IRD should be focussing on encouraging increased donations and other support for charities rather than penalising donors or charities?

### **Accumulation**

Project Tongariro is very concerned at suggestions that charities should be penalised for accumulating surpluses. Building surpluses from income like legacy funding is a key way (the only significant way) of ensuring financial sustainability for organisations like ours! And we point out that grants may be for projects that take 2-5 years to expend.

### **Competitive Advantage**

We have no competitors except for other not-for-profits seeking funding. We achieve conservation outcomes that DOC cannot achieve (usually through inadequate funding). We supplement DOC funding and often support them through volunteer contributions.

### **IRD Specific Questions**

Our answers here are limited because of their technical nature.

Q1. Genuine Charities should not be taxed! They exist for community good. These organisations must not be caught up simply with a desire to increase tax revenue!

Q2. As stated above under CHARITIES definitions of tradeable income tend to be misleading. We suggest very little charity income is discretionary as to how it is spent? The exceptions are minor fundraising activities by members e.g. an untargeted bbq or charity auction. It would be petty and discouraging to tax these sorts of activities. If exemptions are to be put in place, the exemption level needs to be realistic.

Q3. As suggested in answer to Q2 above - not much income is discretionary. For e.g. even an activity like a bbq more often than not is directed at funding a specific project.

Q4. Any threshold should be realistic and not petty. Please do not increase compliance costs for an 'overworked' sector? Maybe a threshold of 80-100k

Q5. We are not qualified to comment.

Q6. No comment.

Q7. No comment.

Q8. No comment.

Q9. No comment.

Q10 & Q11. A mere \$1k threshold is ridiculously small. As pointed out in ACCUMULATION above Charities need to find ways to accumulate profit e.g. legacies or rare untagged donations to work towards financial sustainability! Grants are often for multi years.

NB We are not qualified to comment on 'friendly societies and credit unions'.

Q12. Unfamiliar with the organisations referred to.

Q13. Removing Fringe Benefit Tax exemptions would have a huge impact for the sector. Firstly they are not the sort of costs that could be included in funding applications (grants). If an organisation owns a vehicle it would rarely have any type of workplace to safely leave a vehicle. The employee or volunteer's home is often the only 'workplace' available. Our vehicles are definitely not available for private use!

Q14. The Schedules tax is a compliance problem for volunteers and 'not for profits'. Any set threshold limit needs to be realistic - say \$20k. We know of no honorarium payments that are not 'token' only. We used to fund an honorarium for our Manager (when we couldn't afford to pay one) and the person funded their own office expenses, vehicle running as well as contributing up to 30 hours a week in time.

Q15. Donations are something that the Government (through IRD) should be encouraging - not discouraging! In the 1970's subsidies used to be actually paid for donations and this was very effective in helping raise funds for important community projects offered by not-for-profits or even Government departments.

s 9(2)(a)



**Paul Green**

**Project Tongariro President**

26 March 2025



# SYDENHAM RUGBY CLUB (Inc.)

Club Rooms • Cashmere Club • 88 Hunter Terrace • Christchurch

Phone (03) 332 8875  
Fax: (03) 337 3772  
Email: [srhc@xtra.co.nz](mailto:srhc@xtra.co.nz)  
[www.sydenhamrugby.co.nz](http://www.sydenhamrugby.co.nz)

Address all correspondence to:  
Club Administrator  
PO Box 12048  
CHRISTCHURCH 8242

26 March 2025

David Carrigan  
Deputy Commissioner, Policy  
Inland Revenue  
C/- [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

## Feedback on the taxation and the not-for-profit sector officials' issues paper

Dear Sir

Thank you for providing the opportunity to give feedback on the proposals for changes to the taxation of not-for-profit and charitable entities.

Sydenham Rugby Club, established in 1882, has been a cornerstone of our local Christchurch community for over 140 years, delivering not only rugby but also social and community development. Our mission extends beyond the rugby field. We enrich lives, promote wellbeing, and drive positive societal change. It is therefore vital that the grassroots of our sport are in good heart and that we aim to achieve the highest interaction and performance levels for our sport.

While the "Q and As" published by IRD state that bodies promoting amateur games and sport won't be affected by the proposals, we feel this is inaccurate, and we would like to take the opportunity to make a submission that this income tax exemption should remain as is.

### The economic and social value of grassroots rugby clubs

Rugby is not just a sport in New Zealand – it is part of our national identity and contributes significantly to the economy and society. As one of the more than 470 grassroots rugby clubs in New Zealand, we play a crucial role in fostering community engagement, social connection and personal development.

Rugby clubs are at the forefront of addressing important societal issues in our communities. Our members are from multiple ethnicities and range in age from 5 to 70. We are a very diverse club due to the socioeconomic mix within our very large catchment area.

Rugby is a game for all New Zealanders and it is important that clubs have teams at every age group. Our club, like many others across the country, provides a space where individuals of all ages and backgrounds can come together, engage in physical activity, contribute to their local community and form lifelong friendships and support networks.

Junior players are given the opportunity to play within their age grade, and in theory, this makes for even competition. Growing the parent base and the coach-parent relationship is key to a successful junior rugby team. Our RDO liaises with parents and coaches to include the parents in the team and in their children's rugby as it improves the parent-coach-player relationship. Assisting players from junior level through the grades also helps develop a pathway system for both our players and our coaches. Developing life skills from any early age teaches junior players to respect the rules, officials, teammates, opponents and themselves. This creates lifelong lessons for these children on how to act in the world. We introduced a non-bullying programme targeted at our entry-level players to encourage teamwork and confidence building.

Through our RDO the Club also liaises with our local and regional primary, intermediate and secondary schools, actively visiting these schools throughout the season, looking at potential players and the scope of talent available. With good coaching comes development of players' skill levels. This is especially important at junior level, as skills develop more rapidly. We run front-row clinics from U13 to Division 1 level and bring in specialist advisors where there is a specific requirement. We have an Academy programme once players reach a certain level. Academy players are provided with feedback on setting goals and personal outcomes. Another initiative implemented is having a video analysis programme, with videos of senior club games available for players and coaches to analyse player performance.

The Club also hosts junior rugby holiday programmes for skill growth and development, workshops for player and coaching development, strength and conditioning programmes as well as hosting regular social events. These activities bring communities together and generate economic activity for local businesses, especially those who sponsor our club throughout the year, not just on game days, and they are included in our club events throughout the season.

As part of a commitment to Te Tiriti o Waitangi principles which includes prioritising the success and meaningful engagement with Māori and Pacific communities, we advocate diversity and inclusion. In our calendar this season is a Women's Day in May (specifically for our female club whanau), and a Pasifika Day in June to celebrate our Pasifika rugby community.

### **The importance of retaining the income tax exemption for amateur sport**

The current income tax exemption for bodies promoting amateur games and sport ensures that we can remain financially viable. Removing this exemption or imposing income tax on our membership fees would:

- significantly reduce the funding available for clubs to provide community programmes, purchase our equipment, maintain our facilities and support player development

- create an administrative burden for us as a volunteer-run organisation, diverting time and resources away from our core activities; and
- lead to increased costs for our rugby community which could disproportionately impact those from lower-income backgrounds and reduce youth participation in rugby, especially in the current cost of living crisis.

Preserving the current income tax exemptions is essential for sustaining the economic and social benefits amateur sports organisations provide. Sydenham Rugby remains committed to enriching our community, and we urge the Government to consider the profound implications that changes to tax exemptions would have on grassroots organisations like ours.

Grassroots rugby is a cornerstone of New Zealand's social and economic fabric, and its contribution must be recognised and protected in any tax policy changes.

Yours sincerely

s 9(2)(a)



Sherelle King  
Sydenham Rugby Board Secretary

26 March 2025



Taxation and the not-for-profit sector  
C/- Deputy Commissioner, Policy  
Inland Revenue Department  
PO Box 2198 Wellington 6140

By email: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

Tēnā koutou,

World Animal Protection is a global animal welfare organisation whose mahi is to end the needless suffering of animals. We have operated in New Zealand for thirty years and are a registered charity.

This is our response to the Inland Revenue Department (IRD) issues paper on *Taxation and the not-for-profit sector* (the Paper). We do not propose to address each of the 15 consultation questions in detail but to make a few general points about the Paper and the options canvassed in it for potential changes to tax concessions for charities in New Zealand.

Specifically:

The Paper seems to be a response to alleged abuse of existing charity tax concessions, yet there is no detail on the scale and impact of this abuse. Before considering any changes to existing arrangements, the IRD must provide firm estimates of the scale of the problem it is seeking to address, and a cost benefit analysis of any changes being considered. Furthermore, if the concern is that a small number of charities are using their existing charitable status in ways that is of concern, then this should be dealt with under existing laws, and Charities Services should be effectively resourced to undertake investigations into these abuses. A more targeted approach to dealing with abuse or misuse of current tax arrangements, if they exist, will deliver better outcomes than making broader changes that could affect the entire sector.

Related to the above, the Paper doesn't address unintended consequences or potential longer term impacts of the options canvassed in the Paper. These would be avoided or minimised by a more targeted approach to dealing with any abuse of existing arrangements.

We share the concern of the charity sector that any changes may be the thin edge of the wedge that will lead to more, and more consequential, changes to tax

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World Animal Protection Incorporated Registered Charity CC53491

arrangements for charities. This further reinforces the need for IRD to demonstrate exactly what problem it is trying to solve and whether this is the best approach.

The potential changes canvassed in the Paper may make it harder for charities to innovate and diversify our income generation options in future. The discussion in the Paper seems predicated on an outdated idea that charities should be reliant solely on handouts and donations. Given the substantial contribution of New Zealand charities, this is disappointing.

New Zealand charities make an enormous contribution to the country, employ many New Zealanders and enjoy widespread support. We urge the IRD to take this into account when considering any changes to existing tax arrangements.

Ngā mihi,

Ben Pearson  
Country Director  
World Animal Protection  
Aotearoa New Zealand

**To:** Deputy Commissioner, Policy, Inland Revenue Department  
[Policy.webmaster@ird.govt.nz](mailto:Policy.webmaster@ird.govt.nz)

**From:** Electricity Engineers' Association of NZ

**Date:** 26 March 2025

**Subject:** EEA Submission – Taxation and the Not for Profit Sector

## OVERVIEW OF ELECTRICITY ENGINEERS ASSOCIATION

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### Overview of Electricity Engineers' Association of NZ

The Electricity Engineers' Association of NZ (EEA) is the professional body that represents and supports members of New Zealand's electricity sector. It has provided a public benefit to its members, the wider sector, and New Zealand electricity consumers, for over 96 years.

Our purpose is to guide and equip the electricity sector so that it can electrify Aotearoa. With over 70 company members and over 600 individual members, our membership base covers every corner of the electricity supply industry and its workforce.

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The valuable things we do include:

- Ensure electricity sector workers have access to, understand, and apply rigorous practices to keep workers and the public safe
- Ensure the workforce is equipped with knowledge about optimal practice and innovation
- Develop and maintain the industry's rules and best practice guidelines
- Develop, share, and champion standardisation
- Upskill the workforce by delivering knowledge and capability, practical support and solutions
- Provide trusted information and resources to guide better outcomes for New Zealand
- Bring industry together to solve complex problems and learn from each other
- Provide accessible information about career and skill pathways, to attract and develop our electricity sector workforce
- Influence industry training and education to ensure it is fit for purpose
- Support future electricity sector workers through offering national scholarship programmes

We run a lean operation to minimise member charges and maximise the funds available for sector impact. With only 5-6 staff, we punch significantly above our weight. We run our budget to hit as close to zero as possible and our tax-exempt status in relation to member activities typically benefits us by

about \$100k per annum. Our 2024 Annual Report reported total revenue of \$3.09 million, meaning that we are a tier 3 charity.

## **SUMMARY OF MAJOR POINTS / CONCERNS**

Our key concerns are as follows:

**Lost revenue:** The value that our tax-exempt status represents is significant to us – equal to the amount budgeted annually for keeping industry guidelines up to date plus our entire scholarship programme. With most of our costs fixed, we have very little leverage to change our discretionary spending. Losing \$100,000 in income would likely require cutting back on projects that deliver significant public benefit or reducing our already small team by one staff member (representing 20% of our total staff).

As a charity with 2023/4 revenue of \$3million, the impact of removing the exemption would be significant when operating at this or a slightly higher level. So, we believe that the tier 3 \$5million threshold is appropriate.

Our work contributes to safer, more efficient, and future-ready electricity networks across New Zealand. This reduces long-term system costs, enhances public safety, and supports national decarbonisation goals. The sector-wide benefits of our work far exceed our operating budget, highlighting the leverage provided by the current tax treatment.

**Flow on for electricity prices:** To meet the shortfall in revenue we might consider increasing membership fees. A straight division of \$100,000 across the corporate members alone would be an additional \$1500 each. Each of those corporate members will have several other industry memberships which would also increase - with all of this increasing cost pushed onto electricity users, increasing electricity prices.

Retaining the Tier 3 and 4 exemption would help minimise flow-on cost increases to consumers, as many of these associations provide public benefit and would otherwise need to pass costs on.

**Complexity:** As an organisation of 5-6 staff, our book-keeper is not an accountant by trade and is also our office manager, procurement, IT and membership manager – typical for the charitable sector. Any resulting system must provide simple compliance processes that do not require complex accounting skill or increase the cost that charities like ours need to spend on accountants, rather than on having impact.

We recommend that eligibility for exemption consider both revenue thresholds and a test of public-benefit purpose, to avoid penalising charities that operate lean, high-impact models.

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### **Support for public good:**

The EEA exists to serve the electricity sector and achieve good outcomes for electricity consumers. The tax exemption from which we currently benefit does not give us an untaxed profit – rather it enables us to do more good things and achieve more positive outcomes.

Changes to tax settings, even if modest on paper, can significantly reduce the operational resilience of small, high-impact organisations. These risks may be compounded across sectors, creating capability gaps in areas like safety, training, and climate transition support.

It should be noted that many comparable professional bodies internationally retain tax exemptions due to their critical role in upskilling essential infrastructure workforces and ensuring system safety.

Therefore, we recommend that the system designed as an outcome of this consultation must support organisations that exist to serve, rather than to turn a profit, including those that fall outside the Tier 3 and 4 thresholds but still exist solely to serve the public good.

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### **Recommendations**

- We support the continuation of tax exemption for Tier 3 and 4 charities
- We request a design that is simple to navigate and does not increase compliance time and cost
- We support an approach that is not a broad brush and does not sweep in charities that exist to serve rather than turn a profit.

We would welcome the opportunity to engage further on the design of any new system, to ensure it is practical and equitable for small but high-impact organisations like ours.

### **Contact**

The EEA's contact person for this submission is Chief Executive, Nicki Sutherland, Email:

s 9(2)(a)

I am a member of the Salvation Army and have been involved, both as an employee and volunteer, for many years with the operation of our Family Stores; community help; and finances at a local level.

I submit.

Q1. The Salvation Army operates (TSA) Family Stores throughout NZ. Income from the stores goes to support the community services provided by the TSA and probably to some extent assist with the operation of the church. The most compelling reason to not tax charities would be that TSA would have greater compliance costs and less net Family Store income to support the community.

Outcome would be a lessening of TSA help in the community and need for greater involvement by the Government. Self defeating in my view.

2.13 and 2.14 do not have much weight in my view. The non taxed business will have an advantage but in my view it cannot be significant. Pricing in the Stores is a very haphazard business, and little thought is given to "being cheaper than the taxed entities"

Q2 & Q3. Unrelated to charitable purpose. It all depends on the definition but for me almost all business is unrelated to a charitable purpose. TSA runs Family Stores but this is unrelated to TSA purposes which are to Care for People, Transform lives, Reform Society by with God's help. So I think the important question is "Where does the surplus income go?"

Q4 & Q5. Provided the income was used for a charitable purpose I think \$5m would be appropriate, but I do not support removing the exemption. So in my view ensuring charities purposes are valid and that distributions are made are the necessary criteria.

Q6. No submission

Q7; Donor controlled Charities. Yes make a distinction. One criterion that does define is - donor or associates have a controlling influence on the charities' decisions. Knowing where the distributions go becomes an important factor.

Q8. No submission.

Q9. Need is to distribute all income over a period of time. Say rolling 5 years. An annual minimum should not be applied as there could be reasons to justify income for a period eg Capital expenditure or a distribution that does not fall neatly annually.

Q10. Q11 Q12. No submission.

Q13 Likely implications in my view are an increase in compliance costs for the charities and an increased cost for the charity. Not supported.

Q14. No submission.

Q15. If people do not know about the DTC, or possibly choose not to claim, then that seems to favour the Government. I don't have any suggestions on how to improve. I think it is satisfactory as is.

Des Limmer 26 March 2025.

## **Submission: "Taxation and the Not-for-profit sector"**

Email: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

Subject: "Taxation and the not-for-profit sector"

### **Submission to Inland Revenue**

#### **Taxation and the Not-for-Profit Sector Consultation**

**From: Christian Camping New Zealand (CCNZ)**

#### **Contact:**

Dr. Peter Dobbs

Christian Camping New Zealand

586 Gordonton Rd, Hamilton 3281

ceo@christiancamping.org.nz | s 9(2)(a)

Christian Camping New Zealand (CCNZ) represents approximately 60 member camps and outdoor education providers that deliver experiential outdoor, often faith-based, learning programs for guests from all walks of life. Our members facilitate well over 1,000 school camps annually, offering Education Outside the Classroom (EOTC) experiences and essential opportunities for youth development. We submit this response to address the proposals in Chapter 2 (Charity Business Income Tax Exemption) and Chapter 4 (Integrity and Simplification), which directly impact our operations and charitable mission.

## **2. Response to Chapter 2: Charity Business Income Tax Exemption**

### **2.1 Unrelated Business Activities and Competitive Advantage**

**Key Concern:** The proposal to tax unrelated business activities risks misclassifying income from camps that directly advance our charitable purposes.

- **Relevance to CCNZ Camps:**
  - **Educational and Spiritual Purposes:** Camp fees fund EOTC programs that align with the national curriculum (e.g., environmental science, leadership training). These activities are **not unrelated** but **integral** to advancing education (a charitable purpose under the Charities Act). They also supplement holiday programmes which have spiritual and well-being objectives. This ensures that these camps remain accessible for even the most disadvantaged in NZ society.
  - **Cost Recovery Model:** Fees are structured to cover operational costs (e.g., accommodation, safety staff, equipment) rather than generate

profit. In fact, this is a strategic risk for camps. We are encouraging them to work toward retaining some earnings so that they can afford to fund capital works and maintain the safety and compliance of the facilities in the future. Failure to do so will see the number of camps significantly decline over the next few decades, which, among other things, will result in students missing out on EOTC opportunities and experiences. If any retained earnings were taxed, this would only exacerbate the risk of camp closures around the country.

- **No Competitive Advantage:**
  - Camps operate in a niche market (faith-based, experiential education) and do not normally compete with commercial accommodation providers.
  - Volunteer labour reduces costs, particularly for holiday programmes, but does not distort market pricing, which is usually below cost for these holiday programmes anyhow.

**Recommendation:**

- Retain the income tax exemption for activities **advancing charitable purposes**, including EOTC programs and youth development.
- Clarify that fees for educational/recreational programs tied to a charity's purpose (e.g., camps) are **not** "unrelated business activities."

## **2.2 De Minimis Threshold for Small-Scale Trading**

**Key Concern:** Increased compliance costs for small camps.

- **Impact on CCNZ Members:**
  - A number of camps operate with limited revenue. A de minimis threshold below \$300k would reduce administrative burdens on these small operators.
  - Compliance costs (e.g., accounting, audits) disproportionately affect smaller camps, diverting resources from their primary purpose.

**Recommendation:**

- Introduce a **de minimis threshold** of \$300k for unrelated business income to protect smaller charities.

## **3. Response to Chapter 4: Integrity and Simplification**

### **3.1 Public Benefit and Accessibility**

**Key Concern:** Narrow interpretation of “public benefit” could exclude faith-based services.

- **CCNZ’s Contribution:**
  - **Inclusive Programming:** While rooted in Christian values, camps serve students of all backgrounds.
  - **Subsidised Access:** As noted above, for most camps, the regular operation of the camp subsidises the programmes offered over the school holidays, ensuring access for low-income families.

**Recommendation:**

- Maintain a broad definition of “public benefit” that recognises indirect societal gains (e.g., youth resilience, community cohesion, and promotion of Hauora / wholistic wellbeing) from faith-based programs.

