



**Inland Revenue**  
Te Tari Taake

Donation Tax Credit regime regulatory stewardship review

## **Inland Revenue Response**

January 2025



## Introduction

This document provides the Inland Revenue leadership response to the Donation Tax Credit (DTC) regime regulatory stewardship review. Conducted in 2023-2024 by a networked team led by Policy, the review aimed to assess whether the regime is operating as intended, achieving its outcomes, and remaining fit for purpose. This response should be read in conjunction with the Donation Tax Credit regime regulatory stewardship review findings document.

The review identified no significant concerns, but did identify opportunities for improvement across four key themes: Structural, Administrative, Cultural, and Compliance. While we are committed to implementing many of the recommendations, some require significant changes that cannot be prioritised at this time due to resource constraints. This response outlines our immediate actions, medium-term plans, and the challenges and constraints we face.

## Immediate actions

We are committed to implementing several recommendations immediately to enhance the DTC regime:

1. **Automate digital receipt processing:** We will enhance the use of OCR technology to reduce the need for manual processing of DTC receipt claims. This will streamline operations and improve efficiency. As part of this we will look at processing receipt numbers and declining receipts where receipt numbers are not present.
2. **Improve public engagement:** We will collaborate with Philanthropy NZ, DIA, and the Minister for the Community and Voluntary Sector to promote the DTC regime and increase awareness. This includes running media campaigns and updating our online resources.
3. **Develop targeted educational materials:** We will create guidance covering cultural scenarios and overseas giving. These materials will be distributed through updated online platforms, including the Māori landing page and a new Pacific Island landing page, as well as through community workshops facilitated by Pacific Island churches. These workshops will also cover compliance issues. These will be more effective if compliance actions follow. Inland Revenue is redesigning its compliance prioritisation process and donations tax credit issues will be assessed under the new or interim process.
4. **Improve collaboration with Charities Services:** We have worked with Charities Services to automate the sharing of registration status information. There have been improvements on data collection on overseas spending for the DTC and now we will focus on better collection of data for DTC-eligible as compared with DTC-ineligible donations.

## Medium-term plans

Several recommendations will be addressed in the medium term as part of our ongoing improvement efforts:

1. **Links with FamilyBoost:** We will consider integrating with donee organisations to streamline the DTC claiming process. This will be aligned with any possible future improvements to FamilyBoost, which uses the same infrastructure and model as the DTC regime.
2. **Review intermediary, AML and authority to act rules:** We will review our operational guidelines and requirements for AML purposes. Authority to act issues are being considered under the policy work on Intermediaries. Many of the issues raised with Inland Revenue's interactions with intermediaries (KYC,

AML issues as well as Authority to Act and the consents framework) are related to or downstream of our regulatory framework for intermediaries. A cross-IR team is currently looking at improvements to this framework. We have referred the findings of the review to that group as an example of the sorts of issues that the current framework creates for the administration of the Donations Tax Credit

3. **Introduce a 3-month grace period for losing donee organisation status:** Our charities policy team will consider this legislative change as part of the tax and social policy work programme.
4. **Optimise myIR:** Our digital team will consider enabling real-time auto-declining of receipt claims in myIR.

## Challenges

While we are committed to continuous improvement, some recommendations cannot be prioritised at this time due to resource constraints and the need for significant system changes:

1. **Delinking the credit from income tax:** This recommendation requires major system and policy changes, including alterations to the administration, technology, and policy framework of the current regime.
2. **Real-time payments:** Implementing real-time payments involves substantial changes to our technology and policy framework, which may not be feasible in the short- or medium- term.
3. **Shift to Payments-Based System:** Moving to a payments-based system would require a complete overhaul of the current model, shifting the compliance burden from donors to donee organisations and/or intermediaries.

These changes are of such a significant nature that we would only consider them if the Government desired large-scale reform of the donations tax credit regime.

## Conclusion

We appreciate the valuable insights provided by the regulatory stewardship review. While we cannot implement all recommendations immediately, we are committed to making meaningful improvements to the DTC regime.



David Carrigan

**Deputy Commissioner,  
Policy**



Mary Craig

**Deputy Commissioner,  
Enterprise Design and Integrity**