### **3.2 Simplification for Volunteers**

**Key Concern:** Complex tax rules for volunteer reimbursements.

- **CCNZ’s Model:**
  - Volunteers contribute over 100,000 thousand hour annually, covering roles from cooking to outdoor instruction. Almost all volunteer hours are served during camp holiday programmes (for example, approximately 4400 volunteers serve just at the holiday camps, most of which run for 3 – 4 days).
  - Reimbursements or honoraria are abnormal within Christian camping, but at times it is appropriate to reimburse a volunteer for travel related costs or other incidentals.

**Recommendation:**

- Simplify volunteer reimbursement rules by introducing a **flat-rate, tax-free allowance** (e.g., \$50/day) for incidental costs.

### **3.3 Governance and Transparency**

**Key Concern:** Increased reporting requirements may strain resources.

- **CCNZ’s Practices:**
  - All member camps undergo annual independent financial audits in accordance with the current charities regulations.
  - Fee structures and scholarship programs are publicly disclosed on most camp websites, or are otherwise publicly accessible.

**Recommendation:**

- Streamline reporting by aligning tax exemption criteria with existing Charities Services requirements (e.g., annual returns).

**4. Conclusion**

Christian camps provide unique public value through EOTC programs, youth development, and community building. The proposed changes risk undermining these efforts by:

1. Misclassifying mission-aligned income as “unrelated business activity.”
2. Imposing compliance costs that divert resources from program delivery and services.

We urge the IRD to:

- Retain tax exemptions for activities advancing charitable purposes.
- Introduce simplifications (e.g., de minimis thresholds, volunteer allowances) to support small NFPs.

We welcome further discussion with officials to clarify the role of camps in New Zealand’s charitable sector.

## **SUBMISSION ON CONSULTATION PAPER ON TAXING CHARITIES**

### **Introduction.**

(1) This submission is on behalf of the Multiple Sclerosis Auckland Trust (the Trust), a trust established for the benefit of Multiple Sclerosis Auckland Inc. (MSA)

(2) This submission refers to the definition of donor-controlled charities.

### **Background**

(3) Multiple sclerosis is an incurable disease but is not a fatal disease. Persons affected are often diagnosed early or midlife and have the disease for the remainder of their life. MSA is therefore supporting its members over a long term and multi generations.

(4) MSA from time to time receives the bequests of relatively large sums and the size of the amount received is such as to benefit more than just the current members of MSA. That is they should benefit members over a long period and even multi generations.

(5) MSA formed the Trust to hold its long term assets so as to provide a long-term sustainable intergenerational income stream that can be used for its charitable purposes.

(6) The capital of the Trust is invested, and the income (including capital growth) is distributed annually to MSA after retaining sufficient income to offset inflation. The Trust also from time to time uses its capital if required to support MSA.

### **The Structure**

(7) The Trust funds have come from bequests received by MSA and donated by MSA to the Trust.

(8) MSA controls the appointment of trustees of the Trust.

(9) The Trust is therefore potentially a donor-controlled charity.

### **Submission.**

(10) Although the Trust falls within the potential definition of a donor-controlled charity it holds its funds for the specific purpose of supporting MSA – that is it is controlled by another charity and its purpose is for the support of another charity.

(11) It is not the type of charitable trust intended to be caught within the definition of a donor- controlled trust.

(12) We would seek that the definition of a donor-controlled charity is such to ensure that charities like the Trust are not caught within that definition. This could be by excluding charities that are controlled by another charity and whose objective is to support that charity.

(13) Question 9. "Should donor-controlled charities be required to make a minimum distribution each year?"

We believe the current requirement to comment on Accumulated Funds as part of the annual return to Charity Services is sufficient rather than requiring a set amount (or percentage) of funds to flow back to the beneficiaries each year.

On behalf of Multiple Sclerosis Auckland Inc. and Multiple Sclerosis Auckland Trust

Peter Wood, Treasurer/Trustee

s 9(2)(a)

[Redacted]

[Redacted]

# SUBMISSION

on Proposed Charity Tax Adjustments

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## Submitter Details:

Waiheke Resources Trust (CC34108)  
1A Mako Street  
Oneroa Waiheke Island NZ 1081

Tēnā koutou,

Waiheke Resources Trust (WRT) is a community-led environmental trust dedicated to sustainable resource use, environmental restoration, and long-term resilience on Waiheke Island. Our mission is to enhance the mauri (life force) of our environment by protecting our wetlands, coastlines, and ecosystems for future generations. Our vision is a thriving, resilient Waiheke guided by kaitiakitanga (guardianship) and sustainable living practices. We have been operating for over 26 years.

On behalf of Waiheke Resources Trust (WRT), we submit our feedback on the proposed changes to the taxation of charities, not-for-profits, and voluntary organisations in Aotearoa, New Zealand.

## Disproportionate Impact on Small, Community-Based Charities

*Waiheke Island is home to just over 9,000 permanent residents, with a large proportion actively engaged in environmental and sustainability efforts. WRT has played a crucial role in protecting and restoring our local ecosystems, running projects such as wetland restoration, marine education, and zero-waste initiatives. Our work directly benefits the community by creating employment, supporting local businesses, and enhancing the island's natural resilience against climate change.*

The proposed tax changes threaten to undermine our ability to generate sustainable revenue through activities that support our mission. Over the past year alone, WRT has diverted over **350 tonnes of waste** from landfill, restored more than **10 hectares of wetland habitat**, and engaged **1,200 volunteers** in hands-on environmental projects. We operate with a lean financial structure, yet every dollar we raise is reinvested into vital community-led initiatives. By taxing certain income streams, the government risks limiting our capacity to expand these efforts.

Furthermore, WRT is committed to being a **Living Wage Employer**, ensuring that all of our staff earn a fair wage that reflects the true cost of living. Many companies, including those in the private sector, have struggled to make this commitment. If charitable organisations like ours are forced to divert funds to cover additional tax liabilities, sustaining this commitment to fair wages will become even more challenging. This would be a significant step backward for an organisation that prioritises both environmental and social sustainability.

## The Consultation Process Excludes Grassroots Organisations

*We are deeply concerned about the lack of direct consultation with small-scale and rural charities, particularly those operating in geographically unique environments like Waiheke Island. Larger urban-based organisations may have the resources to adapt to increased compliance burdens, but for grassroots charities like WRT, the cost of additional financial and administrative oversight could divert much-needed funding away from frontline services.*

## Need for Clear Definitions and Real-World Examples

*One of the most concerning aspects of the proposal is the ambiguity around what constitutes “related” versus “unrelated” income. WRT has successfully developed income-generating initiatives that align with our environmental goals, such as composting services and sustainable event support. Without clear guidelines, we risk facing unexpected tax liabilities that could discourage innovative approaches to fundraising within the nonprofit sector.*

We urge Inland Revenue to provide real-world case studies to illustrate how these tax changes will apply to small, community-led environmental organisations like ours. Without this clarity, charities will struggle to plan long-term financial sustainability strategies.

## Recommendations for a Fair and Sustainable Tax Approach

*Waiheke Resources Trust proposes the following key actions:*

1. **Direct engagement with community-based charities** – It is essential that decision-makers hear directly from small, place-based charities to understand the challenges of operating in a rural or island setting.
2. **Clear guidance on related vs. unrelated income** – Inland Revenue should provide specific case studies relevant to environmental and sustainability organisations to prevent confusion and unintended tax liabilities.
3. **Consideration of the impact on Tier 3 and Tier 4 charities** – Many small charities operate with limited reserves and cannot afford sudden financial burdens. The impact of these tax changes on organisations with annual revenues below \$2 million must be carefully examined.
4. **Ensure compliance requirements remain proportional** – Increased administrative burdens will disproportionately affect smaller charities. Inland Revenue should develop tailored compliance pathways that recognise the resource constraints of grassroots organisations.
5. **Recognise the role of charities in climate resilience** – Environmental charities contribute to long-term public benefit, reducing the financial and social costs of climate-related damage. Tax policies should support, not hinder, organisations that deliver environmental solutions at a community level.

## Conclusion

*Waiheke Resources Trust has spent nearly three decades building local capacity for environmental protection, community resilience, and sustainable development. The proposed tax adjustments pose a real risk to the long-term viability of small charities like ours, which operate at the frontline of climate action and community service.*

We urge Inland Revenue to adopt a more consultative and transparent approach to these changes, ensuring that small-scale, place-based charities can continue to serve their communities without unnecessary financial strain.

Nāku noa, nā,

Michael Maahs  
Chief Executive Officer – Tumu Whakararae  
Waiheke Resources Trust  
[www.wrt.org.nz](http://www.wrt.org.nz)



24 March 2025

David Carrigan  
Deputy Commissioner, Policy  
Inland Revenue  
C/- policy.webmaster@ird.govt.nz

### **Feedback on the taxation and the not-for-profit sector officials' issues paper**

Dear Mr Carrigan,

Thank you for providing the opportunity to provide feedback on the proposals for changes to the taxation of not-for-profit and charitable entities.

Beachlands Maraetai Rugby Club has been a cornerstone of our local community for 43 years, delivering not only rugby but also social and community development. Our mission extends beyond the rugby field. We enrich lives, promote well-being, and drive positive societal change.

While the "Q and As" published by IRD mention that it is not expected that bodies promoting amateur games and sport will be affected by the proposals we would still like to take the opportunity to make a submission that this income tax exemption should remain as is.

### **The Economic and Social Value of Grassroots Rugby Clubs**

Rugby is not just a sport in New Zealand — it is part of our national identity and contributes significantly to the economy and society. As one of the more than 470 grassroots rugby clubs in New Zealand, we play a crucial role in fostering community engagement, social connection, and personal development.

Our club, like many others across the country, provides a space where individuals of all ages and backgrounds can come together, engage in physical activity, contribute to their local community and form lifelong friendships and support networks.

Beyond playing rugby, we organize a variety of community events, fundraisers, and social initiatives, including our annual Golf Fundraiser Day, Kids Disco which is open to the entire community, and Community Car Washes where the kids actively wash cars to raise funds for tournament travel. We also focus on referee and coaching development, run a popular Touch Rugby module, and host community quiz nights and gala dinners. Our annual Battle

of the Bridge Event brings the whole community together to celebrate rugby and local spirit. All these activities bring our community together and generate economic activity for local businesses throughout the year, not just on game day.

### **The Importance of Retaining the Income Tax Exemption for Amateur Sport**

The current income tax exemption for bodies promoting amateur games and sport ensures that we can remain financially viable. Removing this exemption or imposing income tax on our membership fees would:

- significantly reduce the funding available for clubs to provide community programs, purchase equipment, maintain facilities, and support player development.
- create an administrative burden for us as a volunteer-run organisation, diverting time and resources away from our core activities; and
- lead to increased costs for participants, which could disproportionately impact those from lower-income backgrounds and reduce youth participation in rugby especially in the current cost of living crisis.

Preserving the current income tax exemptions is essential for sustaining the economic and social benefits they provide. Beachlands Maraetai Rugby Club remains committed to enriching our community, and we urge the Government to consider the profound implications that changes to tax exemptions would have on grassroots organisations like ours.

Grassroots rugby is a cornerstone of New Zealand's social and economic fabric, and its contribution must be recognised and protected in any tax policy changes.

Yours sincerely,

s 9(2)(a)



Alana Munro  
Club Treasurer  
Beachlands Maraetai Rugby Club  
treasurer@bmrc.co.nz

Taxation and the not-for-profit sector  
C/- Deputy Commissioner, Policy  
Inland Revenue Department

26 March 2025

Submission on the **Taxation and the not-for-profit sector issues paper** by Rhema Media Inc.

Dear David, Deputy Commissioner, Policy

We write to make our submission on the Taxation and the not-for-profit sector issues paper published 24 February 2025.

**Background:**

Rhema Media Inc. is a registered charity (CC22125) and is a Christian media organisation. Our purpose is to draw New Zealanders into an increasingly meaningful, personal relationship with Jesus Christ through media. Through a focus on the three pillars of content, reach and impact, Rhema Media lifts the name of Jesus Christ and communicates the reality of a personal relationship with him to the people of New Zealand, through Christian broadcasting, as part of the Body of Christ for the glory of God.

**Impact:**

Rhema Media serves a niche audience that is not catered for by any other media organisation and is instrumental in positive outcomes in people's lives. Here's a few examples of the type of impact Rhema Media has:

*'I was a drug addict and drunk for most of my life. Rhema helps to keep me off that stuff. I am alive today because of what I hear on Rhema. Please continue doing what you do and never stop.'* s 9(2)(a)

*'One time around 6 years ago I was going through an extremely tough spot (facing up to the fact that I had become addicted to prescription painkillers which I had been quietly struggling with for a number of years) and I turned on Life FM and the song "Listen to the Sound" by Building 429 was playing and really stood out to me - It was to become my theme song and reinforcement for coming out about my struggle, getting help, and ultimately overcoming it.'* s 9(2)(a)

*'I really wanted to commit suicide. After reading Word For You Today I changed my mind.'* Anon

*'A few months, I attempted suicide because of being bullied on the internet. Reading the message from Word For You Today and the passages from the Bible has made me realise how lucky I am to be living and the outcomes of leaving.'* Anon

*'I have been going through a very challenging time with workplace bullying and isolation, so on top of that I've just been really struggling with anxiety, depression and loneliness. Life FM lifts me up and remind me God is close.'* s 9(2)  
(a)

*'I was off work due to mental health issues and health issues for over two years, financially I struggled, and I removed myself from social situations. Rhema was always able to be turned on and I didn't have to respond or interact. I was able to let the words and music help to calm my struggles. I am able to hear amazing teaching, and those words still stick with me now as I recover, and I remember words I heard a while ago and put into action. The presenters give stories of their own daily life struggles and fun things that have happened, and it really helped me to hear that I was not alone, the struggles may have been different, but I was not alone. God was able to continue to reach me and work with me through the radio.'* Anon

*'Life FM has been my life support literally. There were many times when I had made suicide attempts but one song by Plumb - "Need You Now" helped me survive while I was in HDU in hospital with liver failure. Life FM thank you for being MY life support.'* s 9(2)  
(a)

*'Rhema is family to me, a genuine Christian radio station, that has helped me with depression and anxiety, and health troubles. I wouldn't be here today without it.'* s 9(2)  
(a)

Rhema Media has been broadcasting since 1978 and exists purely because it is valued by those who receive its content and are aligned with its purpose, and see the change for good it makes in people's lives.

### **Funding model:**

As a for-purpose organisation, 85% of our funding is from charitable donations, with the remainder of funding coming from related business activities of advertising sales revenue (12%) and other miscellaneous income sources including the rental of broadcasting transmission facilities (3%).

Like many charities, Rhema Media operates on the smell of an oily rag and barely breaks even each financial year. When there is any modest surplus, usually from bequests, these funds are reserved for future capital investment, which in the broadcasting industry can be very large, including radio spectrum relicensing and broadcast transmission technology upgrades/replacements. Currently these reserves represent less than two months of operational expenditure.

### **Commercial environment:**

Although Rhema Media is a For-Purpose organisation, Rhema Media operates within a highly competitive commercial media environment and pays commercial rates for access to transmission sites, broadcast transmission equipment and radio frequency licences, while its ability to raise investment capital is negligible. Staff recruitment and retention is also a challenge when comparing remuneration with commercial media entities.

With our related business advertising activity, as a niche operator, with a niche audience and restricted advertising inventory, we have a limited opportunity to compete for the diminishing TV and radio advertising spend that is available, which in turn means the ability to realise a commercially competitive return from this activity is limited.

### **Revenue diversity & sustainability and taxation:**

For Rhema Media, any opportunity to increase the diversity and sustainability of income beyond charitable donations in related and potential un-related business activities is vital for continued effectiveness and survival.

Any taxation on business activities would draw into question the viability of the activity and would be counter-productive to becoming more sustainable and innovative in achieving our purpose.

## Responses to specific questions:

Q1: What are the most compelling reasons to tax, or not to tax, charity business income? Do the factors described in 2.13 and 2.14 warrant taxing charity business income?

Registered Charities are already heavily regulated and have to be very transparent with how they go about their purpose, far more than for-profit organisations need to be. (Which for those charities operating businesses is potentially a competitive disadvantage.)

Charities are operated by people who have seen a need and are invested in making a positive difference in their communities. As a result, they try to make every dollar work as hard as possible to achieve that. Typically, the need is greater than the resources available. Taxing business income will be a disincentive for charities to innovate and seek ways to supplement the donation income that is wholly reliant on the generosity of like-minded people.

As acknowledged in the Issues Paper, charities relieve the burden of care from the Government who would otherwise be obliged to respond to the unmet needs within communities and adding cost to the Government's budgets.

The charitable sector, including religious charities, makes a significant economic contribution. As recently reported in the Waikato Times and other media, Dr Juliet Chevalier-Watts' research has demonstrated that, in 2018, religious charities alone provided services valued at NZ\$6.1 billion, equivalent to about 3% of annual Government expenditure. Taxing charity business income could potentially reduce the funds available for charitable purposes, leading to more unmet needs in society.

Taxation would also add compliance costs to charities' operations, further reducing the amount of funds that will actually be used to achieve their charitable purposes.

Q2. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?

Firstly, the definition of what is related or unrelated business needs clarity and this could prove challenging. Secondly, the most practical implication will potentially be less funding available to apply to achieving charities' purposes. Which means more needs in society going unmet. Alternatively, as a business can donate profits to charity and thus not be taxed on them, more funds could be directed to the charitable purpose, while investment in the business diminishes, resulting in that business becoming unsustainable or no longer viable, which in the long-term could reduce the potential revenue for the charitable purpose.

Q13. If the compliance costs are reduced following the current review of FBT settings, what are the likely implications of removing or reducing the exemption for charities?

Staff recruitment and retention will potentially become more challenging as charities generally do not have the funding to pay competitive market rates.

Q15. What are your views on the DTC regulatory stewardship review findings and policy initiatives proposed? Do you have any other suggestions on how to improve the current donation tax concession rules?

Donation Tax Credit (DTC) are incredibly important in encouraging people to support causes more generously than they might otherwise, if at all. While the number of people taking advantage of DTCs is low, there is obviously more that could be done to increase awareness of this nationally.

Many charities, including Rhema Media, are at the forefront of creating awareness of DTCs. And from our experience we know a good proportion of our supporters are eager to receive their annual tax receipt in order to claim a DTC.

The steps identified by the IRD to increase awareness are good and will be appreciated by the For-Purpose sector.

The recommendation to delink DTCs from income tax to allow for more real-time payments, closer to the time a donation is made, will have benefits of encouraging people to give more consistently throughout the year and thus improve charities' cash flow rather than having a bulge in donation activity in March.

Thank you for the opportunity to be heard on this matter of taxation and the For-Purpose sector.

We are happy to be contacted by IRD officials to discuss any points raised.

Chris Price  
Head of Marketing & Development  
Rhema Media Inc.

Submission on the Officials' Issues Paper

Taxation and the not-for-profit sector

Issued: 24 February 2025

Closing Date: 31 March 2025

26 March 2025

Submitter:

Kieran O'Hagan

s 9(2)(a)

I welcome contact from officials should they wish to further discuss my submission.

Summary

The charitable sector plays a vital role in developing and maintaining the social fabric and cohesion of New Zealand society.

Tax concessions granted to the charitable sector are not a "cost" that shifts the tax burden to other taxpayers (1.1). Rather, they have been granted to the charitable sector, in recognition of the immense good that they contribute to New Zealand society.

The work undertaken by the charitable sector is performed willingly by literally hundreds of thousands of New Zealanders for the good of society and often at significant personal cost to them and their families in expending time, money, and other resources.

Any and every additional burden placed on the charitable sector, including the time and effort of the sector to respond to this submission, is counter-productive, as it undermines the very sector that develops and maintains the social fabric and cohesion of New Zealand society.

Details

Charity business income tax exemption

Q1. What are the most compelling reasons to tax, or not to tax, charity business income?

Any form of taxation on charities business income would unequivocally reduce the funds which they rely on to do the good work they undertake. Taxing charities doesn't enhance or advance New Zealand society, it detracts or retards New Zealand society because it creates an unnecessary additional obstacle for the charity to do its work which enhances the social fabric and cohesion of New Zealand society.

Q1 b. Do the factors in 2.13 and 2.14 warrant taxing charity business income?

It is a false premise to suggest that Charities may have an advantage over non-charitable trading entities because they do not pay income tax. Charitable trading entities incur all the direct and operating costs of for-profit businesses, including compliance costs.

Charitable businesses like for-profit businesses accumulate trading losses. For-profit businesses are not comparatively disadvantaged in such instances.

Charities' retained earnings are higher is a weak argument for taxing charities as it both presupposes that charitable businesses are profitable and that they retain earnings rather than making distributions. Furthermore, it does not consider the second-order effect on taxing charities being that it reduces the funds the charity has available to use for charitable purposes thus constraining its activities.

Charities' potentially having a general advantage if it were to accumulate its tax-free profits enabling it to expand activities more rapidly than competitors is again a weak argument for taxing charities for the reasons outlined in the prior paragraph.

Q2. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?

As previously stated, any form of taxation on charities business income would unequivocally reduce the funds which they rely on to do the good work they undertake. Taxing charities doesn't enhance or advance New Zealand society, it detracts or retards New Zealand society because it creates an unnecessary additional obstacle for the charity to do its work which enhances the social fabric and cohesion of New Zealand society.

Q3. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business?

The tax exemption should not be removed for charity business income that is unrelated to charitable purposes because as previously stated, any form of taxation on charities business income would unequivocally reduce the funds which they rely on to do the good work they undertake. Furthermore, to define an unrelated business is problematic. Business activities that at a high level may appear to be completely unrelated may on further consideration be accretive to and positively aligned with the objectives of the charity. Requiring charities to document, detail, justify, submit evidence, comply with, seek advice on various matters, raises the compliance costs of operating a charity. Thus, increasing the compliance burden is detrimental to the charities sector and to New Zealand society.

Q4. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?

The question is erroneous given there is no merit in taxing the business activities of any charity.

Q5. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that the charity business income distributed for charitable purposes should remain tax exempt? If so, what is the most effective way to achieve this? If not, why not?

I agree the charity business income distributed for charitable purposes should remain tax exempt. The most effective way to achieve this is to retain the current tax exemption on all charities. Additional legislations or regulations is not required. Charities Services should investigate and prosecute any charity found to be acting illegally.

Donor-controlled charities

Q7. Should New Zealand make a distinction between donor-controlled charities and other charitable organisations?

New Zealand should not make a distinction between donor-controlled charities and other charitable organisations. Charities Services should investigate and prosecute any charity, donor-controlled or otherwise that is found to be acting illegally.

Q8. Should investment restrictions be introduced for donor-controlled charities for tax purposes, to address the risk of tax abuse?

New Zealand should not introduce investment restrictions for donor-controlled charities for tax purposes, to address the risk of tax abuse. Charities Services should investigate and prosecute any charity, donor-controlled or otherwise that is found to be acting illegally.

Q9. Should donor-controlled charities be required to make a minimum distribution each year?

Donor-controlled charities should not be required to make a minimum distribution each year. Whether donor-controlled charities make a distribution each year is entirely the prerogative of the charity. If it decides not to do so in favour of future beneficiaries that is their decision to make. The charitable sector does not require additional regulation. It is generally a vibrant and committed sector doing incredibly valuable work throughout New Zealand communities.

#### Final Comments

Charities undertake business activities for many reasons including but not limited to, developing sustainable funding sources for their organisations thereby supplementing charitable donations (which are sporadic in frequency), and as a response to changes in societal norms which challenge the charities historical means of communicating with the people they are seeking to serve.

The issues paper states “the current tax policy settings make New Zealand an international outlier.” Whether New Zealand is “an outlier” relative to other countries tax policy settings is irrelevant. Other countries’ tax policy settings are their business and may or may not be positively beneficial to their society.

What is of the utmost importance to New Zealand is that our current policy settings enable the charitable sector to do the excellent work that it does. I would argue that this is the case and therefore no changes are necessary.

I believe we should congratulate the charitable sector for taking initiatives to develop social enterprises that improve their long-term sustainability, to serve both current and future generations. Not seek to impose taxes on them thereby reducing the very objective said initiatives are solving for. I believe we should celebrate high profile examples of social enterprise activities, not jealously subjected to the relentless “tall poppy syndrome.”

Simply put, every untaxed dollar of “profit” a charity earns from related or non-related business activities enables it to deliver its charitable purpose/s. Long may this be the case!



# Submission on the Discussion Paper 'Taxation and the Not-For-Profit Sector'

By Community Networks Aotearoa

## Contact Person:

**Executive Officer:** Ros Rice

**Email:** [eo@communitynetworksaotearoa.org.nz](mailto:eo@communitynetworksaotearoa.org.nz)

**Mobile:** s 9(2)(a)

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## Addressed To:

Inland Revenue  
POBox 2198,  
Wellington 6140

## Dear Sir or Madam,

Community Networks Aotearoa is the national office or umbrella organisation for non-profit networking organisations provincially and Wellington based. We are a national organisation, a communication agent, a partner with our members, a connector with our members and hopefully a catalyst for change. We provide our members with the opportunity to have their voice heard in the national arena.

We have 80 network members across the country, and considering their provincial members we believe we may reach over 10,000 organisations.

We have addressed numerous issues including questions as highlighted within the Issues Paper.

We understand that the Minister has asked for examples to our points and clarity about how this suggestion would affect Charities. To that point, this submission has more examples and discussion regarding cases in point than perhaps would normally be in a submission.

Although we recognise that there are some positive points for Charities overall, we are very concerned by this paper. This paper has some glaring flaws which need addressing, and it is also our opinion that there is a basic lack of understanding about how this sector works, and how the regulator Charities Services ensures that the majority of Charities work within all legal structures and with integrity.

This discussion paper feels like the 'thin edge of the wedge' about making inroads into Government support to the Charitable Sector. What happens if due to this consideration, multiple charities providing essential work to their communities at extremely low rates, end up closing down? Is Government prepared or interested in filling those gaps which will result as charities close, or have to charge higher rates, or are they considering using commercial companies whose basis of success is how much they can make for their stakeholders, rather than the well-being of their customers. Many in the Charitable Sector are already working on 'the smell of an oily rag'. Funding is harder and harder to access, Government does not fund contracts with cost of living adjustments nor reasonable wage allowance, and has not done so for many years. The charitable sector is already providing more for less to a point where viability is based on innovative and sometimes 'unrelated' revenue streams. Jeopardising those revenue options, could result in serious long-term consequences for the sector and for the people we serve.

It is very interesting that Inland Revenue seems interested in where the money comes from rather than the clear distinguishing interest from Charities Services of where the money goes. This shows a lack of understanding about how Charities are regulated and could create a clash of legislations making it extremely difficult for Charities to find a legislative path to follow.

## Abuse in the system.

This paper appears confused regarding abuse in the system.

We have not seen any shred of data to back up this claim in the discussion paper. Some of the points raised were already addressed by last year's change to the Charities Act eg: accumulated funds. There does not need to be yet another set of regulations overlaying what is already there, already working, and has a dedicated part of Government working on this.

Any proven abuse within the system, should be addressed through the Charities Regulator under existing Charities Law. We need these issues appropriately identified so the right means are used to address them. At the moment there is a lot of discussion about Inland Revenue using a blanket approach using taxation rules to address concerns with only with a small number of Charities.

Compliance is a heavy burden for charities already, and we have heard many times over the years promises from respective governments that this will be resolved. Instead, we are hit with even more compliance.

**"Every Tax Concession has a cost, that is it reduces Government revenue and therefore shifts the tax burden to other taxpayers."**

This statement has sparked significant discussion and once again highlights how little understanding there is about the charitable sector. This paper seems to be extremely one-sided, and this sentence is an example.

We would like to reframe this to:

**"Every tax concession has a benefit that is, it reduces Government expenditure by empowering Charities to have more impact at a lower cost than the Government providing an equivalent service, and therefore reduces the tax burden to other taxpayers."**

The original statement reflects a particular way of thinking, where charities are framed in a way that makes it harder for the sector to develop diverse income streams and build some sustainability into their models of operation.

## Related & unrelated income.

There is no clarification about what related or unrelated income is. This makes a response to the discussion difficult. The paper infers that any Charity with business income should prove profits provided to the Charity are directly related to the organisation's purpose. This raises a number of questions for us at Community Networks Aotearoa.

**Q** – Are Girl Guide biscuits related or unrelated to the aims of the organisation?

**A** – One could say that the mission of the Girl Guides (we enable girls and young women to develop into confident, adventurous and empowered leaders in their local, national and global communities) does not mention biscuits, and therefore their fundraising is not related to mission, that is of course unless you consider this is learning new and innovative ways to fund their organisation or if you consider selling biscuits might teach them how to become confident, adventurous and empowered in which case maybe it is related. How do you draw that line?

**Q** – Does the SPCA Op shop make related or unrelated money?

**A** – Purpose – To advance animal welfare and prevent cruelty.

One could say that raising money at the Opshop is not related to that purpose. However, if SPCA is unable to advance animal welfare and prevent cruelty because of closure, then the money is definitely related to the ability to meet that purpose. Not to mention that 2nd hand clothing is reused to make dog beds. Are some second hand items (cat beds, leashes, water bowls) animal related and some items (tea pots etc) are not, will the charity be required to audit every item to determine what is related income and what is unrelated income?

SPCA has 28 centres, with over 30,000 animals coming through their centres each year and they need \$66 million a year to operate. With only 10% contribution from the government each year, they need to raise 90% of their funding. If they are taxed on whatever they raise, how will they survive?

These two examples are simply to show that unexplained concept of 'related' and 'unrelated' income, and fairness issues along with lack of clarity about what exactly is intended to be achieved. This issue needs to be thought about very carefully and with consideration for unintended consequences.

## **Charities with fringe benefit tax exemptions.**

The question is for many Charities is "how do we compete for staff in a world where for-profit businesses and Government can offer better wages, better terms, and other benefits to attract competent staff?".

Take for example the wage difference between Oranga Tamariki seeking counsellors for staff a few years ago, where they offered thousands more in wages than the non-profit sector could. When this happened, there was a loss of non-profit staff to Government agencies that caused a crisis in the Charitable Sector.

Staff working for government agencies received higher salaries. Fringe Benefits often are one of the few benefits that charities can use to attract good staff. Taxing this benefit runs the risk of further disadvantaging the Charitable Sector.

## **This imaginary \$2 billion rolling around the sector.**

Once again, this claim highlights how little the sector is understood. The idea that there is an "extra" \$2 billion floating around appears to come from a simplistic calculation of income minus expenses, treating the difference as untaxed profit. It's concerning that the media has picked up on this misleading narrative.

In reality, this amount includes donations, timing differences, and funds earmarked for future events or projects beyond the financial year. It is money raised for specific purposes, not excess profit.

Most importantly, this calculation completely ignores the immense contribution of volunteer labour. Recent figures indicate that volunteers contribute 1.4 million hours per week. If even the minimum wage were applied to this, the so-called \$2 billion would quickly shrink.

## **Accumulated surpluses.**

On one hand Government has strongly encouraged Charities to find alternative sources of funding other than Government contracts. Social Enterprise was deemed the responsible path for non-profit organisations to fund the good they do in the community. Additionally, it has been considered prudent for Charities to maintain healthy reserves to ensure continuation of business and the ability to plan into the future. On the other hand, there seems to be a level of discomfort when this is achieved.

Most funding sources allow only one or two chances a year to apply for funding and if you are lucky enough to be the recipient of this funding, it will usually preclude you from reapplying in that same fiscal year. Some funders will not fund a charity for more than 3 years in a row, with a view that they do not want to create a 'dependence' on that funding. Alternative and self-sustaining funding sources can therefore be critical to the survival of a charity.

Charities have had to find innovative and other ways to not only top up the shortfall in Government contracts (Martin Jenkins 2019), but to ensure their fiscal security. Social Enterprise has been an encouraged and at times, favoured method that has been used by Charities now for years. Charity Social Enterprises are not taxed on their income because that income cannot go out to private pecuniary gain. Instead, that income is directed towards Charitable purposes. Any abuse of that, is appropriately directed towards Charity Services (the regulator) to investigate.

Over a financial year there are many reasons why surpluses might accumulate. Saving a year's operating costs is policy that CNA has, and we have given a dollars and cents amount to this saving in those policies. We also may have money that carries over towards projects and bills to be paid in the next financial year.

Community Networks Aotearoa have produced an on-line training programme called Tick for Governance (it is our belief that this fits the aims of our organisation) and we charge \$10.00 per module. This has become part of our income that we apply towards the annual charge for the platform where our training programme is held. So far this income has not covered the annual cost, even though we have over 1,000 people take up the programme. Taxing this income could result in the platform being unaffordable – and a very valuable and affordable governance training tool could be lost to the sector.

How is this problem solved? Charities Services had a change in law last year requiring Charities explain the purpose of their accumulated funds in their annual performance review. Why is Inland Revenue trying to come in over the top of these regulations with more blanket legislation that is currently unnecessary?

What if a Social Enterprise is not a direct line to the purpose of the Charity, yet without it the Charity does not have enough funding to continue. Then surely the Charitable business is, in fact, a direct line to the purpose of the Charity. This is a grey area, that Inland Revenue seems to have no explanation for.

The sector aims to promote sustainability and innovation, but imposing taxes based on questionable reasoning could lead to unintended consequences that may not have been fully thought through.

- We question if Charities should provide services for the vulnerable and if those services should be run by local communities or by Government.
- Taking away business income directly affects their financial sustainability.

Some for-profit business owners claim that charitable businesses with tax exemptions have an unfair advantage—but this is a myth.

First, charities face significantly higher compliance costs and scrutiny than for-profit businesses. Unlike businesses that receive government contracts, charities are often subjected to the argument that “taxpayers fund you, so you must comply with public demands.”

Additionally, charities rely on fundraising and street appeals to support their work—something businesses never have to do just to operate. They also navigate complex and sometimes contradictory regulations from multiple government agencies.

If the tax-exempt status of charities truly created a competitive edge, we would expect to see businesses rushing to establish pop shops or small social enterprises. Yet, that isn't happening.

- Stopping the innovation required via taxing income from Charity business will put pressure on both Government and philanthropic entities to meet the need that Charities are currently addressing.

- Charities are much more cost effect and if Government reduces the support settings for Charities, then Charities capacity to provide services will be lessened. This could be a political risk for the government.

If charities can no longer rely on their existing income sources to meet their needs, competition among them will intensify. This will place even greater strain on fundraising efforts, which are already becoming increasingly difficult to secure for charitable purposes. Charities need to work together for public benefit, not in competition.

- The current simplicity of the New Zealand tax system enables efficiency. This proposal is not simple.
- This suggested tax change will benefit lawyers, accountants and auditors who Charities would need to navigate the system. Most charities have huge trouble finding affordable professional services without this additional compliance requirement.
- Any tax exemption must remain aligned with statutory financial reporting tiers.

At this point we would like to reiterate the summary of thoughts on each of the 15 questions in the Tax Consultant paper as considered by Craig Fisher a member of the External Reporting Advisory Panel of XRB and Steven Moe, Barrister and Solicitor and partner at Parryfield Lawyers. CNA and other signatories to this submission agree with the following:

<b>Charities business income tax exemption</b>	<b>Thoughts to ponder for submissions</b>
<p><b>Q1.</b> What are the most compelling reasons to tax, or not to tax, charity business income? Do the factors described in 2.13 and 2.14 warrant taxing charity business income?</p>	<ul style="list-style-type: none"> <li>• Taxing charity business income discourages them from being innovative and seeking sustainable income streams</li> <li>• It will increase compliance costs while not meaningfully increasing revenue</li> <li>• It perpetuates a view of charity that donations are their only domain</li> <li>• This may open the door to other changes e.g. why not tax passive income from investments in funds which are unrelated to the charities purposes?</li> </ul>

<p><b>Q2.</b> If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?</p>	<ul style="list-style-type: none"> <li>• How to define what is “unrelated” would be challenging.</li> <li>• Wouldn't a company just find other ways to do the same thing e.g. donating out profits to the charity, so it wasn't taxed – so what is gained?</li> <li>• What are the objective measures and figures on these proposals, how much is even involved?</li> </ul>
<p><b>Q4.</b> If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?</p>	<ul style="list-style-type: none"> <li>• Consider your context and how this line might be drawn.</li> <li>• Monetary limit?</li> <li>• Tier 3 and 4 charities (the smaller ones) being exempt?</li> </ul>
<p><b>Q5.</b> If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that charity business income distributed for charitable purposes should remain tax exempt? If so, what is the most effective way to achieve this? If not, why not?</p>	<ul style="list-style-type: none"> <li>• While this seems logical it begs the question as to what is being achieved as wouldn't a business just do this?</li> <li>• If this were not allowed, then would it impact on charitable giving from non-charity businesses as well reducing the amount they give</li> </ul>
<p><b>Q6.</b> If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what policy settings or issues not already mentioned in this paper do you think should be considered?</p>	<ul style="list-style-type: none"> <li>• This will increase compliance cost for both government and charities, reducing funds available for charitable purposes.</li> <li>• the valuation of pro bono or semi pro bono services as input expenses. Labour cost is a significant input expense for any business. Currently many in the charitable sector receive some pro bono or semi pro bono labour.</li> <li>• Accordingly, it would be important for charities to be able to claim the true cost of their business in any income tax return. This raises the conundrum for the tax department as to what the appropriate fair labour costs should be.</li> </ul>

	<ul style="list-style-type: none"> <li>• Currently there is not a level playing field as regards transparency of reporting with for-profit businesses, i.e. charities have to currently meet a higher level of public transparency. Failure to address this issue results in charities being at an unfair competitive disadvantage with for-profit businesses.</li> </ul>
<b>Chapter 3: Donor-controlled charities</b>	
<p><b>Q7.</b> Should New Zealand make a distinction between donor-controlled charities and other charitable organisations for tax purposes? If so, what criteria should define a donor-controlled charity? If not, why not?</p>	<ul style="list-style-type: none"> <li>• Very unclear extent to which this is a major issue, or if there are just a few examples or instances.</li> <li>• Will a distinction be helpful or add additional complexity without much real impact?</li> </ul>
<p><b>Q8.</b> Should investment restrictions be introduced for donor-controlled charities for tax purposes, to address the risk of tax abuse? If so, what restrictions would be appropriate? If not, why not?</p>	As above
<p><b>Q9.</b> Should donor-controlled charities be required to make a minimum distribution each year? If so, what should the minimum distribution rate be and what exceptions, if any, should there be for the annual minimum distribution? If not, why not?</p>	<ul style="list-style-type: none"> <li>• Perhaps policy question should be whether this should apply for all charities not just donor-controlled?</li> <li>• To determine the figure perhaps continue with looking at what is done in other places.</li> </ul>

<p><b>Chapter 4: Integrity and simplification</b></p>	
<p><b>Q10.</b> What policy changes, if any, should be considered to reduce the impact of the Commissioner’s updated view on NFPs, particularly smaller NFPs? For example:</p> <ul style="list-style-type: none"> <li>• Increasing and/or redesigning the current \$1,000 deduction to remove small scale NFPs from the tax system,</li> <li>• Modifying the income tax return filing requirements for NFPs, and</li> <li>• Modifying the resident withholding tax exemption rules for NFPs.</li> </ul>	<ul style="list-style-type: none"> <li>• Many of these points will be specific for small charities and mutuals so consider your context and if it will impact your situation.</li> <li>• As a policy point, these smallest of small charities probably won’t be aware of the consultation or have the capacity to review and submit on the points raised.</li> <li>• We note that the \$1000 deduction seems both small and a very old number. As such if this is designed to remove small scale in NFPs from the tax system it will likely require increasing.</li> </ul>
<p><b>Q11.</b> What are the implications of removing the current tax concessions for friendly societies and credit unions?</p>	<p>As above</p>
<p><b>Income tax exemptions</b></p>	
<p><b>Q12.</b> What are the likely implications if the following exemptions are removed or significantly reduced:</p> <ul style="list-style-type: none"> <li>• Local and regional promotional body income tax exemption,</li> <li>• Herd improvement bodies income tax exemption,</li> <li>• Veterinary service body income tax exemption,</li> <li>• Bodies promoting scientific or industrial research income tax exemption, and</li> <li>• Non-resident charity tax exemption?</li> </ul>	<p>These are quite specific provisions - for those mentioned it could have big implications so suggest if you are one of these entity types consider submitting on how it would impact your ability to operate.</p>

<b>FBT exemption</b>	
<p><b>Q13.</b> If the compliance costs are reduced following the current review of FBT settings, what are the likely implications of removing or reducing the exemption for charities?</p>	<ul style="list-style-type: none"> <li>• This does make policy sense but if your charity will be impacted greatly then suggest you explain how and why.</li> <li>• The likely implications of removing or reducing the exemption for charities will be significant for some charities in their ability to compete for appropriate labour resource with the for-profit sector. It will also increase compliance costs in accounting for any fringe benefits that may still be provided.</li> </ul>
<b>Tax simplification</b>	
<p><b>Q14.</b> What are your views on extending the FENZ simplification as an option for all NFPs? Do you have any other suggestions on how to reduce tax compliance costs for volunteers?</p>	<p>This is not an issue we have seen talked about regularly before as an issue.</p>
<p><b>Q15.</b> What are your views on the DTC regulatory stewardship review findings and policy initiatives proposed? Do you have any other suggestions on how to improve the current donation tax concession rules?</p>	<ul style="list-style-type: none"> <li>• These seem like sensible suggestions so worth endorsing and adding any other suggestions on improving donation tax credit system.</li> <li>• Perhaps due to so many steps there is a lot unclaimed – there is the lag of giving, getting a donation receipt, then claiming at year end (easy to lose receipts, forget to claim).</li> </ul>

Community Networks Aotearoa appreciates the opportunity to provide input into this consultation and strongly encourages Inland Revenue to consider the distinct nature of Charities in any tax reform. We would welcome further discussion and engagement to ensure that New Zealand's tax settings remain fit for purpose and support the sustainability of the Charities sector.

## **Ros Rice**

**Executive Officer**

**Community Networks Aotearoa**

PO Box 262

Wellington 6140

eo@communitynetworksaotearoa.org.nz

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## **Supporting signatories to this submission.**



s 9(2)(a)

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**From:** s 9(2)(a)  
**Sent:** Wednesday, 26 March 2025 4:03 pm  
**To:** Policy Webmaster  
**Subject:** Taxation and the not-for-profit sector

**External Email CAUTION:** Please take **CARE** when opening any links or attachments.

Kia ora

As a busy working professional devoting all of my working hours (and a lot of non-paid time) to charities, I really don't have time to go through your detailed 15 point questionnaire. In fact, it troubles me how detailed and complex you have made the discussion questions and I wonder if submitters have been deterred by this. No doubt you have had plenty of lengthy discussion from both sides of the arena on this by now, so I am not going to waste time adding to that.

Quite frankly, I am astonished that the IRD have decided this will be the best way to extract any last vestiges of surplus cash from non-profit entities who manage to keep their heads above water. Most only just manage this. The fact remains they must generate some kind of surplus to enable their long term ability to function. In my experience, reserves are required to tide charitable organisations through times of crisis and cash shortfall, not to give back to the state who has granted them the ability to work under the charitable banner.

Perhaps this is what is required more – a robust system for screening whether or not the charity actually does qualify for income tax exemption? After all, New Zealand does have a disproportionate number of charities.

*Kind regards*

*Helen Cussell BCom CA*

*Telephone:* s 9(2)(a)

**Leon Christensen**

Submission on Behalf of Eltham Vet Services

26th March 2025

**Subject:** Submission in Response to Consultation on "Taxation and the Not-for-Profit Sector" Dated 24th February 2025

**Dear Sir/Madam,**

I am writing to submit a response to the consultation on taxation and the not-for-profit sector. Specifically, I advocate for the retention of the existing income tax-exempt status for veterinary service bodies operating under the not-for-profit model. Most of this submission is in answer to question no.12 of the consultation document, as this directly relates to Veterinary Club practices.

Eltham Vet Services was established in 1937 and is one of the oldest club practices in New Zealand. We currently employ 20 full-time staff members and provide veterinary services to approximately 400 farms and thousands of pet owners throughout central Taranaki.

### **Benefits of Maintaining the Tax-Exempt Status for Not-for-Profit Veterinary Services**

#### **Ensuring Access to Veterinary Care in Remote Rural Areas**

Tax-exempt veterinary services ensure access to clinical veterinary care in rural areas where private practices may not be financially viable. This helps maintain animal welfare standards in regions where veterinary care would otherwise be unavailable or unaffordable.

#### **Reinvestment into Community Initiatives**

Each year, we contribute over \$45,000 to local clubs, societies, and initiatives. This level of community support is directly linked to our tax-exempt status and would be significantly impacted if we were to lose this exemption. Local clubs and charities would suffer as a result. For example, we have donated over \$15,000 in the last three years to the Rotokare Scenic Reserve Trust, which runs a native bird and kiwi breeding sanctuary in central Taranaki, contributing to kiwi reintroduction efforts across the North Island.

#### **Supporting the Next Generation of Veterinary Professionals**

We provide a \$2,000 annual scholarship to veterinary students and host approximately 50 students per year for work experience, typically for one to two weeks each. This requires considerable staff time and effort, but we see it as a crucial investment in the future of the veterinary profession in New Zealand. We also offer free accommodation to these students, many of whom face financial hardship and substantial student debt. Losing our tax-exempt status would force us to reduce these initiatives, potentially requiring us to charge tertiary institutions or students to recover costs.

#### **Educational Support for Farmers and Animal Caretakers**

We organize free or low-cost educational days for community members to enhance knowledge about animal health and welfare, benefiting both commercial farmers and pet owners.

### **Sustainable, Community-Oriented Veterinary Services**

As a not-for-profit entity, our primary focus is serving our members and community rather than generating profit for shareholders. This structure ensures that veterinary advice remains objective and prioritizes animal welfare over financial gain.

### **Encouraging Fair Pricing and Industry Sustainability**

The presence of tax-exempt veterinary services helps regulate industry pricing, making veterinary care more affordable while maintaining financial sustainability. This helps prevent monopolization by corporate entities that may prioritize profit margins over best-practice animal welfare.

### **Veterinary Staff Development and Retention**

Veterinary medicine remains on New Zealand's skilled labour shortage list. The not-for-profit veterinary club model fosters a supportive environment for new graduates, offering essential mentorship and training without the pressure of high profit generation. This is critical to retaining skilled professionals and mitigating industry burnout.

### **Risks of Removing the Tax Exemption for Veterinary Services**

If the tax-exempt status for not-for-profit veterinary clubs is revoked, several negative consequences are likely to arise, including:

#### **Consolidation and Centralization of Clinics**

The industry is already experiencing the consolidation of smaller private practices into large corporate entities such as Comlha Vets, Franklin Vets, VetEnt, and offshore companies like Altano International. These conglomerates pose a growing threat to independent veterinary services, prioritizing profit margins over staff well-being. Veterinary clubs have historically provided a buffer against the expansion of such corporations.

#### **Reduction in Community Investments**

Without tax-exempt status, funds currently allocated to community projects would be redirected to tax obligations, leading to the discontinuation of vital community services.

#### **Compromised Veterinary Recommendations**

A shift towards a profit-driven model could influence veterinary recommendations, resulting in clients being directed toward more expensive treatments that benefit the practice financially rather than those that best serve the animal's welfare.

### **Conclusion**

Maintaining income tax exemption for not-for-profit veterinary clubs is essential for ensuring accessible and affordable veterinary care, particularly in rural and underserved areas. This model fosters community benefits, ensures fair industry pricing, supports veterinary staff development, and promotes unbiased, high-quality veterinary care. Removing this exemption would jeopardize these advantages, leading to negative economic and social consequences.

I strongly urge the consultation process to recognize the invaluable contributions of not-for-profit veterinary services and to maintain their existing tax-exempt status to continue supporting animal welfare and community well-being across New Zealand.

Thank you for considering this submission.

**Sincerely,**

Leon Christensen  
Eltham Vet Services

## **Submission to Inland Revenue Department (IRD) – Review of Not-for-Profit Taxation**

Submitted by: Jarrod Davey

Date: 26/03/2025

Subject: Response to IRD Consultation – Veterinary Service Body Income Tax Exemption

### **Response to Question 12 – Implications of Removing the Veterinary Service Body Income Tax Exemption**

#### **1. Addressing Competitive Disparities in the Veterinary Sector**

Veterinary clubs were initially designed to provide rural veterinary services but have evolved into fully operational commercial businesses. Many now operate tax-free while competing with private veterinary businesses that must pay full corporate tax.

##### **Market Distortions Created by the Tax Exemption**

- Veterinary clubs can set prices lower than private businesses due to their tax-exempt status.
- Financial reserves of tax-free vet clubs grow at a faster rate, leading to market expansion at the expense of tax-paying entities.
- New veterinary clinics established by vet clubs operate without tax constraints, creating unfair advantages over independent veterinary practices.

#### **2. Strengthening the Viability of Rural Veterinary Clinics**

The financial sustainability of private veterinary practices, especially in rural areas, is at risk due to the competitive advantage tax-exempt vet clubs enjoy. Private clinics struggle with recruitment and retention, particularly when competing against businesses that do not bear tax burdens.

##### **Negative Effects of the Current Tax Exemption**

- The exemption suppresses wages within the veterinary sector, limiting growth and career opportunities.
- Many tax-exempt vet clubs extend services beyond their original rural scope, competing with established veterinary businesses.
- If private veterinary practices continue to decline, access to veterinary services in rural areas could be significantly impacted.

#### **3. Aligning Tax Policy with Modern Veterinary Industry Conditions**

The veterinary industry has evolved significantly since the tax exemption was introduced in 1955. The original purpose of supporting access to veterinary care is now outdated, as veterinary services are widely available.

#### **4. Enhancing Governance and Financial Transparency**

- Some tax-exempt vet clubs have evolved into profit-driven organizations, raising concerns about financial transparency.
- Many vet clubs offer services to non-members, contradicting the original intent of their tax-exempt status.
- Ensuring tax compliance for all veterinary providers would help maintain fairness and accountability.

#### **5. Ensuring Minimal Impact on Genuine Non-Profit Veterinary Organisations**

- Vet clubs that engage in charitable work can transition into Charitable or Incorporated Society status to maintain tax benefits.
- Existing tax laws already provide appropriate exemptions for legitimate non-profit activities related to animal health research and education.

#### **6. Reinvesting Tax Revenue for Veterinary Industry Support**

- Redirecting tax revenue from previously exempt vet clubs could fund workforce training and rural veterinary support programs.

#### **Conclusion & Recommendations**

The removal of the veterinary service body income tax exemption is necessary to ensure financial sustainability, competitive fairness, and transparency within the sector.

1. Repealing CW 42 of the Income Tax Act to ensure all veterinary providers operate under equal taxation.
2. Establishing clear guidelines for non-profit veterinary organizations to transition into appropriate charitable entities.
3. Strengthening IRD enforcement to ensure no misuse of tax exemptions for commercial gain.

By implementing these measures, the veterinary industry in New Zealand can operate in a more equitable and transparent manner, with all commercial businesses operating in NZ contributing (by way of taxation) to the running of NZ inc.



HOLY TRINITY † ST PETER'S † ALL SAINTS  
Vicar: The Rev'd Frank Nelson

26/03/25

The Parish of Northern Wairoa, as a Ministry Unit of the Anglican Diocese of Auckland wishes to lodge the following submission objecting to the proposals outlined in the Inland Revenue Department: Taxation and the Not-For-Profit Sector consultation paper.

- The Parish of Northern Wairoa operates in the provincial town of Dargaville in Northland, providing pastoral care to those of the Anglican faith. The parish financial viability is heavy dependant on parishioners regular giving and donations. The parish has been in existence for 147 years on the same site and is highly regarded for its charitable work.
- The parish governance body value their tax exemption status and is compliant with all requirements to conduct themselves within the NZ Charities frame work. We consider any of the proposed changes as being unnecessary and potentially harmful.
- The Annual budget for the parish is supported by the additional activities of trading stalls, raffles, and sales of surplus produce from the parishioners' gardens. The production and sale of a calendar amounts to less than 6.45 % of the annual gross income of the parish. Hire of Church premises to community groups who provide supportive welfare programmes, supports the church finances to lessen the annual deficit often experienced.
- The need to operate any separate financial reporting data would introduce a burdensome and expensive compliance cost to report on very little revenue resulting from non-related activity of the charitable activities of this parish.
- Community support and facilities were established in NZ by charitable work over many years, so now is not the time punish those who wish to continue with their legacy.

s 9(2)(a)

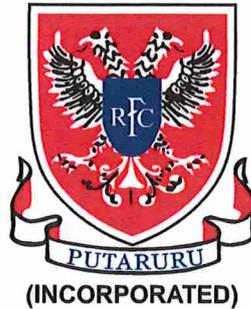
The Treasurer  
Bobbi Young  
Parish of Northern Wairoa  
Anglican Diocese of Auckland

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09 439 7253 / 02041105985

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**PUTARURU RUGBY**

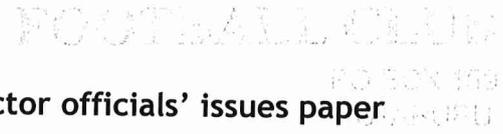
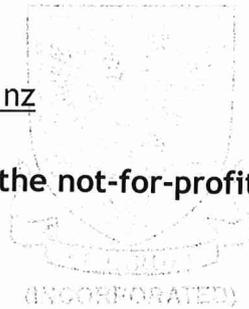


**FOOTBALL CLUB**

PO BOX 159  
PUTARURU

26 March 2025

David Carrigan  
Deputy Commissioner, Policy  
Inland Revenue  
C/- [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)



**Feedback on the taxation and the not-for-profit sector officials' issues paper**

Dear Mr Carrigan,

Thank you for providing the opportunity to provide feedback on the proposals for changes to the taxation of not-for-profit and charitable entities.

Putaruru Rugby Football Club (Inc) has been a cornerstone of our local community for 48 years (when two clubs amalgamated), delivering not only rugby but also social and community development. Our mission extends beyond the rugby field. We enrich lives, promote well-being, and drive positive societal change.

While the "Q and As" published by IRD mention that it is not expected that bodies promoting amateur games and sport will be affected by the proposals we would still like to take the opportunity to make a submission that this income tax exemption should remain as is.

### **The Economic and Social Value of Grassroots Rugby Clubs**

Rugby is not just a sport in New Zealand – it is part of our national identity and contributes significantly to the economy and society. As one of the more than 470 grassroots rugby clubs in New Zealand, we play a crucial role in fostering community engagement, social connection, and personal development.

Our club, like many others across the country, provides a space where individuals of all ages and backgrounds can come together, engage in physical activity, contribute to their local community and form lifelong friendships and support networks.

Beyond playing rugby, we host various other sporting events, fundraisers and social activities for our community eg: Touch, junior league, Quiz nights, Shining Light on the Dark, training workshops across codes etc,. These activities bring communities together and generate economic activity for local businesses throughout the year, not just on game day.

Rugby clubs are also at the forefront of addressing important societal issues in our communities. At the forefront of our focus for 2025 is Mental Health with suicide being a major concern in our community. As such we are raise money for this organisations eg: I am Hope and have three charities each year that we work/donate to. In past years it has been: Shining Light on the Dark, St John's, Fire Brigade, areas that need eg: Hawkes Bay with floods.

### The Importance of Retaining the Income Tax Exemption for Amateur Sport

The current income tax exemption for bodies promoting amateur games and sport ensures that we can remain financially viable. Removing this exemption or imposing income tax on our membership fees would:

- significantly reduce the funding available for clubs to provide community programs, purchase equipment, maintain facilities, and support player development.
- create an administrative burden for us as a volunteer-run organisation, diverting time and resources away from our core activities; and
- lead to increased costs for participants, which could disproportionately impact those from lower-income backgrounds and reduce youth participation in rugby especially in the current cost of living crisis.

Preserving the current income tax exemptions is essential for sustaining the economic and social benefits they provide. Putaruru Rugby Football Club (Inc) remains committed to enriching our community, and we urge the Government to consider the profound implications that changes to tax exemptions would have on grassroots organisations like ours.

Grassroots rugby is a cornerstone of New Zealand's social and economic fabric, and its contribution must be recognised and protected in any tax policy changes.

Yours sincerely,

s 9(2)(a)

**Kimberley Crocker**  
Treasurer  
Putaruru RFC  
s 9(2)(a)

s 9(2)(a)

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**From:** Annette Perkins s 9(2)(a)  
**Sent:** Wednesday, 26 March 2025 5:55 pm  
**To:** Policy Webmaster  
**Subject:** Taxation and the not-for-profit sector

**External Email CAUTION:** Please take **CARE** when opening any links or attachments.

To whom it may concern,

I don't agree with the decision to remove government funding that the Salvation Army receives.

It will mean things like more people addicted to things, more crimes committed, more people going hungry, more people homeless and more people without jobs. We need the Salvation Army to continue to receive government funding. The Salvation Army has been doing their work for over one hundred years and the charity should continue to be government funded to continue all the work it does.

From Annette

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As a registered charity Sports Club, Arawa Canoe Club would like to make a submission on certain questions posed in “taxation and the not-for-profit sector consultation paper.

#### General Comments

Arawa, like most sporting clubs, provides a very valuable asset for the community.

The club members, through their subscriptions, storage fees and race fees, plus donations and grants from different organisations fund the club.

All monies received are used for the advancement of the club facilities that benefit everyone associated with the club.

The introduction of a tax regime would lower the amount of funds available and could adversely affect the operation of the club.

Point 1.4 We believe that there should be a change of wording in this point the change being to replace the word “cost” with the word “benefit” on the premise that the not-for-profit sector reduces the taxpayers burden in that they provide a huge variety of services that Government is unable or unwilling to provide (and in principle probably shouldn’t be providing). Such services are usually at a cheaper rate than the Government mostly because they are run by volunteers, why else would the Government contract the not-for-profit sector to provide the services if the costs were more than the cost the government could provide the service for?

Currently registered charities file their annual return which includes the financial results of the entity, this annual return is publicly available and gives confidence to donors and the public that the charity has the appropriate governance and accountability, if charities are to be taxed on business income why would they remain on the charities register?

Currently Tier 1,2 and 3 organisations currently pay GST.

#### Question 1 Compelling reason to tax or not tax

“What are the most compelling reasons to tax, or not to tax, charity business income?”

We would suggest that there is no compelling reason to tax the not-for-profit sector if the income is used for the charitable purpose of the organisation. Point 2.13 refers to retained earnings as a cheaper means of raising capital. We would suggest that there are a large number of registered charities that have little or no retained earnings as they operate in a loss position to provide the services they do, and even if they have retained earnings there may be no “cash” to support the retained earnings and therefore no means of being able to fund capital projects.

#### Question 4 Small scale business activity

If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?”

If the income is being used for the charitable purpose, then in principle it shouldn’t be taxed. However, if there is to be an income tax on charities then Tier 3 and 4 should be exempted.

There would have to be a definition of what Business Income is, for it to be taxed. For example, are membership fees seen as business income (they are if the organisation is a private gym) but

what if those fees give members access to the club gym? We charge our members to store their kayaks in the club - is this business income? We organise the largest kayak race in New Zealand as a fund raiser - would this be business income? For all the above we charge and pay GST.

#### Question 9 Minimum Distribution Rule

“Should donor-controlled charities be required to make a minimum distribution each year?”

No

In relation to the distribution of accumulated reserves (Income) on the basis that it is not being used as intended with in a timely manner. As the Inland Revenue Department will be aware accumulated funds are simply an accounting concept to balance difference between the Total Assets and Total Liabilities of the organisation. Accumulated funds do not mean that the charity has the cash resources to distribute to the charitable purpose of the organisation

The Arawa club has a large accumulated fund that has been ring- fenced for the replacement of our building that was damaged in the Christchurch Earthquakes sequence. If we were forced to make distributions we would effectively have even less funds available for a rebuild or restoration of our building.

#### Question 13 FBT exemption

“If the compliance costs are reduced following the current review of FBT settings, what are the likely implications of removing or reducing the exemption for charities?”

No Impact because we have no Fringe Benefits in our employment contract.

Philosophically we have no objection to Charities being charged FBT on the basis of equality between the sectors but from a practical viewpoint paying FBT would reduce the funds available to be distributed for the charitable purpose.

## Submission on Taxation and the Not-For-Profit Sector

### Submitter:

Name: Whenua Iti Trust Incorporated  
Address: 375 Main Road, Lower Moutere, Tasman District 7175  
Contact: Pip Lynch, Chairperson, Whenua Iti Trust Board  
Email: [secretary@whenuaititrust.nz](mailto:secretary@whenuaititrust.nz)  
Date: 26 March 2025

### About the Submitter:

Whenua Iti Trust is a charitable organisation that delivers experiential outdoor learning opportunities to achieve positive change in individuals and community. We carefully design and deliver programmes to meet the needs of each group. In 2024, Whenua Iti Outdoors employed 26.4 FTE staff, positively impacted 4396 tamariki/children and rangatahi/youth, awarded 3033 NCEA credits to senior school students and our NZQA credit pass rate for Māori students was 99%.

Participants include school pupils of all ages and abilities and community groups. We partner with iwi to deliver culturally appropriate leadership development to rangatahi Māori. In 2024, our programmes reached 5243 individuals, mainly from the Upper South Island and West Coast. We maintain OutdoorsMark accreditation and recently achieved the highest audit result from the New Zealand Qualifications Authority. This year we received the Nelson Tasman Chamber of Commerce Community Impact Award.

The Trust and its trading operation, Whenua Iti Outdoors, were established in 1986 by an individual who put her time and money where she saw community need. The operation has sourced funding from grants, donations, participant registrations, service delivery for educational programmes (such as Trades Academy) and for government departments (until recently, MYD, MSD, MinEdu). For the past 6 years, we have diversified our funding streams and taken initiatives in international education and philanthropy. Every year is a challenge to balance costs and income against our community commitment.

Whenua Iti Trust is not a donor-controlled charity, nor is it a member subscription organisation.

### Key messages:

- **We are very concerned about how “unrelated business activities” will be defined in practice, and do not consider that it should capture our activities.**
- **We are very concerned about the potential for scope creep of the legislation being proposed by IRD.**
- **We are very concerned about the viability of our operation if we become liable for income tax.**
- **We do not agree that charities’ accumulated funds should be income taxed.**

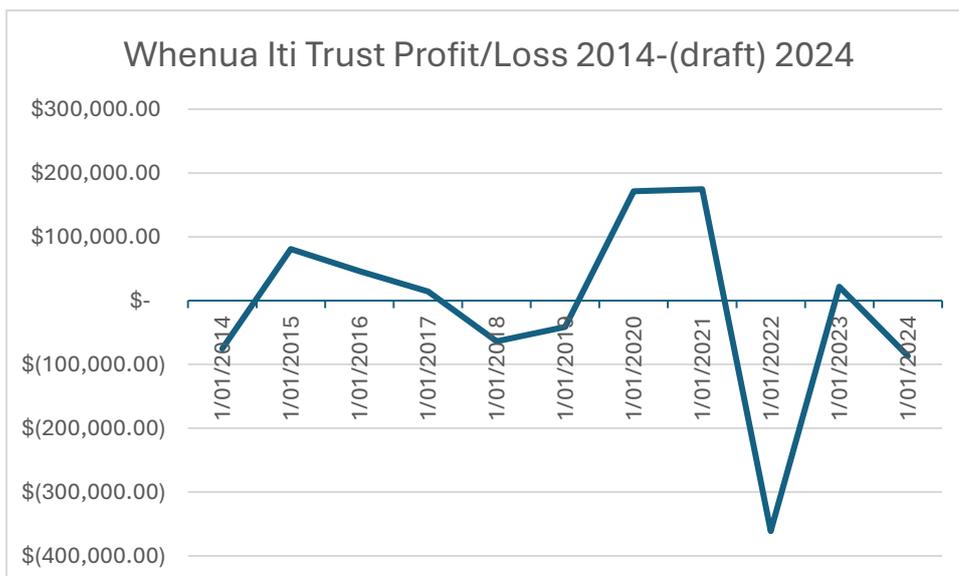
- We do not agree that our operation competes unfairly with for-profit businesses.
- The proposed tax changes seem to be based in thinking of charities as small-scale with low revenue. This is not realistic for viable charities in Aotearoa today.
- Paper lacks evidence of financial impact of proposals.

**Supporting Statements.**

**Definition of “unrelated business activities”.** A lack of clear definition in the paper sounds an alarm bell for charities. IRD seems unsure which charities it actually wants to target for income tax. In our case, and in our view, all our income is used to fulfil our charitable purpose, however in profitable years some of the income will be saved or invested for future charitable use. If saved funds, or interest on saved funds, were to be taxed, we would have less ability to fulfil our purpose; we would struggle more with finances; we would have to spend more of our funds on chasing grants and donations and, therefore, less on direct for-purpose activity.

**Potential Scope Creep.** Even if tax law changes to include charities’ with “unrelated business activities”, the definition of ‘unrelated’ can change. In the paper itself, there is slippage between the idea of ‘unrelated business activities’ and ‘business activities’. At the top of p9, for example, is a statement referring to a 2024 IRD paper that “provides guidance on when charities are carrying on a business”. This is only one example of many in the paper where ‘business’ is the term used rather than ‘unrelated business’. There is, therefore, an interpretation available that IRD is not clearly distinguishing between for-purpose and unrelated businesses now, and that scope creep could easily occur.

**Viability of our Operation:** Income tax will add to our financial struggle. The graph below shows a pattern of moderate surpluses and larger losses over the past 10 years. The higher surpluses in 2020-2021 are explained by Covid-related wage relief. Adding income tax to even part of our revenue would make our struggle harder.



**Income tax will increase compliance costs.** We cannot afford an in-house financial officer, so we rely on professional accountants to help us manage financial control and compliance. If income tax is added to our compliance burden, we will have to spend more on accountancy fees, therefore have less money to apply to our charitable purpose. Not only will this prospect make our work difficult, it will reduce our positive impact in the community.

**Income tax will make governance less attractive to volunteers.** We employ staff but our governance group is entirely made up of volunteers. It is the trustees who shoulder the burden of responsibility for the Trust's viability. As the financial struggle gets harder, it is increasingly difficult to find trustees. People who volunteer generally don't want to be dealing with potential tax liabilities nor even greater financial struggles. Adding an income tax burden will both reduce our viability and decrease our chances of attracting the trustees we need.

**Accumulated funds.** Accumulation of funds is a strategic goal of our Trust. It is the only way we can ensure our on-going for-purpose activity. Funding for the work we do is both cyclical within each year and fluctuates from year to year. Accumulated funds are used as working capital to offset cash fluctuations, as cash flow is always a concern. Without accumulated funds we are unable to confidently plan for future operation, not to mention development.

Accumulated funds allow us to maintain our capital assets – buildings, vehicles, and outdoor equipment – and are necessary for investing in replacement or additional assets as the need arises. If charities are going to be taxed on income from accumulated funds, they will be less able to look after their assets and function efficiently. In the longer term, higher costs are likely as assets become non-compliant and have to be remedied under urgency or abandoned.

Charities need to accumulate funds in order to be, or become, financially stable. This is how charities can continue their for-purpose work in our communities. Communities can rely on our charities when they know the charities can continue their work year-on-year. Undermining charities' endeavours to be financially stable undermines community confidence. We have developed specific programme types in order to accumulate surpluses and we argue that these are all for-purpose programmes.

- Our ExpedNZ programmes attract young people to New Zealand from overseas. While on our programmes, the international participants engage in experiential learning inspiring positive change in themselves and their communities on return to their homes. This is completely aligned with our charitable purpose. For example, a participant from a Canadian group in 2024 was inspired by her experiences with us to alter her career trajectory into community-oriented legal practice. Another participant on the same programme was inspired to take leadership in her community for cultural renewal. These programmes provide surpluses that we must, by policy, and do, in practice, use to support more programming for our local young people. If this income was taxed, it might not be worth having or would otherwise significantly diminish our ability to meet our charitable purpose.
- We gain sponsorships from time to time. An example is a local business sponsoring us because they support the impact our purpose has in the community. We consider this income to be completely for-purpose and not 'unrelated business'.
- We run a small number of corporate programmes. Examples include local business staff development training. Like the ExpedNZ programmes, these are costed to produce a surplus that is applied to programmes for local youth. We therefore consider our corporate programme income to be for-purpose and not 'unrelated business'.

We are concerned that, unless clarified, these types of activities could be picked up by the definition of ‘unrelated business activities’. If the tax reform is to proceed, then we strongly encourage the IRD to make crystal clear that activities like those noted above are not captured where they are essential to charities like ours fulfilling their charitable purposes.

Further, we are also concerned that if accumulated funds will be taxed, the public might be less willing to make donations and bequests. Donations and bequests are important sources of financial support for charities, including Whenua Iti Trust. We have just developed an online donation system and we are stepping in to readiness for receiving bequests. Both these developments are designed to increase our financial stability. Concern that a portion of their donations or bequests will be used to pay tax, rather than support positive social or community impact, will likely reduce the desire of people to make them.

If charities’ ‘unrelated business’ are to be taxed, the language used to define ‘unrelated business’ will need to clearly delineate between business activities that contribute funding to for-purpose activities from business activities that are very clearly totally unrelated to that purpose.

**No unfair competition.** The paper suggests that charities compete unfairly with for-profit businesses. This is not our view of our sector. There might be a small number of tourism businesses that work with schools, but they are not offering educational services as we are. We are not aware of any for-profit businesses that compete in our space. There is a good reason for there being none: it would not be profitable. Most charities are in the same position – no other organisation offers the service they offer, so a charity with tax benefits is needed in order for any for-purpose service to be available and viable.

It is very easy for select examples (e.g., Sanitarium) where there are, *prima facie*, concerns about competitive impact to be used to generalise that all charities get an unfair competitive advantage by not being subject to income tax. However, doing so without proper analysis will almost certainly lead to a worse societal outcome. It is true that promoting competition can improve such outcomes, at least from a neoclassical economics perspective. But this simply does not hold when the reality and externalities are factored in. Charities like ours operate in a space where there is a societal need that is not served by competitive markets – there is a market failure if you will. In our case, by supporting the educational development of New Zealand youth our charity provides positive externalities that benefit society, improving labour productivity and broader community involvement of the citizenry. Those benefits would disappear if we, and other charities like ours, could no longer undertake business activities that help us to fund our charitable purpose without being penalised by additional tax that we will struggle to pay.

We are really concerned that select examples are being used to develop a tax policy that will have significant unintended consequences, adversely affecting society for generations. We strongly encourage IRD to ensure that any such policy is targeted at where there are genuine concerns while ensuring that deliberate steps are taken to avoid those consequences. There is simply no good reason to use tax policy to stop or undermine the good work of so many New Zealanders, whether intentional or otherwise.

**Small scale, low revenue not viable.** The paper refers to examples overseas where the threshold for income tax on charitable business activity is very low (e.g. in UK, \$8k revenue). Most successful charities in Aotearoa/New Zealand have much higher revenue, necessarily.

The level of community need is such that more service is demanded, not less. Operating with revenue totalling just a few thousand dollars annually does not provide much community support, will not support staff wages, and barely cover basic part-time administrative services. Charities need to grow revenue to meet the needs they were established to meet.

**Lack of evidence:** The paper, Taxation and the Not-For-Profit Sector, provides no evidence of the financial impact of taxing charitable businesses, for-purpose or otherwise. To be able to respond directly to the questions posed, we would need information about the impact of current tax concessions and a fact-based analysis of the financial impact on charities of the proposals. It is not for hard-working volunteers and charities' staff to do IRD's research. Most people involved in charities lack the tax knowledge to readily consider the questions in the paper. To gain sufficient understanding of the tax proposals would take most people many hours. The paper provides insufficient detail to inform those to whom it is addressed and its most effects.

END.

Taxation and the not-for-profit sector  
C/ Deputy Commissioner Policy

By email: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

26 March 2025

**Re: Taxation and the not-for-profit sector: Yes for Success**

Tēnā koe,

Thank you for the opportunity to submit feedback on behalf of Yes for Success towards the consultation on *Taxation of the not-for-profit sector*.

**Who we are**

Yes for Success is the home of Dress for Success Wellington. We provide free programmes across the Wellington region to give people the skills, clothing and confidence they need to find work and achieve success. Our programmes include: career advice and coaching, provision of interview and work clothing, work experience, soft skills workshops and mentoring. We have an MoU with the Ministry of Social Development for the provision of services to assist job seekers which is funded through the Transition to Work grant and a contract with Department of Corrections to provide programmes to support the reintegration of female prisoners on release. However, a significant proportion of our funding is generated through the sale of high-quality donated clothing through our Dressed Boutiques in Wellington City and Lower Hutt.

**Overview**

Taxing business income tax for charities will significantly impact the ability for small-medium sized charities such as Yes for Success to deliver our community services and will decrease long term financial sustainability. By:

- Taking away money that would otherwise fund our programmes and charitable work.
- Introducing additional compliance that will require more resources.
- Discourage our ability to pursue sustainable income to support our charitable work.

The definition of 'Unrelated business income' will be difficult to establish and will lead to additional complexity and compliance costs.

Any changes that may be introduced need to fully consider the differences in business models between a not-for-profit and for-profit business model, for example the hidden costs of volunteer time. They need to be simple to comply with, limit the resources needed to meet compliance and exclude the impact any change will have on small-medium charities.

**Comments and Examples**

As a small charity, taxing our business income will be funding taken directly away from our charitable work - from clients accessing our programmes. Based on our 2024 surplus, the taxed amount will mean 30 less clients would be helped through our free to access programmes. The flow-on effect would lead to:

- Further reliance on government organisations to facilitate the programmes we deliver but with a markup to meet market rates
- More tax-payer money used to bridge the gap created with fewer services provided through charities.
- Increasing disadvantages for many of the underserved and at-risk populations we serve. In our case, increased unemployment which also increases the burden on the government.

It would also become more difficult for charities to ensure financial sustainability, accumulate funds or diversify income. It could disincentivise charities like ours to seek more predictable, reliable sources of income, such as our Dressed Boutique stores, to help fund our programmes.

Our Dressed Boutique stores contribute up to 50% of our funding. This income supports the financial sustainability of Yes for Success and reduces our reliance on less consistent sources of income such as donations, sponsors, grants, and government contracts subject to changes in government. This has been particularly evident for us in recent years with the rising cost of living and low interest rates resulting in our partner organisations having less available to donate through sponsorship and greater competition to attain grants.

With our charities in Aotearoa covering such a spectrum of services, taxing income unrelated to charitable purpose has the potential to create significant confusion and compliance costs to differentiate income that may be subject to income tax. In turn, this increases required resources for both the charities involved and the IRD to meet compliance. For example, whilst we do not deliver our programmes directly through our Dressed Boutique Stores, they are not just a business to gain income. They are run solely by volunteers, only sell donated clothing, provide work experience for clients, widen access to affordable clothing for all, and reduce textile waste going to council landfill sites.

To simply tax charity surpluses like business surpluses are unfair. Businesses can claim expenses for resources they pay for to run the business. Charities like us, rely on volunteers and the cost of their time compared to paid employment under a for-profit business model is significant. For example, Yes for Success has more than 120 volunteers helping to deliver its programmes and a volunteer Executive Committee of ten - accumulating over 8,000 hours of volunteer hours a year. If Yes for Success were a business, this resource cost would run approximately \$400,000 - \$800,000 a year – significantly more than our surplus.

### **Summary**

Ultimately, introducing changes to the current tax concessions on the charity sector will directly impact the number of clients we would be able to help, it will reduce the ability for us to remain financially sustainable and could lead to additional increases in costs and resources to meet compliance. Any changes to the taxation on the not-for-profit sector must be simple to apply, limit the resources charities will need to meet any new compliance requirements and use a clear system to exclude the impact this will have on small-medium charities.

Thank you for considering our feedback during this consultation. We would be happy to discuss any points raised further with officials from Inland Revenue.

Ngā mihi,

s 9(2)(a)

Jacqui Eyley

Executive Manager, on behalf of the Committee of Dress for Success Wellington  
[www.yesforsuccess.org.nz](http://www.yesforsuccess.org.nz)

90 The Terrace, Wellington & 70 Dudley Street, Hutt Central.  
[em@yesforsuccess.org.nz](mailto:em@yesforsuccess.org.nz)



27 March 2025

Inland Revenue Department  
By email: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

## **Re: Taxation and the not-for-profit sector**

### **Our context**

New Zealand Kiwifruit Growers Incorporated (NZKGI) is a commodity levy funded not-for-profit (NFP). We represent the interests of approximately 2,800 kiwifruit growers in New Zealand.

The levies are not spent on any trading or commercial activity or member benefits. We do not own any commercial orchards or other property.

Grower representation includes participating in public consultations or engaging with local and central governments on matters of interest to the industry. For example, responding to councils on proposed changes to district rules, working with MBIE/Immigration NZ on labour and visa settings for seasonal workers, or leading industry response on a proposal to ban an essential agricultural chemical (see more below).

NZKGI is governed by the Grower Forum (Forum). The Forum is made up of elected members who discuss and deliberate on matters of interest to growers. Forum members claim honoraria payments for their time, which are subject to withholding tax.

### **Our position on taxation and the not-for-profit sector**

We support a review of tax settings for the NFP sector.

We support the government continuing to provide tax concessions for NFPs such as mutual associations (as per paragraph 4.4 of the issues paper) that exist for the public good.

The government should consider equity in reviewing the NFP tax policies. NFPs such as us play a very important role in Aotearoa New Zealand's democratic legitimacy by participating in government. Taxing the levy income will have a significant impact on the financial viability of many advocacy NFPs; therefore, limiting participation in government.



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## **NZKGI recently exhausted retained earnings on participating in a publicly notified process**

In 2021, the Environmental Protection Authority (EPA) opened public submissions on an application to reassess the use of hydrogen cyanamide (Hi-Cane) in Aotearoa New Zealand<sup>1</sup>. The EPA had proposed phasing it out over 10 years.

Hi-Cane, an agrichemical, is a critical tool to the kiwifruit industry. A ban would have had a massive economic impact on the country's most valuable horticulture export, closing orchards and hurting the communities that rely on the industry's prosperity.

NZKGI led the industry to advocate strongly for the retention of it. Participating in the process cost our advocacy organisation most of our retained earnings built up over many years. NZKGI needs to restore the level of retained earnings to operate as a going concern.

### **Options for tax on NFP income**

As noted above, we support a review of tax settings for the NFP sector.

We support the government continuing to provide tax concessions for mutual associations that operate for public good. We offer the following options:

1. Continue to provide tax exemptions on member fee/levy income.
2. Given not for profits are supposed to be exactly that, consider taxing above a sensible operating surplus threshold. For example, 10% of total fee/levy income. This allows NFPs to build a level of retained earnings, without tax obligations, which is important to pass the going concern test.

### **Tax simplification that could benefit volunteers**

We support simplifying tax for honoraria payments.

### **NZKGI contact:**

Chloe Trim, Senior Policy Advisor

E: s 9(2)(a)

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<sup>1</sup> [Hydrogen cyanamide reassessment | EPA](#)

## Christchurch Football Club Incorporated.



26 March 2025

David Carrigan  
Deputy Commissioner, Policy  
Inland Revenue  
C/- [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

### **Feedback on the taxation and the not-for-profit sector officials' issues paper**

Tēnā koe Te Carrigan,

Thank you for providing the opportunity to provide feedback on the proposals for changes to the taxation of not-for-profit and charitable entities.

The Christchurch Football Club has been a cornerstone of our local community for 162 years (one hundred & sixty two years), delivering not only rugby but also social and community development. Our mission extends beyond the rugby field. We enrich lives, promote well-being, and drive positive societal change.

While the “Q and As” published by IRD mention that it is not expected that bodies promoting amateur games and sport will be affected by the proposals we would still like to take the opportunity to make a submission that this income tax exemption should remain as is.

### **The Economic and Social Value of Grassroots Rugby Clubs**

Rugby is not just a sport in New Zealand — it is part of our national identity and contributes significantly to the economy and society. As one of the more than 470 grassroots rugby clubs in New Zealand, we play a crucial role in fostering community engagement, social connection, and personal development.

Our club, like many others across the country, provides a space where individuals of all ages and backgrounds can come together, engage in physical activity, contribute to their local community and form lifelong friendships and support networks.

Beyond playing rugby, we connect many cultures, and conduct a variety of leadership and developmental programs. Across the club we actively fundraise to subsidise children from low-income or families who are doing it tough”, subscriptions and rugby festival fees. Our Nomads team organised and led a fundraising project that raised over \$115,000 for the I am Hope Foundation to assist with

funding mental health support. These activities bring communities together and generate economic activity for local businesses throughout the year, not just on game day.

Rugby clubs are also at the forefront of addressing important societal issues in our communities. We are home to over 500 primary school children who play rugby and participate in many community initiatives. Most recently The Crusaders *Crusade With Heart "The Long Run"*. We were the first Smoke Free rugby club in New Zealand and have been so for over 30 years. We have been proudly and actively connected to Rehua Marae for over 70 years. We have positive/supportive relationships with our local Polynesian community and support young men and women from a wide variety of countries from across the Pacific and beyond each year to experience New Zealand rugby and culture.

### **The Importance of Retaining the Income Tax Exemption for Amateur Sport**

The current income tax exemption for bodies promoting amateur games and sport ensures that we can remain financially viable. Removing this exemption or imposing income tax on our membership fees would:

- significantly reduce the funding available for clubs to provide community programs, purchase equipment, maintain facilities, and support player development.
- create an administrative burden for us as a volunteer-run organisation, diverting time and resources away from our core activities; and
- lead to increased costs for participants, which could disproportionately impact those from lower-income backgrounds and reduce youth participation in rugby especially in the current cost of living crisis.

Preserving the current income tax exemptions is essential for sustaining the economic and social benefits they provide. The Christchurch Football Club remains committed to enriching our community, and we urge the Government to consider the profound implications that changes to tax exemptions would have on grassroots organisations like ours.

Grassroots rugby is a cornerstone of New Zealand's social and economic fabric, and its contribution must be recognised and protected in any tax policy changes.

Ngā mihi,

s 9(2)(a)



Mark Arneil

Chairman

Christchurch Football Club Incorporated

s 9(2)(a)

Once completed, submissions can be emailed to: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz) with the subject line "Taxation and the not-for-profit sector".

### **"Taxation and the not-for-profit sector".**

**Submission name:** Michael Healy, with the support of the Finance & Pastoral Council Committees of the Opihi Catholic Parish Temuka- **parish does:** provides Masses for the community, visit the sick, contributions to the community, combine with other denominations to support the community, help the poorer community, Food Bank support, education, St Vincent de Paul & op shop. **Opinion:** Do not support changes to the income tax exemption for non-profit organization or charities. **In the event:** That changes are made then there will have to be de-minimis for small parishes. **Tax obligation:** would not be sustainable. **Compliance:** would affect the output of charity to the community and fall on national bodies. **Business income stream:** with all income distributed to the community would be great, generally not for profit other than running costs. Must be ways to auditing this.

Questions for submitters **Q1.** What are the most compelling reasons to tax, or not to tax, charity business income? Do the factors described in 2.13 and 2.14 warrant taxing charity business income? **A1.** Audit large enterprises. The funds need to be directed toward charity. Disclose \$ amounts & charities supported. Those charity receiving should be transparent in their activity.

Question for submitters **Q2.** If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications? **A2.** They could cease to operate and the charity that was being supportive could fall back on to taxpayer.

Question for submitters **Q3.** If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business? **A3.** Size of operation. It should be seen that the business is giving more to charity than it is keeping for profit. What is the profit then used for? Who is? what individuals? are earning largely from profit.

Question for submitters **Q4.** If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities? **A4.** Total exemption status quo for small & scale business activities..

Question for submitters **Q5.** If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that charity business income distributed for charitable purposes should remain tax exempt? If so, what is the most effective way to achieve this? If not, why not? **A5.** Yes, produce an annual report to the charities commission. Transparency what come in & what goes out.

Question for submitters **Q6.** If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what policy settings or issues not already mentioned in this paper do you think should be considered? **A6.** Who or where is the income going to and is that appropriate.

Question for submitters **Q7.** Should New Zealand make a distinction between donor-controlled charities and other charitable organisations for tax purposes? If so, what criteria should define a donor-controlled charity? If not, why not? **A7** No. donor-controlled charities contribution add to the overall charity contributions.

Question for submitters **Q8.** Should investment restrictions be introduced for donor-controlled charities for tax purposes, to address the risk of tax abuse? If so, what restrictions would be appropriate? If not, why not? **A8.** No still contributing to charity which otherwise wouldn't be.

Question for submitters **Q9.** Should donor-controlled charities be required to make a minimum distribution each year? If so, what should the minimum distribution rate be and what exceptions, if any, should there be for the annual minimum distribution? If not, why not? **A9.** Yes. Should be a % but not absorbent. It is all extra charity funds we never hear where fund turn up from to support the needy.

Questions for submitters **Q10.** What policy changes, if any, should be considered to reduce the impact of the Commissioner's updated view on NFPs, particularly smaller NFPs? For example: Increasing and/or redesigning the current \$1,000 deduction to remove small scale NFPs from the tax system, modifying the income tax return filing requirements for NFPs, and modifying the resident withholding tax exemption rules for NFPs. **Q11.** What are the implications of removing the current tax concessions for friendly societies and credit unions? **A10.** Unqualified to give an opinion.

Question for submitters **Q12.** What are the likely implications if the following exemptions are removed or significantly reduced: local and regional promotional body income tax exemption, herd improvement bodies income tax exemption, veterinary service body income tax exemption, bodies promoting scientific or industrial research income tax exemption, and non-resident charity tax exemption? **A12** The better local & regional bodies do, the better off everyone is.

Question for submitters **Q13.** If the compliance costs are reduced following the current review of FBT settings, what are the likely implications of removing or reducing the exemption for charities? **A13.** Probably would cost more than small charity entities could handle.

Question for submitters **Q14.** What are your views on extending the FENZ simplification as an option for all NFPs? Do you have any other suggestions on how to reduce tax compliance costs for volunteers? **A14.** No. Leave as is. There is hidden individual costs on volunteers as it is.

Question for submitters **Q15.** What are your views on the DTC regulatory stewardship review findings and policy initiatives proposed? Do you have any other suggestions on how to improve the current donation tax concession rules? **A15.** Good enough as is. Need incentive for donors.



**Submission on Proposed Changes to Charitable Tax Policy**  
**From: RISE Living Safe**  
**Date: March 2025**

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## **1. Introduction**

RISE Living Safe is a registered charity working to break the cycle of family violence across Te Taihupo and the West Coast. For over 35 years, we've provided life-changing support, education and therapeutic services to whānau affected by violence. Our programmes help build safer homes and communities, with services ranging from non-violence and safety programmes to kaupapa for tamariki and restorative family support.

Our work is grounded in Te Tiriti o Waitangi and informed by Te Aorerekura, New Zealand's National Strategy to eliminate family and sexual violence. We partner with central and local government, iwi, and community funders to deliver services that directly reduce harm and transform lives.

In the 2023-24 year alone, we supported over 1,500 clients through intensive, trauma-informed services — all while growing our impact nationally through training, partnerships and a focus on innovation and sustainability.

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## **2. Why We Oppose the Proposed Changes**

We strongly oppose the IRD's proposed tax changes for charities, particularly those that would restrict tax-exempt income or limit the ability of charitable organisations to retain surpluses or reinvest into service innovation.

We endorse the concerns raised by legal experts and sector commentators:

- The proposed rules could **undermine charitable autonomy**, especially around trading income and accumulated surpluses. For RISE, these are vital for long-term planning, innovation, and resilience.
  - **Smaller and regional charities**, like RISE, may be disproportionately impacted, despite providing essential frontline services that government contracts alone do not fully fund.
  - **Social enterprises and hybrid models** — like RISE's growing prevention and training mahi — risk falling through the cracks under narrow definitions of charitable activity.
  - Experts warn that this approach risks "clipping the wings" of the very organisations best placed to deliver complex, wraparound care.
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Level 3, 295 Trafalgar Street, Nelson  
Tel: 03 548 3850

15b Courtney Street, Motueka  
(site of Jack Inglis Care Home)  
Tel: 03 528 8976

[www.rise.net.nz](http://www.rise.net.nz)

### 3. RISE's Specific Concerns & Potential Impacts

#### ◆ **Diverse Funding is Essential**

In FY2024, RISE earned \$1.95M through service delivery and grew philanthropic income to \$112k. We are actively working to diversify revenue streams to reduce reliance on government funding — a goal aligned with IRD and Treasury's own long-term interests. Restrictions on what qualifies as "charitable income" could threaten:

- Our expanding partnerships in prevention, workplace education and community training.
- Our ability to respond to unmet need (e.g. self-referred men's programmes funded by lotteries and community grants).
- Our long-term sustainability through retained surpluses and impact-led investment.

#### ◆ **Impact Beyond Contracts**

Our services consistently exceed government benchmarks — with a 76% completion rate for our Non-Violence Programme (vs. 70% national target), and 86% of participants reporting reduced or eliminated violence after attending.

This is high-impact, public-good work that would be **harder to deliver** if future surpluses were taxed or limited in use.

#### ◆ **Investment in Innovation and Growth**

We recently hired an Impact Measurement Lead and co-developed a bespoke outcomes framework with The Ākina Foundation — a step toward building a **social enterprise model** and securing more diversified funding.

This work enables us to:

- Better prove and improve our impact.
- Compete for large-scale partnerships (e.g. ACC prevention work).
- Future-proof our core services amid rising demand.

If the IRD changes pass, they could penalise exactly this kind of innovation.

#### ◆ **Losses That Cannot Be Measured**

What we stand to lose isn't just financial — it's **the ability to serve**.

Stories like **s 9(2)(a)**, a mum struggling with postnatal rage, or **s**, a father on the edge of losing his family, show the life-changing, intergenerational impact of RISE's work. These are not services the market can or will provide. But they are services we can scale — if we are allowed to operate with financial flexibility and reinvest in our future.

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### 4. Conclusion and Recommendation

We urge IRD to **pause and reconsider** the proposed taxation changes. Instead of narrowing the charitable landscape, New Zealand should be strengthening and enabling it.

We call for:

- A full **impact assessment** of how the changes would affect small and regional charities.
- An **exemption or safe harbour** for organisations delivering contracted social services or proven public benefit outcomes.
- A **charity-led consultation process** to ensure future tax settings are fit for purpose, equitable and enduring.

Charities like RISE are essential partners to government — not tax risks to be managed. We ask IRD to protect the integrity, flexibility and financial sustainability of the charitable sector, so we can continue to help people live safe, resilient lives.

Ngā mihi nui,

**IS Living Safe**

[www.rise.org.nz](http://www.rise.org.nz)

Contact: Dee Cresswell, General Managers s 9(2)(a)

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s 9(2)(a)



Dee Cresswell  
General Manager



# **Submission**

## **on the Taxation and the**

### **Not-for-Profit Sector Consultation**

**Submitted to:** Inland Revenue Department, New Zealand  
Via email at: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

**Submitted by:** Independent Living Service Trust t/a Independent Living  
Charitable Trust  
[www.ilsnz.org](http://www.ilsnz.org)  
Postal address: PO Box 24042, Royal Oak, Auckland 1345

31 March 2025

## 1. Introduction

**Organisation Name:** Independent Living Service Trust t/a Independent Living Charitable Trust

**Legal Status:** Charitable Trust CC51568

**Primary Charitable Purpose:** We exist to improve equity and access for disabled people, those living with an impairment and their families/whānau and support networks. Founded in 1981, we have been working with communities across New Zealand for over forty years.

### **How we achieve our purpose and objects:**

We are partially funded by government to provide disability information and advisory services across the Auckland region, Franklin to Rodney. We also manage a collective of fourteen not for profit organisations that provide disability information services to the government.

We specialise in providing access to assistive technology throughout New Zealand via information provision and our own dedicated assistive technology stores (disability equipment), procuring assistive technology from overseas and supplying to the Government Procurement Agencies that supply directly to Government and ACC for disability funded equipment by way of tenders.

This assistive technology includes items that make daily living easier for those with disabilities and impairments such as: transit and self-propelled wheelchairs, walkers, mobility scooters, crutches, commodes, shower chairs and stools, toilet frames and raised toilet seats, bath boards, specialist beds and small aids.

**Contact Person:** Karen Beard-Greer, CEO

**Contact Email:** s 9(2)(a)

## **2. Summary Views**

We are very concerned with the proposals contained in the Officials Issues Paper as they appear to indicate a reduction of Government support of the charitable sector.

We believe that New Zealand needs a strong, healthy and sustainable charitable sector of organisations able to address needs close to their communities and ideally involving their communities in the solutions.

If proposed changes in taxation concessions are introduced into the sector, it will be significantly weakened and compromised. This will have unintended consequences for the Government as it will transfer both the direct cost and the delivery burden of addressing charitable needs directly onto Government. We would suggest that the cost of this will far outweigh any perceived gain through tax changes.

Many charities such as ours will simply not be able to sustain ongoing losses incurred by the additional tax burden and cost of compliance. This will very quickly deplete our modest reserves and our ability to serve the range of communities we do, not only in Auckland but across New Zealand.

## **3. Charity Background & Context**

In 1979 Crippled Children's Society (now CCS Disability Action), collaborated with Rotary to fundraise for a purpose-built building to support disabled people in the Auckland region. The land was gifted to CCS and in 1980, the fundraising with Rotary saw the soil being turned and the Independent Living Centre Incorporated being opened in 1981.

Independent Living was the first organisation in New Zealand to employ a Disability Information Advisor who was recruited from the United Kingdom to fill the role. In the 1990s Independent Living held the contract for the Central City Needs Assessment and Coordination Service (NASC) for Disabled People. This was how the Government assessed and allocated funding to Disabled People in the central Auckland region.

In the early 2000's our NASC service was disbanded (one of four across Auckland) to make way for the new super city NASC, Taikura which still exists today. Throughout this time Independent Living held Disability Information and Advisory Service (DIAS) contracts with Government. We still hold DIAS contracts in 2025. We are renowned for being a trusted and proven community hub in Auckland for disabled people, those with impairments, their family/whanau and carers.

We have grown our organisation significantly over the past fifteen years in response to the needs within our Auckland and New Zealand communities.

## Our Why

**Our Mission** To make daily living easier

**Our Vision** To inspire and enable more people across Aotearoa New Zealand to live the life they choose, as independently as possible.

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## Our What

### Our Objects

1. To provide information, advice and services to facilitate the inclusion of disabled and aging people in their community, including extending this to their families/whānau and support networks.
2. To provide information, advice and services to facilitate the autonomy of those in the ageing population, including extending this to their families/whānau and support networks.
3. Led by community insight, to investigate, test, develop and distribute assistive products and services, that improve the lives of disabled people, those in the ageing population and their families/whānau and support networks.
4. To measure, benchmark, and through these empower thought leadership that provides greater understanding of our impact on the lives of disabled people and those in the ageing population, including working with other organisations and individuals in relevant ecosystems.
5. To build diverse partnerships that enhance our mission and impact, in recognition of the breadth of experience and evolving role that disability and ageing brings to our society
6. As part of our [mission](#) we strive to meaningfully integrate Te Tiriti o Waitangi and the UNCRPD (United Nations Convention on the Rights of People with disabilities)

Our revenue is derived from a range of services that we rely on for our financial sustainability as what we are funded through Government contracts simply is not enough and varies from 10-20% of our operating costs. Our revenue streams include:

- Disability Information and Advisory Service Contracts
- Three Assistive Technology Stores (Disability Equipment) in Auckland
- An online Assistive Technology Store
- Procurement of Assistive Technology for Government Agencies to provide to those disabled people who are funded by the Government.
- Small amounts of consulting revenue
- Occasional grants
- Small amount of interest income

Our greatest expenditures are labour, operational leases and running costs.

Many of our team have lived experience of disability, therefore what we do and how we do things has deep and personal meaning to us. We are committed to finding solutions to enable people to live a great life, be that navigating the health and disability sector or finding the right equipment to keep safe and as independent as possible.

We are innovative and agile and have grown and adapted our organisation over the years to be as sustainable as possible by creating additional revenue streams that sit perfectly within the objects of our Trust Deed.

We have however experienced continual swings in surplus and deficit over the years due to the highly volatile nature of our sector, lack of adequate funding and the financial impacts that are experienced by people we serve within our communities – such as Covid 19 and the struggling economy since then. Financial sustainability remains a constant pressure and challenge for us to be able to provide our community with the services it needs.

### **3. Responses to Specific Questions**

In this section we have addressed only the Issues Paper questions which we believe would directly impact our organisation.

#### ***Chapter 2: Charities business income tax exemption***

***Q1. What are the most compelling reasons to tax, or not to tax, charity business income? Do the factors described in 2.13 and 2.14 warrant taxing charity business income?***

- Taxing charity business income will compromise our sustainability given we only make small surpluses in our profitable years. We do not believe in this current economic environment there is room for more charities to compete for donations and the charity of others.
- Increasing our compliance costs requiring preparation of tax returns will increase our operating costs which are already disproportionate to revenue received for serving our communities.
- We believe taxing charitable entities will have unintended consequences and shift the burden to the Government as charities cannot afford to exist.
- We do not understand the policy logic of taxing active business income but not passive income from investments etc?
- 2.13 and 2.14;
  - We already struggle being financially sustainable without the extra compliance cost of preparing a tax return on income.
  - Unlike a for-profit trading business, we cannot offset any losses we incur against anything.
  - Due to our charitable trust status, we are disadvantaged in seeking outside capital as cannot offer equity or to share in any profits, and banks don't see us as favourably as a for-profit trading entity over which they can generally secure more collateral for their funding.

- As a Charitable Trust who imports disability equipment, we are not able to hedge funds, we cannot borrow from the bank as for-profit businesses do. Everything is funded by cash and our reserves, how is that equitable?
- With our operating model there is no threat of us ever accumulating capital. Any small surpluses are invested back into our communities.

***Q2. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?***

- We would have operating tax losses year on year as we simply do not make enough money to pay tax. These losses would increase if additional compliance was introduced.
- If we are to pay tax, we would then have to evaluate how we pay our staff. Our salaries are lower than those for similar roles in commercial entities. If we were to pay tax – similar to commercial entities – then we would be competing for talent with the for-profit marketplace. In addition, we would then be expected to pay our volunteer Board of Trustees market quanta for their expertise. These will all disproportionately increase our operating losses.

***Q3. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business?***

- Currently we believe all our revenue is derived from related business income as it complies with the objects of our Trust Deed.
- How these distinctions are made seems to be counterintuitive to the advantages of our New Zealand tax system which is renowned for its simplicity globally.
- We believe this is extremely problematic. How will defining this effect communities across New Zealand as services are simply lost with no one to fill the gaps as Government can't afford to fund it? For profit businesses will not step in if it doesn't make fiscal sense regardless.

***Q4. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?***

- Very hard to answer, if Independent Living does not fit under the appropriate threshold exemption for small-scale business activities we would have to question if we can continue to exist in our current form.

**Q5. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that charity business income distributed for charitable purposes should remain tax exempt? If so, what is the most effective way to achieve this? If not, why not?**

- Yes, we do agree that charity business income distributed for charitable purposes should remain tax exempt.
- Uncertain as to the most effective way to achieve this.

**Q6. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what policy settings or issues not already mentioned in this paper do you think should be considered?**

This change will drive up compliance costs for both the Government and charities, ultimately reducing the funds available for charitable activities. We would need to invest additional effort into accurately claiming our business costs in any income tax return.

This would likely include:

- Placing greater emphasis on the valuation of donated goods and pro bono or semi pro bono services as input expenses to ensure we claim the maximum possible expenditure in our tax returns.
- Conducting a thorough review of accounting estimates, such as depreciation rates, to guarantee we are claiming the highest allowable deductions for tax purposes.

We anticipate that these actions would reduce any taxable surplus. Furthermore, there currently exists an imbalance in the transparency requirements between charities and for-profit businesses, as charities are subjected to a higher level of public transparency. Failing to address this discrepancy puts charities like ours at an unfair competitive disadvantage compared to for-profit businesses.

**Q13. If the compliance costs are reduced following the current review of FBT settings, what are the likely implications of removing or reducing the exemption for charities?**

- We do utilise the FBT exemption within our Charitable Trust, it forms an important strategy in being able to recruit and retain the right calibre of senior staff members that we could not otherwise attract as we are not able to pay for profit market rates. We would be significantly disadvantaged if this was removed.
- If the FBT exemption is removed, then it creates more compliance cost for charities offering benefits and hence reducing funds available for charitable purposes.

**Q15. What are your views on the DTC regulatory stewardship review findings and policy initiatives proposed? Do you have any other suggestions on how to improve the current donation tax concession rules?**

- The DTCs do not really feature in our Charity enough to form a firm view. However, the suggestions seem to make sense, and we support initiatives that may improve the system to assist in more donations being made to charities.

#### **4. General Observations**

We also make the following general observations:

1. Charities currently have a much higher level of legislated requirements for transparency than the majority of for-profit businesses. This puts a charity running a business at a competitive disadvantage compared to for-profit businesses who don't have any legislated public transparency obligations.
2. If there are a small number of Charities that are abusing the system in its current form, why has this not been addressed more appropriately via Charities law and regulation by the Charities regulator?
3. The Independent Living Board of Trustees and CEO are very concerned as to the cost and potential adverse implications of unintended consequences from proposed taxation rules, especially if they are used in an attempt to address a small number of concerns of abuse of charitable status.
4. An entity should be assessed as charitable or not using the Charities Act/Charities Law, not using tax rule changes.

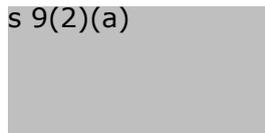
#### **4. Conclusion**

We appreciate the opportunity to contribute to this consultation. While we acknowledge the need for fair tax policies, we urge the Government to carefully consider the potential unintended consequences on small charities and their ability to serve communities.

We are happy to discuss this submission further and provide additional input if needed.

**Signed by:**

Karen Beard-Greer  
s 9(2)(a)



CEO

Independent Living Charitable Trust

Paul Brown  
s 9(2)(a)



Chairperson



## Community Waikato Submission on Taxation and the Non-Profit Sector

Community Waikato appreciates the opportunity to submit on the IRD Paper on Taxation and the Non-Profit Sector.

### **Background – Community Waikato**

1. Community Waikato is a charitable organisation that works to strengthen communities throughout the districts of the Waikato region. We do this through the provision of capacity and capability building services to enhance and strengthen the effectiveness of community organisations<sup>1</sup>. We provide support, mentoring, training, coordination, information, connections and advocacy for Maaori organisations, community groups and social service providers. We work face-to-face with Marae and community entities providing advice and information on core topics, including governance, management, planning, financial systems, legal entities, risk management and compliance. We also facilitate community conversations, support partnerships and collaborations and create resources to enable communities, charitable entities and kaupapa Maaori organisations to facilitate their own outcomes.

We submit as follows:

### **General Comments**

As an organisation that works closely with charities and not-for-profits (NFPs) across the region, we are deeply concerned about the potential impacts these changes will have on the sector. Below, we outline our key concerns and recommendations regarding the proposed changes.

#### **1. Overall Reduction in Support for the Sector**

The proposed changes represent a fundamental shift in the Government's recognition of the value of charities and the funding challenges they face, potentially reducing their ability to deliver essential services to communities. We are concerned that this sets a concerning precedent, opening the door to further reductions in support, which could undermine the sector's long-term viability. Charities provide significant public benefit, and any moves that weaken their financial sustainability ultimately shift costs back to the Government.

#### **2. Lack of Costings and Compliance Impact Assessment**

Community Waikato questions the purpose of this proposal. There is a complete absence of costings or estimates on how significant the perceived issues are, nor any meaningful analysis of the compliance costs that these changes would impose on charities. Given that this is framed as a measure to prevent abuse and protect revenue, a cost-benefit analysis is essential. Without evidence of the scale of the problem, the introduction of broad-brush tax changes risks imposing undue burden on thousands of charities for the sake of addressing the actions of a few.

#### **3. Unintended Consequences and Long-Term Impacts**

The proposed changes fail to address the broader implications on the financial sustainability and service delivery of charities, including:

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<sup>1</sup> "Community organisations" includes, for example: charitable trusts, incorporated societies, purpose-focused organisations, not-for-profits, marae, social services organisations, Maaori entities and community centres.



- **Financial self-sustainability:** Limiting charities' ability to earn business income makes it harder for them to reduce reliance on government funding, grants and donations, undermining long-term sustainability.
- **Impact on government services:** Reduced financial sustainability in the sector means more costs for services will need to be funded by the Government. A key policy question is whether the Government is prepared to fill this gap if charities are unable to.

#### 4. A Blanket Approach to a Targeted Issue

It appears that these changes are primarily aimed at a small number of charities that may be misusing tax concessions. While we support action against entities abusing charitable status, taking a blanket approach through taxation law rather than targeted enforcement under the Charities Act risks harming the entire sector. A more proportionate response would be to strengthen oversight of specific cases rather than impose broad-based tax policy changes that will negatively impact thousands of legitimate charities. Another option would be to undertake a first principles review of the Charities Act to determine what constitutes a charitable purpose.

#### 5. Te Tiriti o Waitangi

Community Waikato considers the proposed charity tax changes risk breaching the principles of Te Tiriti o Waitangi by undermining tino rangatiratanga, failing to uphold the partnership principle, and neglecting the Crown's duty of active protection. Many Maaori charitable entities engage in business activities to generate income that directly supports their communities, and taxing this income would reduce their financial autonomy and ability to self-determine their development. The lack of meaningful consultation with Maaori organisations in shaping these reforms disregards the Treaty's partnership obligations, resulting in policy that fails to consider the unique structures and needs of Maaori charities. Furthermore, increasing the tax burden on these entities contradicts the Government's responsibility to actively protect Maaori interests. Community Waikato calls for an urgent review of the proposed changes, ensuring that Maaori voices are heard, and their contributions to the charitable sector are protected. We recommend meaningful consultation with Maaori organisations and a thorough assessment of the impact on Maaori charitable entities to ensure that tax policies align with Te Tiriti o Waitangi obligations and do not disadvantage Maaori communities.

#### 6. Corporate Tax

The Government's flag that they may reduce the corporate tax rate while considering a tax on charities' unrelated business income raises concerns. Lowering corporate taxes boosts business profits but reduces public service funding. Meanwhile, taxing charities would cut essential services, increase compliance costs, and strain limited resources—without offsetting lost corporate tax revenue. While businesses are vital to the economy, they should not take priority over community services already at risk due to funding changes.

#### 7. Broader Conceptual Concerns

New Zealand has a highly effective charity sector, with 4% of New Zealanders employed in charities and 1.4 million hours of volunteer work contributed each week. Charities are widely recognised for their public benefit, cost-effectiveness, and ability to deliver services more efficiently than government agencies.

Taxation policy should not be used as a blunt instrument to regulate charities. If the concern is about potential tax abuse, the appropriate response is to:

1. Clearly quantify the scale of the issue – How many entities? How much revenue is at stake?
2. Address specific cases through targeted regulatory enforcement rather than imposing sector-wide tax burdens.
3. Determine if charitable status is appropriate through a first principles review of the Charities Act.

The reality is that most charities operate on extremely tight budgets and rely on a mix of funding sources, including donations, grants, government contracts, investment income, and business activities. Limiting their



ability to generate sustainable income could result in Increased financial instability in the sector, higher compliance costs reducing resources for frontline services and a reduced ability for charities to meet social needs, leading to increased pressure on government services.

## **8. Recommendations**

Community Waikato urges the Government to:

- Engage directly with the charity sector to understand real-world impacts before implementing changes.
- Conduct a full cost-benefit analysis of the proposed changes before proceeding.
- Ensure any policy changes are evidence-based, targeted, and proportionate to the scale of the issue.
- Consider alternative approaches, such as increased oversight and targeted regulation of entities suspected of misusing tax concessions.
- Engage in meaningful consultation with Maaori organisations and conduct a thorough impact assessment to ensure the proposed changes align with Te Tiriti o Waitangi obligations.
- Recognise the essential role charities play in delivering cost-effective services and ensure that policy settings support, rather than hinder, their sustainability.

## **Conclusion**

Community Waikato strongly advocates for policies that support the long-term sustainability of the charitable sector. While we acknowledge the need for oversight and accountability, broad-based tax changes risk causing significant harm to thousands of legitimate charities that serve our communities. We urge the Government to take a more considered and evidence-based approach to addressing concerns about tax abuse, rather than imposing additional compliance burdens on an already resource-constrained sector.

Thank you for the opportunity to submit on this important issue. We welcome further discussions on how best to support a thriving and sustainable charitable sector in New Zealand.

Sincerely,

s 9(2)(a)



Holly Snape

Chief Executive

Community Waikato

s 9(2)(a)





27 March 2025

Taxation and the Not for Profit Sector  
c/- Deputy Commissioner – Policy  
Inland Revenue Department  
WELLINGTON

Via email: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

Koata Limited is the Asset Holding Company owned 100% by Ngāti Koata Trust on behalf of the uri of Ngāti Koata. It was established to hold the settlement assets received by Ngāti Koata from the Crown in 2012. The intent of Koata Limited is to hold and grow these assets on behalf of the people of Ngāti Koata for historical redress, cultural revitalisation and improving the wellbeing of the people of Ngāti Koata.

Koata Limited manages these assets/investments and retains some of the net income for intergenerational reinvestment with the majority of the income distributed back to Ngāti Koata Trust for cultural revitalisation, environmental redevelopment and iwi development. Koata Limited makes some reinvestment into assets such as forestry trees on Koata owned whenua from income earned however most of our net cash surplus is distributed to Ngāti Koata Trust.

Koata Limited in is the business of managing, protecting and growing the settlement pūtea/commercial assets, albeit that most of the investments are passive in nature. These include investment in equity markets, horticultural assets, property assets, fishery and aquaculture assets and forestry assets. In some cases, some of the settlement assets are impaired by the restrictions imposed by the Crown, for example school lands, both as to use and normal commercial rental terms.

To tax charity business income for iwi/Māori asset holding companies will severely reduce the amount of the distribution that can be made back to the Trust, with the only purpose for the pūtea that is distributed back to iwi Trusts being for charitable purposes. Koata Limited is not in the business of manufacturing or providing services where it would have a competitive advantage over other tax paying competitors. Under Section 2.13 it is suggested that Iwi/Māori have a competitive advantage as they do not have tax compliance costs associated with their relative costs of doing business. However, due to the requirements imposed by other legislative areas Iwi/Māori have significant costs to meet high audit/financial standards

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reporting requirements. For example, the requirements under the Charities Act requires most iwi organisations to have an external audit and the costs of this and annual revaluations of assets to meet compliance requirements is significant.

Businesses should act in the best interests of the shareholder who receive the benefits of profits either directly by way of dividend or changes in share prices. All funds/distributions received by charitable organisations are destined for charitable purposes and not for individual gain.

The government has provided no evidence that by not taxing Charities, it gives those organisations any competitive advantage. Many iwi asset holding companies are not in direct business ventures and derive their income from passive investments. Taxing of this income will severely curtail the potential outcomes for iwi/Māori and the wider community. These consequences are not unexpected, they will reduce positive outcomes for iwi/Māori. The purpose of our commercial activities is to generate revenue for the charitable purposes of our shareholder (Ngāti Koata Trust) only.

**Q1. What are the most compelling reasons to tax, or not to tax, charity business income? Do the factors described in 2.13 and 2.14 warrant taxing charity business income?**

It is our view that the tax exemption for charitable business income is fundamental to the ability of iwi organisations, such as Ngāti Koata, to uphold their responsibilities to their people. For Ngāti Koata, this exemption ensures we can sustain and grow the economic foundations secured through our Treaty Settlement, via a charitable structure.

Unlike private businesses, our primary focus is not individual profit. Any revenue generated is reinvested into the long-term social, cultural, and economic prosperity of our iwi and community, either by direct reinvestment into commercial activity or by way of distribution to our Charitable Trust (Ngāti Koata Trust).

**Q2. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?**

Such a change would have a huge impact on Ngāti Koata Trust, both in the staff it employs and the outcomes for its people because of those staff reductions. The initiatives such as cultural revitalisation, environmental restoration of cultural land, and social development would be hugely impacted by the reduced distribution to the Trust and therefore reduced staff to support charitable activities. It would also reduce our ability to reinvest for the future and would have a detrimental impact on the cultural and social wellbeing of Ngāti Koata.

**Q3. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business?**

Iwi do not neatly fall into a conventional charity providing services to the wider public and they are not normal commercial entities. Our Asset Holding Company exists only to invest for

future generations charitable purposes and provide a distribution to today's generation charitable purposes. It is difficult to understand how a criteria would be applied in this circumstance as iwi would see the investment income from Asset Holding Companies to be entirely related to the charitable purposes of iwi and by extension the wider community.

**Q4. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?**

Business activities that stem from settlement assets for the losses suffered by Ngāti Koata and support iwi aspirations and reinvest in our people should remain tax-exempt. As previously stated, some of our assets provided in settlement are not able to be managed commercially as they are impaired under the settlement as to use and income i.e. Government leased land.

**Q5. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that charity business income distributed for charitable purposes should remain tax-exempt? If so, what is the most effective way to achieve this? If not, why not?**

It is essential that charitable business income distributed for charitable purposes remains tax-exempt. Iwi businesses exist to generate resources that improve outcomes for our community. Taxing this income would undermine the achievement of this purpose and the restorative objective of Treaty Settlements.

**Q6. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what policy settings or issues not already mentioned in this paper do you think should be considered?**

If taxation is introduced, safeguards must be in place to ensure iwi are not disadvantaged, as iwi commercial activities directly support the restoration of Māori wellbeing.

**Q7. Should New Zealand make a distinction between donor-controlled charities and other charitable organisations for tax purposes?**

Where organisations are clearly closely held and participating in a charitable regime for the benefit of those close persons, i.e. the donor-controlled entity as described, there is some good reason to review this issue however this should not apply to an iwi organisation which has thousands of members.

**Q8. Should investment restrictions be introduced for donor-controlled charities for tax purposes, to address the risk of tax abuse?**

We acknowledge the concerns around tax abuse in some areas, but we do not support blanket investment restrictions that could impact iwi organisations. Our investment strategies are designed to create long-term financial security to support our people/community, and any restrictions must take this into account.

**Q9. Should donor-controlled charities be required to make a minimum distribution each year?**

For iwi organisations, imposing a fixed annual distribution requirement would be difficult. Our investment approach is intergenerational, meaning some years we opt to reinvest a greater proportion of our profits to grow our assets (i.e. invest in trees for future generations), while in other years we distribute more funds for the benefit of our people/community. Flexibility is key to ensuring our economic sustainability and the intergenerational wellbeing of our people.

If distribution requirements are introduced, it is our view that iwi organisations should be exempt, as our structure Trust and Asset Holding Company are already designed to serve our people in a fair, equitable and accountable way.

In summary – the Ngāti Koata Group remain committed to delivering high quality economic, cultural, social and environmental outcomes for Ngāti Koata uri/community. To reduce the amount available for such charitable purposes by taxing our income from investment activities will have wide ranging negative implications and impact future generations. Settlement outcomes were agreed with the understanding that the income from those assets would be protected from taxation and available to restore past wrongs and Ngāti Koata opposes the introduction of taxation for Iwi/Māori Trusts and Asset Holding Companies.

s 9(2)(a)

Nāku noa, nā

**Hemi D Toia**

**Chief Executive**

**KOATA LIMITED**

M: s 9(2)(a)

4/126 Trafalgar Street, PO Box 1289, Nelson 7010

## **Submission on Taxation and the not-for profit sector**

**By Manukau Christian Charitable Trust** – written by Anthony Bracefield Trustee and Chartered Accountant.

### **Introduction**

Manukau Christian Charitable Trust is a religious Trust formed in 2002 with a special focus on providing Early Childhood Education. It currently operates 7 preschools, 5 in Auckland and 2 in Christchurch. Of the preschools in Auckland 4 operate in very low decile communities with a focus on supporting those who cannot afford to pay for Early Childhood Education. We report in Tier 2 of the Charities Act.

### **Executive Summary**

I have reviewed the IRD questions and do not believe there is any need for a change to the existing charitable taxation exemptions.

The Charities Commission has a robust system in which Charitable Status is reviewed before being granted so those who have charitable status are genuine organisations providing services for the good of New Zealanders.

There is already a high level of compliance required by the Charities Commission, so I do not believe there is any need for further regulations.

The Charities sector provide valuable services to the general public of New Zealand and should be encouraged to flourish with no further taxation, limitations or regulations.

### **Below are the responses to the detailed questions raised.**

#### **Q1. What are the most compelling reasons to tax, or not to tax, charity business income? Do the factors described in 2.13 and 2.14 warrant taxing charity business income?**

The most compelling reason not to tax charities is that they are doing a magnificent job providing services and supporting people to flourish in New Zealand – work the Government or Local Authorities would normally have to do if the charities were not providing the service.

Charities are very efficient operators because they rely so heavily on volunteers so they can do the work much cheaper than either a Government or commercial organisation as they are not motivated by profit but service.

The factors described in 2.13 and 2.14 are not significant to warrant taxing charity business income because any gain in these areas ( in my experience it is not a lot of gain as banks are more reluctant to lend to charities ) will only strengthen the work of the charity.

#### **Q2. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?**

That the charitable work will decrease because the business income is not distributed as profit but instead poured back into the charity to carry out its charitable purposes. Charities run businesses to provide another source of income (instead of donations) to support their charitable work.

#### **Q3. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business?**

As per my answer to question 2 I do not believe tax exemption should be removed.

**Q4. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?**

\$5 million in expenses – however I think this would not be effective because the very large charities will have the resources to maximise donations to their charitable organisations before any profit is made.

**Q5. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that charity business income distributed for charitable purposes should remain tax exempt? If so, what is the most effective way to achieve this? If not, why not?**

YES!! It should remain tax exempt because they are distributions for the good of the general public of New Zealand which is why we have the Charities Commission to ensure that Charities are valid.

**Q6. If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what policy settings or issues not already mentioned in this paper do you think should be considered? Chapter 3: Donor-controlled charities**

No further comment.

**Q7. Should New Zealand make a distinction between donor-controlled charities and other charitable organisations for tax purposes? If so, what criteria should define a donor-controlled charity? If not, why not?**

No comment as I do not have any knowledge on this.

**Q8. Should investment restrictions be introduced for donor-controlled charities for tax purposes, to address the risk of tax abuse? If so, what restrictions would be appropriate? If not, why not?**

No comment

**Q9. Should donor-controlled charities be required to make a minimum distribution each year? If so, what should the minimum distribution rate be and what exceptions, if any, should there be for the annual minimum distribution? If not, why not? Chapter 4: Integrity and simplification**

No comment

**Q10. What policy changes, if any, should be considered to reduce the impact of the Commissioner's updated view on NFPs, particularly smaller NFPs? For example: • increasing and/or redesigning the current \$1,000 deduction to remove small scale NFPs from the tax system, • modifying the income tax return filing requirements for NFPs, and • modifying the resident withholding tax exemption rules for NFPs.**

I think any changes to make it easier for small NFP's will be a great help. I would even raise the \$1,000 threshold to \$10,000 so exempt more small NFP.

**Q11. What are the implications of removing the current tax concessions for friendly societies and credit unions? Page 24 of 24 Income tax exemptions**

No comment as I do not have any knowledge on this.

**Q12. What are the likely implications if the following exemptions are removed or significantly reduced: • local and regional promotional body income tax exemption, • herd improvement bodies income tax exemption, • veterinary service body income tax exemption, • bodies promoting scientific or industrial research income tax exemption, and • non-resident charity tax exemption? FBT exemption**

I am not familiar with most of these organisations however in regard to FBT exemption I believe this should remain. The reason for this is that Charities are generally paying much lower wages than commercial counterparts and so the odd FBT benefit is only encouraging a person to work for the charity on a lower salary rate. This is an advantage of Charities to attract workers and we want well qualified workers in Charities so they operate efficiently.

All the removal of the FBT exemption would just create a whole lot of extra paperwork and compliance costs which would outweigh any extra revenue for the IR.

**Q13. If the compliance costs are reduced following the current review of FBT settings, what are the likely implications of removing or reducing the exemption for charities? Tax simplification**

As explained above I think the odd FBT benefit is helpful for Charities to attract staff that otherwise they would not be able to employ.

Q14. What are your views on extending the FENZ simplification as an option for all NFPs? Do you have any other suggestions on how to reduce tax compliance costs for volunteers?

Yes I agree to make simplification of Honoria payments is a good idea.

**Q15. What are your views on the DTC regulatory stewardship review findings and policy initiatives proposed? Do you have any other suggestions on how to improve the current donation tax concession rules**

I believe the DTC existing system is working well. Charities inform all their donors of the DTC system and those who chose to use it will be able to get the refund. The large number who are choosing not to use it provides the Government with additional funding (by not giving back the rebate) which will be more than all the changes recommended above.

So leave the whole system as is!!!

I am happy to be approached if you want further input – you can ring on s 9(2)(a)

God Bless

Anthony Bracefield

27 March 2025

Taxation and the not-for-profit  
sector C/- Deputy Commissioner,  
Policy Inland Revenue  
Department  
PO Box 2198  
Wellington 6140

By email: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

Tēnā koe

**Re: Taxation and the not-for-profit sector: submission by the Council for International Development / Kaunihera mo te Whakapakari Ao Whanui Incorporated**

**Introduction**

1. The Council for International Development / Kaunihera mo te Whakapakari Ao Whanui Incorporated (**CID**) is an incorporated society with charity status.
2. CID is the peak body and national umbrella agency for Aotearoa New Zealand's international NGOs and organisations working in international development and humanitarian response.
3. Representing its diverse membership, CID appreciates the opportunity to provide feedback on the Officials' Issues Paper on "Taxation and the not-for-profit sector" (**the Paper**).
4. CID acknowledges Inland Revenue's efforts to ensure the tax system's integrity and effectiveness, but has several concerns regarding the proposed changes and questions posed, as set out in this letter.

**CHAPTER 2: CHARITY BUSINESS INCOME TAX EXEMPTION – QUESTIONS 1 TO 6.**

5. In response to questions 1 to 6 of the Paper, CID recommends that the current broad tax exemption for charity business income is retained.
6. The rationale for CID's view is that many of the not-for-profits with which CID is involved, including international NGOs, undertake various fundraising activities to support their charitable work. Some of those activities are unrelated to their core mission or purpose, but it is necessary for them to raise sufficient funds to further that mission/purpose. Taxing unrelated business income could divert essential resources from charitable activities and increase administrative burdens, hindering charities' ability to serve their communities effectively. In the context of CID's membership, defining the notion of "unrelated" would be highly challenging, and likely to result in arbitrary distinctions that do not align with organisations' realities. Removing, or at least reducing, a way in which charities can achieve financial stability (rather than relying on other unpredictable and uncertain income streams) is likely to result in greater reliance on fundraising. CID foresees that this will lead to increased costs and competition in fundraising, which is likely to reduce income and capacity for not-for-profits to be charitable.
7. CID is concerned that any changes which increase the burden on charities or leave them unable to raise sufficient funds will hinder the positive impact that charities like CID's members can have in the sectors and areas they serve. The effect of this will be a marked reduction in the extent of the good charities can do in the communities they support.

8. CID perceives that the benefit of any tax revenue to be gained by removing the business income tax exemption will be outweighed by the negative effect on the sector if charities are unable to deliver on their charitable purposes due to increased administrative and financial constraints. The resulting effects on the financial security of the sector may well lead to many charities being unable to deliver their services and further their charitable purposes, some to the extent of being forced to close their doors. These consequences will leave gaps and unmet needs in the community, the burden of which the Government will be left to shoulder. CID queries whether the Government will be able to be more cost effective at providing equivalent services.
9. CID acknowledges the suggestion of continuing to provide an exemption for small-scale business activities (de minimis threshold). A de minimis threshold may lessen the significant effects felt by small charities, which will have some degree of benefit to the community. However a de minimis threshold will not aid the many medium to large charities which are fundamental to the charities sector in Aotearoa New Zealand.

### **CHAPTER 3: DONOR-CONTROLLED CHARITIES – QUESTIONS 7 TO 9.**

10. In response to questions 7 to 9 of the Paper, CID recommends that targeted anti-avoidance measures are implemented rather than broad regulations. CID does not support the idea of a general distinction between donor-controlled charities and other charitable organisations for tax purposes, but does support the idea of specific anti-avoidance rules aimed at preventing the tax avoidance issues that arise in the context of donor-controlled charities.
11. While CID supports measures to prevent tax avoidance, CID is concerned about changes such as a minimum distribution rule which are likely to negatively affect legitimate donor-charity relationships and the availability of another source of funding for charitable organisations. Clear guidelines and targeted rules would address concerns around tax avoidance without imposing unnecessary restrictions on genuine philanthropic endeavours which are an essential element in the charity sector.

### **CHAPTER 4: INTEGRITY AND SIMPLIFICATION – QUESTIONS 10 TO 15.**

#### *Questions 10 to 12*

12. In response to questions 10 to 12 of the Paper, CID recommends that comprehensive impact assessments are conducted before any specific tax exemptions are altered.
13. CID refers to paragraphs 4.4 to 4.8 of the Paper, relating to mutual associations. As an incorporated society, CID is concerned that further changes to tax settings affecting some 9,000 not-for-profits are proposed in the Commissioner's draft operational statement but that is unavailable for consideration at the same time as the Paper. Like many not-for-profits, CID and some of its members may well be impacted by the Commissioner's updated view but cannot fully consider a response to the Paper without adequate information about all the circumstances that may apply.
14. CID considers that changes to existing exemptions could disrupt the operations of organisations serving niche but vital roles. Thorough assessments will ensure that any modifications do not negatively impact the not-for-profit sector's ability to contribute to societal wellbeing. The questions posed in the Paper and the tight timeframe for response do not allow for Inland Revenue to conduct a comprehensive assessment of the impact of proposed changes on the wide and varied not-for-profit sector. CID is also concerned that not-for-profits which would be directly impacted by changes to the specific tax exemptions referred to in the Paper may not be aware of, or have capacity to engage with, the Paper by the 31 March deadline.

#### *Question 13*

15. In response to question 13, CID recommends that the FBT exemption for charities is retained.

16. Even if compliance costs are reduced, the current FBT exemption enables charities to provide necessary benefits to employees without incurring additional tax liabilities. Removing this exemption could strain financial resources and affect staff retention, ultimately reducing the sector's capacity to deliver services.

*Questions 14 and 15*

17. In response to questions 14, CID recommends that Inland Revenue collaborates and meaningfully engages with the not-for-profit sector to identify and implement simplification measures. The tight timeframe for submissions on the Paper, which falls at the end of many organisations' financial year, does not allow for sufficient collaboration or engagement to occur. As above at paragraph 14, CID is concerned that the responses Inland Revenue receives by 31 March may only reflect the views of those organisations with the time, and resources, to respond, rather than all those who will be affected.
18. In response to question 15, CID is supportive in principle of increasing awareness of and updating the DTC regime. However, while CID considers that simplifying tax obligations for donors and volunteers could enhance community engagement and support for charities, it is concerned about any changes which will result in an increased burden on charities. In CID's view, proposals such as delinking DTCs from income tax and requiring charities to provide data directly to Inland Revenue to pre-fill DTC claims will place a greater administrative responsibility on charities which are already stretched. CID is concerned that this is not a realistic way of achieving an increase in DTC awareness or uptake.
19. CID would welcome the opportunity to work with Inland Revenue to develop practical solutions that encourage giving and volunteering.

**CONCLUSION**

20. While CID understands the need for regular reviews of tax policies to ensure their effectiveness, we urge Inland Revenue to consider the unique nature of the not-for-profit sector. Any changes should aim to support and not hinder the valuable contributions that not-for-profit entities, including the international NGOs and charities represented by CID, make to society.
21. If you have any questions or would like to discuss CID's submission in more detail, please contact the writer. CID would be willing to speak to its submission or any of the points arising.

Kind regards

s 9(2)(a)



Peter Rudd

Executive Director

---

**Kia Ora,**

My name is Rosanna Alefaio, and I work with The Salvation Army at Divisional Headquarters for 1 year, 9 months, prior I have worked (all together) with Salvation Army for over 15 years. I'm writing to share my thoughts on the proposed tax changes affecting charities and not-for-profits.

At our centre, we support the staff who walk alongside people going through tough times — whether that's needing food, help with bills, finding housing, or just someone to talk to. A lot of this work is supported by the income we receive through our Family Store or fundraising. As a Practice Manager, I provide hands on, sometimes frontline support to social work, housing and welfare teams, in addition to training and support.

In the past our Transitional Housing has supported many families into long term sustainable housing. I have worked with vulnerable families in social work, who have made amazing changes in their lives. Our service has made a difference to many children who did not have somewhere to live, or their parents were struggling without any support. When asked recently one of our clients, who were her family/ friend supports, she said the Salvation Army – 'you guys', she has been supported through social work program and considered us her support system. This is vital for families, and although they do sometimes have their own supports, it does help to have a social worker to guide them to connect better to their support system and refer to services that can help the whole family. Salvation Army in the larger centers, has a wraparound support service, that can help with housing, parenting course, food, financial mentoring and more (just one example), they do this without a lot of funding and often rely on people volunteering. I have done some time volunteering with Salvation army also.

If the Government starts taxing this income or making the admin more difficult, it will take away time, money, and energy we'd rather be spending on the people who need us. We already work with limited resources — we don't want to spend more of it on red tape.

Please keep these kinds of charities tax-free where the money is clearly being used for good. We're not here to make profit — we're here to make a difference.

I'm happy to talk more if needed.

Ngā mihi,  
Rosanna Alefaio  
Practice Manager  
s 9(2)(a)



s 9(2)(a)

**From:** Josh Bollen s 9(2)(a)  
**Sent:** Thursday, 27 March 2025 10:30 am  
**To:** Policy Webmaster  
**Subject:** Taxation and the not-for-profit sector

**External Email CAUTION:** Please take **CARE** when opening any links or attachments.

Kia ora,

In relation to Q1.

As an employee of a not for profit organisation I am emailing to submit my opposition to the taxation of not for profit organisations.

I applied for my role at The Salvation Army so that I could work for an organisation that puts everything it possibly can back into helping our communities. I have been amazed at the stories that I hear constantly about how we help so many people find hope and the will to continue through our services. If this taxation comes into place, it will have a huge effect on the number of people we can help, it will mean less people fed, less people housed, less people receiving mental health support, less help with prisoners being reintegrated back into society, the list continues. All of these people will instead be turning to government funded departments for help. Will the tax earned cover the required increase of labour hours to provide the services, the housing needs, the food needs, the mental help needs, the reintegration needs...

Ngā mihi,

Josh Bollen – Family Store Area Manager

**Taranaki Family Stores**

PO Box 384 | New Plymouth | 4340

s 9(2)(a)



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Kia Ora,

My name is Alana LePine, and I serve as the Territorial Children's and Youth Secretary with The Salvation Army in Aotearoa New Zealand. I'm writing to share my thoughts on the proposed tax changes affecting charities and not-for-profits.

At The Salvation Army, we walk alongside children and youth facing incredibly challenging circumstances. Much of this vital work is supported by the income we receive through our Family Store or fundraising efforts.

One rangatahi we assisted started in our in school Aspire programme, grew into a junior leader, completed school and went on to train as a youth worker, and is now serving rangatahi in their own community as a youth worker and teacher aide! This was not something he saw as a possibility as his family had never completed school, or any tertiary study and had always been in factory jobs. This kind of support is only possible because of the resources we have, including the money our store earns and generous donations we receive from the public.

If the Government starts taxing this income or increasing administrative burdens, it will take away time, money, and energy that we'd rather spend on the children and youth who need our help. We already work with limited resources — we don't want to spend more of it on red tape.

Please keep these kinds of charities tax-free where the money is clearly being used for good. We're not here to make a profit — we're here to make a difference in the lives of children and youth across Aotearoa New Zealand.

I'm happy to discuss this further if needed.

Ngā mihi,

Alana LePine

Territorial Children's and Youth Secretary

s 9(2)(a)

**From:** Kay Worth s 9(2)(a)  
**Sent:** Thursday, 27 March 2025 10:55 am  
**To:** Policy Webmaster  
**Subject:** FW: Taxation and the not-for-profit sector

**External Email CAUTION:** Please take **CARE** when opening any links or attachments.

Hi there

At The Salvation Army our mission is caring for people transforming lives in order to reform society – who would not want to align with those values?

I have worked for other wonderful Charities, Red Cross and St John, but The Salvation Army surpasses both of these in their kindness. Their genuine caring. The selflessness and the way they step up when required, with a smile on their face.

At our centre we offer SO MUCH to our many different people who cross our paths. We have NO money – we are not generating enough income to sustain our services at present. A lot of the services, the caring, the support, are not provided by the government – the government refer to us (and other agencies) to provide what they cannot.

If we lost our tax break or whatever you call it

Jobs would be lost

Homelessness would increase

MSD would be inundated with people desperate. Perhaps MSD front line staff would suffer violence from the frustrated perhaps – all I see is a domino effect of disaster to our already marginalised people and then increase in disaster to GOVT front line staff who cant provide the support and care that we do.

You would have so many more unemployed to deal with as agencies closed, the hurt the broken would become your problem not ours.

I see so many success stories, people coming from the Bridge (Addiction) coming to our recovery church, getting emergency housing and then with our wrap around support they get WORK!!!

Whilst addictions is government funded – if we did not run the recovery church and keep them supported a lot more would fall, and a lot do anyhow

Transition housing may be funded, but we help with the advocacy to get them there. We give the food and the support they need to build themselves up again.

I am probably not very good at this but think very carefully before you ruin so many peoples livelihoods, it takes special people to truly care.

Think carefully about who will work with the broken – MSD and your other govt agencies only go so far, will only take so much where we just keep on believing in the best in everyone

Thank you

**Kay Worth**

Taranaki Business Manager

s 9(2)(a)



Te Ope Whakaora

The Salvation Army New Plymouth  
118 Powderham Street, New Plymouth 4310  
PO Box 384 New Plymouth 4340

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**From:** Judy Vather s 9(2)(a)  
**Sent:** Thursday, 27 March 2025 10:55 am  
**To:** Policy Webmaster  
**Subject:** Objection to proposal to impose tax on not-for-profit sector

**External Email CAUTION:** Please take **CARE** when opening any links or attachments.

To whom it may concern

I write to express our strong objection to the proposal to impose a tax on the not-for-profit (NFP) sector. Working for an organization committed to serving the community, we believe this proposal will have detrimental effects on the essential services provided by NFPs and ultimately harm the vulnerable populations we support.

Not-for-profit organisations operate primarily to provide vulnerable populations with basic needs. The imposition of a tax will divert already limited resources away from critical services such as healthcare, housing, social welfare, to name a few. This would result in reduced service availability, increased waiting times, and potential closure of vital programs.

The NFP sector plays a crucial role in working with government to fill gaps that the Government isn't able to cover fully. Taxing NFP's would reduce their capacity to support disadvantaged communities and put a bigger strain on government.

Our other concern is that donors would be discouraged by the tax imposed as donors expect their contributions to be used to directly support causes and not administrative tax liabilities.

The not-for-profit sector is a significant contributor to employment and economic activity. Increased financial strain on NFPs could lead to job losses, reduced community engagement, and diminished economic benefits that arise from social investment.

Many countries recognize the importance of a tax-exempt status for NFPs to ensure their sustainability and effectiveness.

For the reasons outlined above, we urge the government to reconsider this proposal.

I appreciate the opportunity to provide this submission.

Judall Vather  
**Transitional Housing Finance Team Leader**  
**The Salvation Army | Transitional Housing**  
Northern Division  
Level 1, 691a Mt Albert Road, Royal Oak, Auckland, 1023  
M: s 9(2)(a)  
W: <http://www.salvationarmy.org.nz/>



**THE ARMY THAT BRINGS LIFE**

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**From:** Scott Koster s 9(2)(a)  
**Sent:** Thursday, 27 March 2025 11:07 am  
**To:** Policy Webmaster  
**Subject:** Taxation and the not-for-profit sector

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What are the most compelling reasons to tax, or not to tax, charity business income?

- True charities (those that help the most vulnerable) should continue to exempt as any change will ultimately affect those in need.

If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be the most significant practical implications?

- Reduction in services available to Kiwis in need

If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what criteria should be used to define an unrelated business?

- I believe the real issue here is the criteria for a “charity”

If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what would be an appropriate threshold to continue to provide an exemption for small-scale business activities?

- It will be difficult to establish a threshold as there are vast differences in charities and the services they provide. In the case of the Salvation Army, any taxation will have a direct impact on the assistance provided to those in need. I suspect any change in taxation legislation will bring chaos to the accounting industry and most charities would allocate any business income to charitable purposes.

If the tax exemption is removed for charity business income that is unrelated to charitable purposes, do you agree that charity business income distributed for charitable purposes should remain tax exempt? If so, what is the most effective way to achieve this? If not, why not?

- Should absolutely remain tax exempt and I would again reiterate that actual charities are not the issue here but organizations that have charity status but provide little in the way of community support.

If the tax exemption is removed for charity business income that is unrelated to charitable purposes, what policy settings or issues not already mentioned in this paper do you think should be considered?

**THE SALVATION ARMY**  
Te Ope Whakaora

Last year,  
**135,000**  
people  
received help  
through at  
least one of  
our services.

salvationarmy.org.nz

- 88,808** food parcels/vouchers/hampers were provided to families and individuals.
- 4333** people helped through transitional housing and supportive accommodation.
- 111,500** people received direct welfare support.
- 874** people received health care through Hauora Service.
- 3388** clients received financial mentoring.
- 4543** people received support for harmful use of alcohol and/or other drugs.
- 3033** families were helped through our whānau support programmes.
- 1189** people participated in our Driver Programme.

Statistics from July 2023 to June 2024

[A gift in your Will | The Salvation Army](#)

**Scott J. Koster**  
**Relationship Manager/Chaplain**  
**Supporter Engagement & Fundraising**  
 s 9(2)(a)

W: [www.salvationarmy.org.nz](http://www.salvationarmy.org.nz)

The Salvation Army | New Zealand, Fiji & Tonga  
 caring for people | transforming lives | reforming society

**THE SALVATION ARMY**  
Te Ope Whakaora

*Together*

Inspiring stories in our community

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Submission for IRD to review:

1.	CEO- remuneration and their spendings
2.	Compulsory audit report regardless of what tiers they fall in.
3.	Review- bonus component by the auditor
4.	Cost related to board members
5.	Board member directly or indirectly involved as a supplier.
6.	Disclosure- Staff involved in any volunteering activity are volunteering willingly or not i.e. written in the Individual Employment Agreement and Job Description?



27th March 2025

David Carrigan  
Deputy Commissioner, Policy  
Inland Revenue  
C/- [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

## **Feedback on the taxation and the not-for-profit sector officials' issues paper**

Dear Mr Carrigan,

Thank you for providing the opportunity to provide feedback on the proposals for changes to the taxation of not-for-profit and charitable entities.

Linwood RFC has been a cornerstone of our local community for 139 years, delivering not only rugby but also social and community development. Our mission extends beyond the rugby field. We enrich lives, promote well-being, and drive positive societal change.

While the “Q and As” published by IRD mention that it is not expected that bodies promoting amateur games and sport will be affected by the proposals we would still like to take the opportunity to make a submission that this income tax exemption should remain as is.

### **The Economic and Social Value of Grassroots Rugby Clubs**

Rugby is not just a sport in New Zealand – it is part of our national identity and contributes significantly to the economy and society. As one of the more than 470 grassroots rugby clubs in New Zealand, we play a crucial role in fostering community engagement, social connection, and personal development.

Our club, like many others across the country, provides a space where individuals of all ages and backgrounds can come together, engage in physical activity, contribute to their local community and form lifelong friendships and support networks.

Beyond playing rugby, we provide fun festivals for Year 1-8, Sevens rugby for Years 9-13. These activities bring communities together and generate economic activity for local businesses throughout the year, not just on game day.

Rugby clubs are also at the forefront of addressing important societal issues in our communities. We are forerunners running the Mind, Set Engaged well being and mental health for our members and wider community.

### **The Importance of Retaining the Income Tax Exemption for Amateur Sport**

The current income tax exemption for bodies promoting amateur games and sport ensures that we can remain financially viable. Removing this exemption or imposing income tax on our membership fees would:

- significantly reduce the funding available for clubs to provide community programs, purchase equipment, maintain facilities, and support player development.
- create an administrative burden for us as a volunteer-run organisation, diverting time and resources away from our core activities; and
- lead to increased costs for participants, which could disproportionately impact those from lower-income backgrounds and reduce youth participation in rugby especially in the current cost of living crisis.

Preserving the current income tax exemptions is essential for sustaining the economic and social benefits they provide. Linwood RFC remains committed to enriching our community, and we urge the Government to consider the profound implications that changes to tax exemptions would have on grassroots organisations like ours.

Grassroots rugby is a cornerstone of New Zealand's social and economic fabric, and its contribution must be recognised and protected in any tax policy changes.

Yours sincerely,

Samuel Jack  
Rugby Manager

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